

## Using cheques safely



Cheques first appeared in this country in the seventeenth century, with the earliest known still to be in existence being a handwritten cheque dated 16 February 1659. Since then the cheque has evolved into the form we know today, with volumes peaking in 1990, when 11 million cheque transactions were made each day.

Since then, cheque volumes have gradually declined, with personal cheque use having halved in the last ten years to 4.4 million each day in 2007. Businesses and consumers have increasingly chosen to pay bills by Direct Debit and to use plastic cards to pay for goods and services, whilst some retailers have taken the decision to stop accepting cheques as payment. This trend is set to continue, with personal cheque volumes predicted to drop a further 52 per cent to 2.3 million per day by 2016.

Nevertheless, cheques remain popular for certain payments, from paying for school trips through to birthday presents. If used properly, cheques are a convenient and safe way to pay or receive payment. Therefore it is important that cheque users follow these simple steps to ensure that cheques are used safely and that payments can be cleared with minimal delay.

### Facts and figures 2007

- There were just over 4.4 million business and personal cheques issued each day in 2007, compared with 11 million in the peak year for cheque volumes, 1990.
- Women make almost 52 per cent more guaranteed cheque payments than men.
- Adults receive five cheques on average per year.
- The average value of a personal cheque payment in 2007 was £219.

## Top tips for writing cheques

- Keep cheque guarantee cards separate from chequebooks. If either is lost or stolen, notify your bank immediately. When a new card is received, the signature strip on the back should be signed immediately.
- Never pre-sign blank cheques.
- When writing cheques, be sure to complete all sections, including the payee name, and the amount in both words and figures. It is also good practice to include the word 'only' after writing the amount in words to prevent an unauthorised person making a fraudulent alteration.
- Make sure you write the name of the payee clearly and correctly. The vast majority of cheques are crossed 'a/c payee', which means that they must and can only be paid in to the account of the named beneficiary (i.e. the person to whom the cheque is made payable). This prevents cheques being cashed or paid in to the accounts of third parties.
- If you're making a cheque payable to a bank, or to a credit card company to pay off your credit card bill, you must ensure that you provide sufficient details on the payee. Enter the full details for the account holder in the payee line, for example XYZ Bank, re J Jones, account number xxxxxx. This helps to guard against fraud, and was a rule introduced in October 2006. It also helps to ensure the money gets to the right account without unnecessary delay.
- Write the words clearly, starting from the left-hand side of the cheque and write the amount in figures as close to the £ sign as possible.
- You should draw a line through all unused space so unauthorised people cannot write in extra names, change the amount in words or add extra numbers in the amount box.
- Don't let your signature overlap the amount box and don't use commas or £ signs in the amount box.
- If you're using a sterling chequebook, don't write your cheque in a foreign currency or euros.
- Write cheques using black or blue ballpoints or pens with indelible ink. Do not fold or staple cheques.
- If you need to make amendments, these should be made clearly by crossing through the error and initialling or signing the correction.
- It is advisable not to post-date a cheque. It is likely to be outside the terms and conditions of your account and it may simply be cleared as soon as it is paid in. So if there are insufficient funds in your account or you have already reached your overdraft limit, it may bounce.
- If you issue a cheque that is not presented within six months, do not assume that it can no longer be used. It may be cleared when presented, unless there are no funds in your account, in which case the cheque will be returned unpaid. You may wish to ask your bank to place a stop on the item (some banks may charge for this service).

# Staying safe from fraud

Cheque fraud losses in the UK have been falling over the past few years, with the banking industry intercepting 90 per cent of attempted cheque fraud in 2005 and 2006. In 2006 cheque fraud losses in the UK amounted to £30.6 million – a 24 per cent decrease from the 2005 total of £40.3 million. The most common form of cheque fraud is forged cheque fraud, which in 2006 accounted for £22.4m and 74 per cent of the total.

The three main types of cheque fraud are counterfeit; forged; and fraudulently altered.

- Counterfeit cheque fraud: £2.1 million in 2006 (down 34%). Counterfeit cheques are manufactured or printed on non-bank paper to look exactly like genuine cheques and are drawn by a fraudster on genuine accounts held by the bank.
- Forged cheque fraud: £22.4 million in 2006 (down 27%). A forged cheque is a genuine cheque which has been stolen from an innocent customer and used by the fraudster with a forged signature.
- Fraudulently altered cheque fraud: £6.1 million in 2006 (up 2%). A fraudulently altered cheque is a genuine cheque that has been made out by the payer but a fraudster has altered the cheque in some way before it was paid in e.g. by altering the beneficiary's name or the amount of the cheque.

Although the banking industry has checks in place to intercept and stop the vast majority of lost and fraudulent cheques it is still important that customers remain on their guard.



## Receiving cheques – protect yourself

Don't accept a cheque, or banker's draft, from someone unless you know and trust them. Be especially wary when accepting a high-value cheque – for instance if you are selling a car.

it is a guaranteed same-day value payment. If the "buyer" is unwilling to pay the relatively small cost involved – or to split it with you – then you really do need to be on your guard.

Pay in cheques promptly – if you leave it longer than six months there is a possibility that the cheque will be returned unpaid.

Be aware that a banker's draft or building society cheque is not necessarily safe from fraud. They can be stolen or altered like any other cheque, and if altered, stolen or counterfeit they will not be honoured. If you receive a banker's draft in payment for goods you should wait until you have certainty of fate at the end of the 6th working day after you've paid the cheque in to your account before releasing the goods.

Be aware that, until a cheque has been "cleared for fate" at the end of the 6th day after you have paid the cheque in to your account, there is a risk that the money could be reclaimed. If the cheque turns out to be stolen, fraudulently altered or counterfeit.

It is safer to ask for payment for high-value items to be made by other means – an internet or phone banking payment or a CHAPS payment. There is a charge for a CHAPS payment but

If you're not sure when day 6 has passed you should check with your bank.