



Submission to the Treasury Select Committee inquiry into the end of cheques

This evidence is submitted by Unite the union. Unite is the UK's largest trade union with over 1.5 million members across the private and public sectors. The union's members work in a range of industries including manufacturing, financial services, print, energy, construction, transport, local government, education, health and not for profit sectors.

Within this membership Unite organises companies specialising in cheque handling such as HP and Unisys iPSL and logistic companies which would be adversely affected by the ending of cheques as a means of transferring money.

Executive Summary

- Unite has serious reservations about the ending of cheques and the impact that this would have on those employed in cheque handling, logistics and printing industries.
- Unite is concerned about the implications that this move might have on international money transfer and the ability of the major players to have in place within the timescale suggested a full range of alternative mechanisms.
- Unite is concerned about the impact on the elderly and that many families continue to use cheques for social purposes such as gifts.
- Unite is opposed to the setting of any target date for such removal until such time as suitable alternatives have been found for all users.

1. Background

1.1. At its meeting on 16 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.

1.2. According to the Payments Council, the initial target of 2014 is to ensure that alternatives to cheques are either available or in the pipeline. By 2016

acceptable alternatives to cheques must be available and widely used: they will need to be well publicised and acceptable to customers, including small businesses and sole traders. One early task for the Payments Council is to define the detailed targets that will be needed, so that any final decision is properly backed by hard evidence of progress. The final 'go' decision for a 2018 end date will be taken in 2016 only if all these targets are met.

1.3. The key facts¹ driving this initiative in the UK are:

- 1.3.1. Compared with a peak of 11 million cheques written per day in 1990, by 2008 there were just 3.8 million a day. Cheque use has fallen by 40% over the past five years.
- 1.3.2. In 2000, cheques represented less than a quarter of all non-cash transactions. By 2008 they accounted for only one in twelve.
- 1.3.3. In 2008 each adult wrote 1.2 cheques per month on average and received just 5 per year.
- 1.3.4. Only 54% of adults wrote a cheque and only 48% of adults received a cheque payment in the last year.
- 1.3.5. Cheques were used for less than three per cent of non-cash retail transactions in 2008.
- 1.3.6. 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.
- 1.3.7. The average value of a business-to-business cheque stands at £2,200, much higher than that for business-to-individual cheques (£374) and for cheques written by individuals (£267).
- 1.3.8. On average, UK users wrote 14 cheques each during 2008, compared with 31 in 2002.

2. Unite interest

- 2.1. 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.
- 2.2. 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. iPSL has its two main centres for cheque clearance in Northampton and Liverpool where these losses would have a huge impact on the local economy.

¹ Source: UK Payments Council

- 2.3. Additionally the physical transfer of cheques is carried out for RBS by TNT logistics company. TNT employs 13 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 and 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.
- 2.4. 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.
- 2.5. The move will clearly benefit the profits of the banks estimated to be by as much as £1bn. Unite notes that of the Board members voting for this decision the four independent members of the board - who are not from the banking industry - voted against setting the target date.

3. Why cheques are needed – who needs cheques?

3.1. Older people

- 3.1.1. As well as causing unnecessary disruption for many businesses, bankers would be dealing a huge blow to hundreds of thousands of people, many of them elderly, who rely on cheques for payment.
- 3.1.2. The decision if carried through could well lead to the most vulnerable might deciding to withdraw large amounts of cash from the bank if cheques were unavailable. The Committee's attention is drawn to the National Pensioners Convention (NPC) which has condemned the decision as a selfish decision, made by people who are clearly out of touch with the way millions of older pensioners manage their affairs.
- 3.1.3. The NPC has said; "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."
- 3.1.4. Online transfers were not appropriate either as 6.4 million over-65s have never used the internet.

3.2. Small business people and traders

- 3.2.1. The cheque is important to small businesses, to charities, to subscription-based companies, to the voluntary sector and to schools, and it appears to Unite that the UK Payments Council is encouraging the demise of the cheque without any regard for the interests of such groups.
- 3.2.2. There is the added concern that having been given the green light for this process, banks and retailers will start to phase them out even sooner.
- 3.2.3. Larger traders during the second half of the last decade have already removed the facility of paying by cheques from customers.

From Shell's initial removal in 2005 the trend has been followed by major supermarkets such as ASDA and Morrisons and high street stores such as John Lewis and Marks and Spencer.

3.3. Office of Fair Trading

- 3.3.1. 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".
- 3.3.2. Following the publication of the Council's decision to end cheque clearing in 2018, the OFT commented "when details for ending cheques were produced, it would scrutinise them to see if they were anti-competitive". Whilst the Payments Council has sought its own legal advice on this matter and not surprisingly, believes that it is not acting as a monopoly, 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.
- 3.3.3. Unite rejects the proposition that the Council has put forward that individual banks might create a smaller cheque-clearing service among themselves if they wished. It is the current public confidence in the central cheque clearing process that sustains the trust for many people in the cheque system and a smaller individual operation would be unlikely to secure a similar level of trust and the costs involved would be likely to eventually be passed to the customer.

3.4. Early Day Motion

- 3.4.1. Unite would remind the Committee that Mark Hunter's early day motion tabled on the 26th November 2009 challenges the decision of the Payments Council and has attracted 123 signatures across all parties. The text of the EDM 258 is set out below:

That this House notes with concern that high street banks are planning to stop accepting cheques despite protest from consumer groups and businesses; further notes that nearly four million cheques are still being written each day and that many people still prefer to pay for goods and services in this way; is concerned that the Payments Council which represents the major banks will vote in December 2009 on whether or not to scrap the cheque as a method of payment; believes many people, particularly the elderly, would be inconvenienced as a result; calls upon the Government to remind the banks that they exist to serve customers and not the other way round; and urges the banks to reconsider their proposals to abolish the cheque.

- 3.4.2. Unite believes that this sums up the issues which need to be considered and the responsibilities of banks to the customer.

4. What is happening in other countries

- 4.1. Cheque use is falling everywhere in the western world, but the popularity of cheques seems to be different depending on where you are. The Payment Council in Annex A of its document "The Future of Cheques in the UK" refers

to its own research in selected countries around the world to demonstrate the alternatives that have been developed in many of the countries and in most the decline of the use of cheques, although did not identify any where the usage had disappeared completely.

4.2. 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. It is notable that there is no reference in the opposition to the changes planned elsewhere in the world in the document and yet it is unlikely that such proposals are proceeding unchallenged.

4.3. Clearly, the cessation of the CGCS will hasten the demise of cheque usage. It has been observed that in Austria, for example, the elimination of the bank guarantee function effectively made cheques a less secure method of payment, and therefore an undesirable one from the merchant's point of view.

4.4. Unite would argue that a more independent study, in those countries where similar policies advocating the ending of cheques, should be undertaken before automatically accepting the conclusions reached by the Payments Council.

5. Conclusions and recommendations

5.1. Unite concludes that the proposals contained in the Payments Council document have been arrived at without adequate consultation and have been determined by a small vested interest group of bankers.

5.2. Unite believes that the process and timetable laid down 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.

5.3. 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 probably the most vulnerable in society.

5.4. Unite is concerned that this proposal will lead to significant job losses in the cheque clearing industry and that there is no mention made of this and therefore it can be assumed that no consideration has been given to this fact by the Payments Council.

5.5. Unite calls for the Select Committee to recommend:

- An independent investigation into the impact of the ending of cheques on society and its impact on jobs in the UK.
- The removal of any fixed timescale for the ending of cheques until such time as every alternative has been examined and where appropriate introduced
- That the OFT institute its own enquiry into this proposal and that its findings forms part of the decision making process.

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