



Bank of St. Helena Ltd.

www.sainthelenabank.com

Cheque Book Scheme - Information For Acceptors

Updated 13 July 2016

The Bank of St. Helena has launched a Cheque Book Scheme.
This leaflet advises cheque acceptors of the details of the operation of the scheme.

1: INTRODUCTION

1.1 Purpose and advantages

The purpose of the Cheque Book Scheme is to permit customers to make payments to retailers, utilities and others by cheque, as an alternative to paying with cash or by account transfers.

The primary advantage to the holder of having a cheque book is that it removes the necessity to first draw cash at the bank before making a payment.

For the person or business accepting the cheque there are a number of advantages:

- Customers will be able to make payments outside banking hours when they do not have cash to hand;
- Customers will be able to make payments by post without the need to mail cash;
- Cheques are easier to manage than cash and are less likely to be stolen.

1.2 Terminology

Throughout this leaflet we have used the following terms, which may be unfamiliar:

Drawer: the person who writes out the cheque, with the intention of making payment to the Acceptor

Acceptor: the person or business that accepts the cheque as payments for goods or services.

2: WHAT TO DO ABOUT CHEQUES

This section deals with the day-to-day operation of the scheme. It applies to all businesses and individuals that may accept cheques. Where there are different considerations for particular situations these are identified separately.

2.1 Before you can accept cheques

To accept cheques you must have an account at the Bank of St. Helena (see 4.1 below).

You will also need to make a few decisions about how you are going to handle the cheques you receive. These are set out in Section 4.7 below.

2.2 When asked to accept a cheque for payment

If asked to accept a cheque you need to:

- Ensure that the cheque is correctly completed (see 4.2 below)
- Store the cheque in a safe place until you can take or send it to the bank (see 4.4 below)

2.3 Getting the money

After you have accepted a cheque you must take or send it to a branch of the Bank of St. Helena for payment (i.e. including the branch in Ascension Island).

The money will be credited to your account, normally on the day the cheque is presented.

For Further Information please see 4.4 below.

2.4 Charges

The bank currently makes no charges to drawers or acceptors for processing cheques.

Customers who have cheque books will make a small payment for the cheque book itself, which goes toward covering the cost of printing the cheque book.

3: OTHER INFORMATION

3.1 Information for cheque users

Separate information leaflets are available for the users of cheques.

3.2 Do I have to accept payment by cheque?

There is no obligation for businesses or individuals to accept payment by cheque.

The bank hopes businesses and individuals will see the advantages of accepting payment by cheque, and will actively participate in the scheme.

4: FURTHER INFORMATION

This section provides additional information about the operation of the scheme. You may want to read through it in advance. Bank of St Helena recommends that you keep a copy for reference.

4.1 Account requirements

To accept cheques you must have an account at the Bank of St. Helena.

If you do not have an account and wish to open one, please visit a branch of Bank of St Helena, taking with you personal proof of identity or the papers relating to your business, as appropriate.

You must have to have money in your account to accept cheques.

4.2 How to identify a valid and correctly completed cheque

The format of a Bank of St Helena cheque is shown below:

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------|
|  <p>Bank of St. Helena Ltd. www.sainthelenabank.com</p> | <p>Market Street, Jamestown St Helena, STHL 1ZZ T +290 2390</p> | <p>98765432</p> |
| | <p><u>Pay</u> _____</p> <p><u>Amount (Words)</u> _____</p> | <p><u>Date:</u> _____</p> |
| <p>_____ Fred & Wilma Flintstone Authorised Signature(s):</p> | | |
| <p>Bank Use Only 903412</p> <p>System Ref: _____</p> <p>Date Input _____</p> <p>Input By: _____ Checked By: _____</p> | | |

To ensure that the cheque has been correctly completed look for the following:

- It must be written on a proper bank cheque form. Photocopied pages, for example, are not acceptable;
- The 'Pay' line must contain the name of the person or business, to whom, the cheque is to be paid (see 4.6 below);
- The amount in words must match with the amount in figures;
- The cheque must be signed by the person whose name appears on the cheque form. In a shop, if you do not know the drawer, you may wish to ask for proof of identity (see 4.7 below);
- If accepted at a point-of-sale, the date should be today's date. When accepted for bill payment it can have an earlier date. You may also decide to accept 'forward dated' cheques (see 4.7 below).
- Nothing else is written on the face (front) of the cheque.

4.3 Cheque Storage

It is advisable to keep cheques in a safe place, as you would cash.

If a cheque is lost you will need to negotiate with the person who gave it to you to see if they will write you another. The bank cannot help in the case of cheques that are lost or destroyed before they are presented for payment at Bank of St Helena.

4.4 Banking Cheques

Banking cheques (i.e. presenting them at the bank for payment) can be done in two ways:

- At the counter, whenever the bank counter is open.
- By courier or by post (cheques must be accompanied by a correctly completed paying in slip).

The acceptor's account will normally be credited on the day the cheque is processed by the bank. Businesses are advised to bank cheques as soon as possible, to reduce the risk of non-payment (see 4.5 below). However, for practical reasons it is likely to be expedient to collect up cheques and bank them together.

