



## **Good news for customers: Cheques to clear in one day**

The maximum six day cheque clearance process will be reduced to one day due to new legislation which applies from October this year - covering all UK banks and building societies. The process is being co-ordinated by the Cheque and Credit Clearing Company (C&CCC) and is already being gradually phased in.

James Radford, their Chief Executive, stated that:

"These changes will put cheques firmly in the 21st century, delivering real and important benefits for the many individuals, charities and businesses that regularly use cheques. Not only will cheques clear faster but banks and building societies may offer their customers the option of paying in an image of a cheque rather than the paper cheque itself."

This should eliminate the present, confusing process where cheques are debited on to the statement but may not be cleared to draw against for days.

Initially the industry wanted to phase out cheques altogether as the number used has declined over recent years. However with the backing of MPs they have been retained. It is still a popular method of payment - especially for small business owners, charities and the older generation. In fact 405 million cheques were used for payment or to acquire cash in 2017, with £356bn being deployed through the C&CCC alone.

Banks currently send the payer's cheque to the clearing banks to facilitate clearance. Then they have to wait for the cheque to be physically transported back to the bank that issued them. Under the new rules this will be reduced to one day by sending a digital image of the cheque for clearance. To do this, banks will use a common Image Clearing System (ICS).

The legislation aims to ensure that the ICS has no detrimental impact on the existing position of cheque users. Upon request only, the paying banks will have to provide a copy of the cheque together with:

- confirmation of the decision of the banker that the payment should be made (including automated decisions); the date that the decision was made (or the date upon which the automated decision was made);
- the value of the payment made;
- the sort code and account number of the paying customer (drawer of the cheque);
- any reference number allocated by the banker authorised to collect payment of the instrument (used to identify the payment instrument).

This will ensure that customers have the right to a copy of their cheque, together with useful information, while minimising the burden on industry.

Businesses that still receive cheques as settlement of their invoices will gain from this legislation as it effectively reduces the credit they are obliged to give customers by up to one week.

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