



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

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Cheque Survey 2014



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1. Executive Summary

Introduction

In 2012, the first major analysis of issuers and receivers of cheques in Ireland was conducted as part of the National Payments Plan process, the first survey of its kind. While the number and value of cheques issued in Ireland is readily available, there had been no detailed breakdown of cheque users by payer or payee. This exercise was repeated in 2014 to examine and analyse any changes in the intervening years.

Though still one of the few cheque users left in the EU, Ireland's cheque usage has been declining steadily from a peak of 132 million in 2005. In the two years since the 2012 survey, cheques will have dropped from 76 million to a projected 61 million in 2014.

Change Since 2012

The 2014 survey indicates that while cheque usage in Ireland continues to be dominated by smaller businesses and consumers, businesses are migrating from cheques to electronic payments faster than consumers. While the overall number of cheques is reducing for both businesses

and consumers, consumers now issue 37% of all cheques, up from 35% in 2012. Consumers are also the recipients of 49% of cheques, up from 44% in 2012.

Consumer Cheques

41% of consumer issued cheques are for €100 or less and 77% are for €500 or less. 66% of business cheques are for €1,000 or less. Six million social welfare cheques are issued annually, representing the majority of cheques issued by the public sector. The State issues about 11% of cheques in Ireland and is the recipient of 7%.

Business Cheques

80% of all business cheques issued are by SMEs and, of cheques received by businesses, SMEs receive 78% of these. Financial institutions issue 2% of cheques, 4% including bank drafts. Unincorporated bodies such as clubs and charities account for about 2% of cheques. e-Day, September 19th 2014, is the date from which public sector bodies will no longer use cheques in their dealings with businesses.

Figure 1.1: Summary of Survey Results

		Beneficiary				
		Consumers	Businesses	Public sector	Unincorporated Bodies	Total
Issuer	Consumers	15.4%	18.4%	2.5%	0.8%	37.1%
	Businesses	19.1%	22.6%	4.5%	0.3%	46.5%
	Public Sector	10.3%	0.3%	0.0%	0.0%	10.6%
	Financial Institutions	1.6%	0.4%	0.0%	0.0%	2.0%
	Unincorporated Bodies	1.4%	0.5%	0.0%	0.2%	2.2%
	Bank Drafts	1.0%	0.7%	0.0%	0.0%	1.7%
	Totals	48.7%	42.9%	7.1%	1.3%	100.0%

2. Introduction

2.1 Background

The National Payments Plan for Ireland was published in 2012 and approved by the Minister for Finance in April 2013. Targeting improved efficiencies in Ireland through the migration from cash and cheques to electronic alternatives, cheque reduction is one of its key objectives. It is estimated that potential savings of up to €1 billion per annum could be achieved with its successful implementation.

While information on the volume and value of cheque usage in Ireland has been measured for many years, there was little more than anecdotal evidence about the issuers and beneficiaries of cheque in Ireland. In 2012 a survey was undertaken by each of the clearing banks. Each bank physically examined a sample of 1,000 cheques on two different specified dates. In each case the cheques were examined to determine the issuer, the beneficiary and the amount, with this information being categorised under a number of headings. A report outlining the findings from this survey was issued in early 2013.

In April and May 2014 this process was repeated using the same methodology and guidance notes to ensure consistency between the two surveys. Once again each participating bank sampled 1,000 cheques on two different, specific days, 8,000 cheques in total

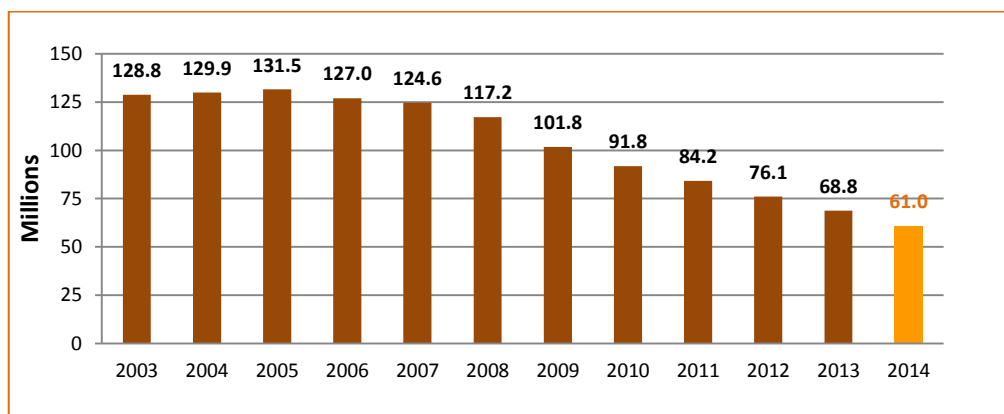
This second survey affords an opportunity both to further validate the findings of the 2012 survey, but also to give an insight into any shift in usage patterns as cheque usage in Ireland continues to decline.

2.2 Cheque Usage in Ireland

Ireland is one of only three major Member States (five including Malta and Cyprus) that still use cheques to any significant extent and like most others that use cheques, volumes are declining. Cheques peaked in Ireland in 2005 at 132 million and have been declining every year since, to less than 70 million in 2013 and an expected 61 million in 2014.

