

Cheque you know your rights



With more people shopping online or using plastic cards, you could be forgiven for thinking that the days of the cheque are numbered. Though cheque use has decreased in recent years, there are still around 3.5 million cheque transactions taking place every day.

Whether you balance your cheque book each week or write the occasional cheque to send with a birthday or Christmas card, cheques can be a convenient way to make a payment. However, a recent survey by the Cheque and Credit Clearing Company showed that only 1% of consumers knew how long it took for a cheque to clear and for the money to be safely theirs.

There are a few things to remember when paying in a cheque:

- you should start receiving interest on the amount paid in on the second working day;
- your bank will generally allow you to withdraw money on the fourth working day but may still claw the money back if it turns out the cheque was not genuine; and
- by the end of the sixth working day the money should be yours to use.

Last year, the Financial Ombudsman Service – the free service set up by law with the power to settle financial complaints – received around 800 complaints about cheques and bankers drafts. Many of these complaints are as a result of confusion over the clearing cycle – and attempts by fraudsters to exploit this.

A few cases recently seen by the ombudsman

In a recent case seen by the ombudsman, Mr Hollis, from Birmingham, was sent a cheque for £4,000 for a car he was selling. The car was on sale for £500 so the buyer asked him to transfer the leftover money from the cheque back. Mr Hollis checked with his bank who confirmed that funds would be available, so he transferred £3,500. He discovered he had been duped when the cheque bounced. The bank refused to refund the money, so he contacted the ombudsman.

The ombudsman investigated and found that though Mr Hollis had a conversation with the bank, they did not confirm that the money had cleared and was safely his. Under the circumstances the ombudsman was unable to uphold the complaint.

Mr Ericson, from Glasgow, also contacted the ombudsman after he was caught by a similar scam when he sold his motorbike. He contacted his bank a few days after paying in the buyer's cheque and wanted to know if there was any danger of the cheque not being paid. Reassured by the bank's response, he transferred money back to the buyer – only for the cheque to bounce.

The ombudsman agreed that in these individual circumstances the bank had not picked up on Mr Ericson's concerns and should have explained more clearly that the cheque might be returned unpaid. The ombudsman told the bank to pay the money he had lost.

Get in touch

If you have money-related problem, you should be able to sort things out direct with your bank, insurance company or financial business. But if things don't go smoothly and you're still unhappy, the Financial Ombudsman Service may be able to help.

The ombudsman's cheque checklist

• If in doubt, don't give it out!

If you're selling an item and the buyer wants to pay by cheque, keep in mind the timescales that apply – be aware that a cheque can still 'bounce' after the money first clears in your account.

• Give it a logic check:

There are fraudsters out there, so if a situation doesn't seem right, be cautious. If someone overpays you by cheque and asks you to send some money back, bear in mind you may lose your money if the cheque turns out to be stolen or fraudulent.

• Balance the books:

Whether you write a lot of cheques each month or just the occasional one or two, keep a record of the cheques you have written.

• Can a cheque expire?

Most banks will reject cheques that are over six months old – whether a bank accepts an old cheque is at their discretion. The only way to cancel an outstanding cheque for sure is to speak to your bank and cancel it.

To find out more visit
www.financial-ombudsman.org.uk
or call 0300 123 9 213