

# Unite Briefing Paper on Ending of Cheques



October 2010

**In December 2009, the Board of the Payments Council agreed to set a target end date of 31 October 2018 for cheque clearings in Great Britain and Northern Ireland. The first cheque was written 350 years ago but the council said there should be "no scenario" for using cheques by 2018. A final review will come in 2016.**

## **The key facts driving this initiative in the UK are:**

- Cheque use has fallen by 40% over the past five years.
- Cheques were used for less than three per cent of non-cash retail transactions in 2008.
- Business cheque use peaked in 1997. Business-to-business cheques have been in marked decline as businesses increasingly move to the use of electronic payments for their trade suppliers.
- On average, UK users wrote 14 cheques each during 2008, compared with 31 in 2002.

## **Unite interest**

Between them HP and iPSL have responsibility for clearing all of the cheques of the major UK based banks. Unite represents the workforces of HP, who do the cheque clearing for RBS, and iPSL a joint venture between Unisys, Barclays and Lloyds TSB formed in 2000 with HSBC who joined as a shareholder in 2001. HP presently employs approximately 800 staff (including agency) on the RBS account, these cover a full time equivalent of 600 positions. Together with iPSL's 2,500 full time equivalent staff the total employment figure exceeds 3,000 jobs.

Unite estimates that over 1500 of these jobs would be affected by the ending of cheque clearing, including not just those who carry out the operational processes but other ancillary activities such as collecting and transporting cheques. Any losses would have a huge impact on the local economy.

Additionally the physical transfer of cheques is carried out for RBS by TNT logistics company. TNT employs staff located at the various HP sites to co-ordinate a team of approximately 1000 drivers. Unite members are also employed in the printing industry which is responsible for printing the cheques. The report from the Payments Council makes no reference to the impact on jobs of its proposal. Unite believes that this is a serious omission demonstrating a disregard for employees as well as sections of the community who will suffer as a result of this proposal.

The UK Payments Council Board is dominated by representatives of the big banks who would see a cost benefit of ending the system. Unite believes that it is unacceptable that banks which have recently been bailed out by the taxpayer are now planning to cause their customers massive inconvenience by scrapping the cheque. Benefits to the banks are estimated to be as much as £1bn! Four independent members of the board - who are not from the banking industry - voted against setting the target date.

## **Why cheques are needed – who needs cheques?**

Older people- this could lead to many elderly and vulnerable people who rely on cheques for payment in our society withdrawing large amounts of cash from banks if cheques were unavailable. Many elderly people do not have access to online banking - 6.4 million over-65s have never used the internet!

The National Pensioners Convention (NPC) condemns the decision as a selfish, made by people who are clearly out of touch with the way millions of older pensioners manage their affairs stating: "Chip and pin is simply not suitable for a large number of pensioners and this announcement provides no guarantees that cheques will be replaced with anything that meets the needs of older consumers."

Small business people and traders - the cheque is important to small businesses, to charities, to subscription-based companies, to the voluntary sector such as clubs and union branches, and to schools. Unite believes that the UK Payments Council is encouraging the demise of the cheque without any regard for the interests of such groups.

---

## Office of Fair Trading

The Office of Fair Trading, in its submission to the Council's consultation, noted that "there remains a question as to whether a decision by the Payments Council to plan an end to cheque clearing could infringe competition law, and we strongly suggest that appropriate legal advice is sought before any decision is taken".

Unite would welcome a more independent scrutiny of this issue at this stage rather than further down the line when banks may have already reached a point of no return.

## Early Day Motion

Mark Hunter MP tabled an early day motion (EDM 258) on the 26th November 2009 which challenged the decision of the Payments Council and attracted a number of signatures across all parties. Unite believes that this motion sums up the issues which need to be considered and the responsibilities of banks to the customer.

## What is happening in other countries

Cheque use is falling everywhere in the western world, but the popularity of cheques seems to be different depending on where you are.

Unite accepts that usage of cheques is in decline and that there are a number of alternatives. However that in itself is not an argument for abolition. Unite believes that account should be taken of developments in other countries in looking at alternatives.

## Summary

- **Unite concludes that the Payments Council's proposals have been arrived at without adequate consultation or an Impact Assessment and have been determined by a small vested interest group of bankers.**
- **Unite believes that the process and timetable in the document will result in a pre-determined outcome by virtue of banks and retailers reducing the usage of cheques and phasing out their use even earlier than that proposed.**
- **Unite further asserts that little or no consideration has been given to those in our society who would be most adversely affected by the removal of cheques and that these are amongst the most vulnerable in society.**
- **Unite is concerned that this proposal will lead to significant job losses in the cheque clearing industry and that there has been no consideration given to this fact by the Payments Council. The effect on jobs should form part of any Impact Assessment by the Payments Council.**
- **Unite believes there is still time to affect these proposals. The Payments Council has stated that a final decision will be taken in 2016 only if acceptable alternatives to cheques are available and there is evidence these alternatives are being used.**
- **Unite is committed to working in conjunction with other interested groups and feed into lead group/organisations to drive this campaign forward.**



**[www.unitetheunion.org](http://www.unitetheunion.org)**