

Procedure



Cheque &
Credit
Clearing
Company

Credits Paid in over
Bank Counters for
Customers of
Other Banks

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Banks do not have to accept Bank Giro Credits paid in over their counters where the beneficiary holds the account indicated at another bank. Where such items are presented the customer may be advised to go to the beneficiary account holding bank to effect the transaction.

Where a bank decides to accept a Bank Giro Credit (BGC) over the counter for credit to an account held at another bank, there is a risk of loss to the Collecting bank if a cheque, presented as part of the transaction, is returned unpaid:-

- where the Collecting bank causes a delay in presenting the cheque for payment or
- where the Collecting bank causes a delay in notification to the Beneficiary bank that the cheque is unpaid.

Additionally, it is not possible for a Collecting bank to meet its obligations under the Money Laundering Regulations to confirm that the beneficiary name on the cheque exactly matches the beneficiary name and account number on the BGC . Neither can it perform any 'know your customer' checks. It could therefore be leaving itself open to challenge by a beneficiary or paying bank.

1. To avoid liability for loss banks should not accept bank giro credits for accounts held at other banks unless they are :
 - a. Pre-encoded HO Collection credits, e.g for utility bills and credit card payments.
 - b. Credits composed entirely of cash
 - c. Credits composed entirely of cheques drawn on the collecting bank.
 - d. Paid in under special arrangements which have been set up **in writing** between the collecting bank and the account holding bank.

This does not remove the requirements on the Collecting Bank of the remaining Money Laundering Regulations.

2. Where a credit has been deposited in a paying in machine or letterbox and it does not fulfil the conditions above, the Collecting bank should contact the depositor, or forward the whole transaction set to the Beneficiary bank.

3. If these procedures are not followed and the account holding bank incurs a loss, the collecting bank will be required to make full restitution. Such responsibility can only be avoided, or partially avoided, by one of the following conditions:
 - a. The bank on which the cheque is drawn will bear any loss where they have not followed the correct procedures and timescales for the return of unpaid cheques.
 - b. If the fraud departments of the respective banks agreed that the account holding bank has been grossly negligent in its account opening procedures, therefore allowing an account to be established for fraudulent purposes, they may conclude that the loss be apportioned.