The bank recommends that cheques are banked daily.
Please note that cheques cannot be faxed to the bank for payment.

When banking cheques it is advisable to use the bank's standard "Cheque Pay-in Itemisation" form, as this ensures that all the necessary details are provided and will assist with any subsequent enquiry. The bank also makes this form available as an Excel® worksheet, enabling it to be completed electronically and printed off (please download a copy from the Documents section of our website).

4.5 Unpaid Cheques

When a drawer presents an acceptor with a cheque they are promising to make payment. This means that they must be sure that they will have sufficient funds in their account to cover the value of the cheque when it is presented at the bank for payment.

If, when the acceptor presents the cheque at the bank for payment, there are insufficient funds in the drawer's account to cover the cheque, it will be returned, unpaid, to the acceptor, who must then contact the drawer to demand payment by another means.

It will be immediately clear that it is advantageous to present cheques to the bank for payment as soon as possible. Otherwise, although the drawer may have sufficient funds in the account when the cheque is written, they may later have reduced the balance to a level where the cheque cannot be paid.

4.6 Payee Name

A cheque can only be paid into the account with the name as written on the 'Pay' line. So if you have separate business and personal accounts, make sure people put the business name on cheques which are payments to the business, and your name on cheques which are paid to you personally. The only exception to this rule relates to joint accounts, where cheques made out to either account holder can be paid in.

To clarify this, here are some examples:

| Cheque made out to | Account name | Accepted? |
|---------------------------------|---------------------------------|------------------------------------------------------------------------------|
| Fred Flintstone | Fred Flintstone | Yes – name matches |
| Fred Flintstone | Fred & Wilma Flintstone | Yes – either name is acceptable for a joint account |
| Fred & Wilma Flintstone | Fred Flintstone | No – cheque made out to both can only be paid into a joint account |
| Flintstone & Sons Rock Crushers | Fred Flintstone | No – names do not match (business cheque being paid into a personal account) |
| Fred Flintstone | Flintstone & Sons Rock Crushers | No – names do not match (personal cheque being paid into a business account) |

The bank may accept cheques containing minor errors (e.g. name slightly mis-spelt) as long as it is clear from the cheque to whom payment was intended to be made.

4.7 Issues that businesses will need to consider

The subjects discussed below are ones on which each business must make its own decision. However, the bank has provided a recommendation in each case.

- **Forward Dated Cheques**

If a business chooses to accept a cheque with a forward date (i.e. a date in the future) it will not be able to present it for payment at the bank before the date shown on the cheque.

The bank does not recommend that retailers accept forward dated cheques, as there is an increased risk of non-payment. However, for utilities, there can be advantages in accepting forward dated cheques. Customers might be encouraged to send in their cheque earlier in the month, even though it will not be presented until the final payment date, thus reducing administration at the month end.

- **Part-payment and over-payment**

At the point-of-sale the value of the cheque does not need to exactly match the value of the goods being purchased. If the cheque is for less than is required, the retailer can accept the balance by another means of payment (e.g. in cash). The retailer may also accept a cheque for a higher value than the goods purchased and give change. However, see the warning below.

- **Larger Cheques**

If asked to take a cheque for a large amount, particularly from a customer with whom you are not familiar, you may want to take additional precautions, such as:

- Asking for an identity document, and noting down some contact details for the customer;
- Asking the customer to permit you to bank the cheque before you part with the goods.

You will need to decide what constitutes a large amount in the context of your business.

Please note that the bank cannot reserve funds or validate the cheque before it is presented at the bank.

More cautious businesses may wish to restrict the value of a cheque that a cashier can accept without higher authority (e.g. from a supervisor). This is usually known as imposing a 'floor limit'. Hence a cashier is not permitted accept a cheque over the 'floor limit' certain value without calling over the supervisor to confirm it.

- **Refunds**

Where a customer has paid by cheque and is later due a refund, the business must decide how to provide this refund. If the refund is to be given before the cheque has been taken to the bank, it may be possible to simply return it to the customer. This is by far the simplest solution.

Once the cheque has been presented to the bank and paid, it cannot be un-paid. Hence the retailer would need to give the refund in cash.

- **Special issues regarding the use of cheques to pay bills**

Cheques can be used to pay bills, and have the advantage that they can be posted without the risks associated with sending cash.

Businesses who accept payment by post (e.g. utilities) should advise their customers to write some form of reference information on the back of their cheques when accompanying bills. For example, the customer may be asked to put their customer number on the back of the cheque. That way, should the cheque and the payment slip become separated; the payment can still be allocated to the correct account.

Please note that the customer should be asked to write this information on the REAR of the cheque. Additional details completed on the face of the cheque could cause the cheque to be cancelled.

- **Proof of Identity**

If you are asked to accept a cheque from someone you don't know, you may wish to ask them for proof of identity. You could then, for example, check that the name on the cheque book matches with that of the identity document, however, be aware that people will not always carry proof of identity when shopping.

- **Records of cheques**

You may wish to keep a record of all the cheques you have paid into the bank, with dates that they were accepted. That way if a cheque is returned unpaid you can more easily track it back to the sale.

Please note that, once a cheque has been presented for payment, the bank cannot return it to you.