Cheques per capita in Ireland currently stand at 17 per person per annum, twice the EU average. 20 EU Member States have an average of 2 or less per person per annum.

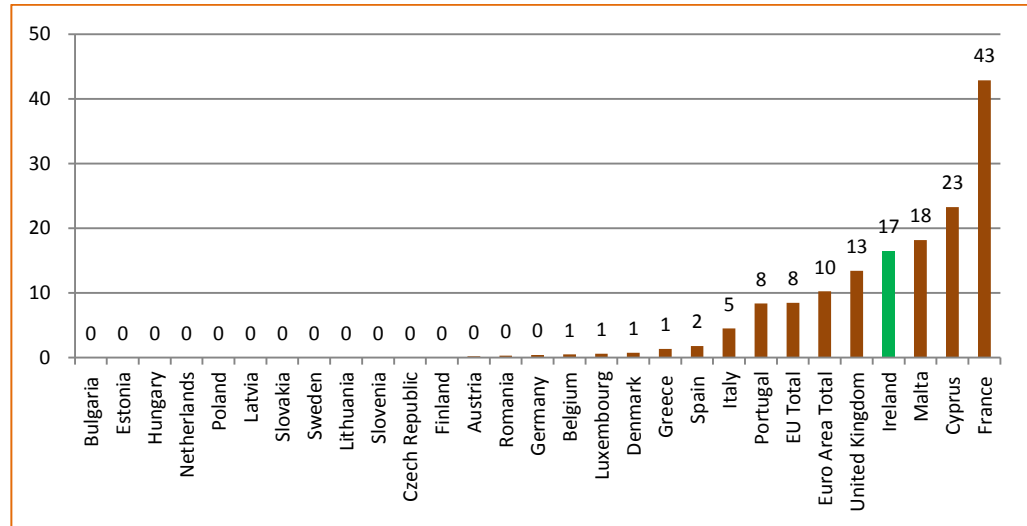
Figure 2.1: Cheque Usage in Ireland, 2003 - 2014¹



¹ 2014 figure is estimated

Source: Irish Payment Services Organisation Ltd.

Figure 2.2: Cheque Usage in Europe per Capita, 2012



Source: European Central Bank

3. Business Cheque Usage

3.1 Introduction

This section looks at businesses as both issuers and receivers of cheques. Unlike in many other EU member states, businesses in Ireland continue to use cheques quite extensively, with SMEs (small and medium enterprises) dominating overall usage. The results of the 2014 survey suggest that business cheque usage, particularly as receivers, has been falling faster than consumer cheque usage since 2012. A detailed table of business cheque usage is set out in Table A.1 Appendix III.

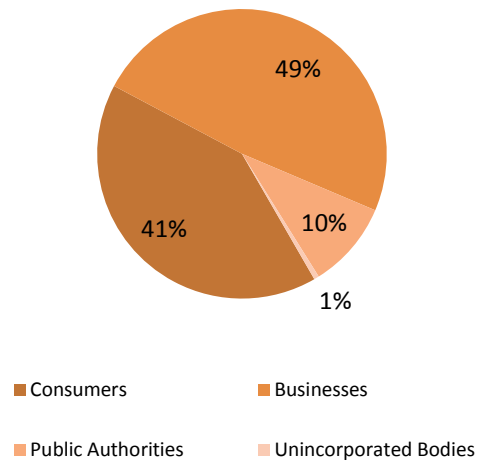
3.2 Businesses as Issuers

Businesses issue about 48% of cheques which is relatively unchanged since 2012. SMEs account for 8 out of every 10 of these.

Almost half of the cheques issued by businesses are payable to other businesses with another 40% written to consumers. One in 10 are payable to public sector bodies.

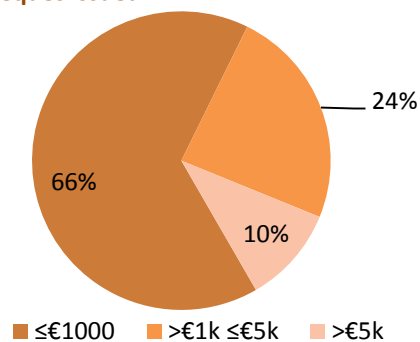
66% (73% in 2012) of business issued cheques are for €1,000 or less, 24% (17% in 2012) are between €1,000 and €5,000 and with 10% (unchanged) over €5,000 (see Figure 3.2).

Figure 3.1: Beneficiaries of cheques issued by businesses



The breakdown of cheques issued by SMEs is detailed in Table A.2 of Appendix III and it shows a close similarity to total business cheque usage, which would be expected given the dominance of SMEs in the use of cheques by businesses.

Figure 3.2: Value of business cheques issued



3.3 Businesses as Beneficiaries

43% of cheques are payable to businesses. This is down from 50% in 2012. More than half of these are from other businesses, with more than 8 out of 10 payable to SMEs. 43% of cheques received by businesses are issued by consumers, up from 39% in 2012.

Other sources such as the State, Unincorporated bodies, financial institutions and bank drafts add up to less than 5% of business cheque receipts.

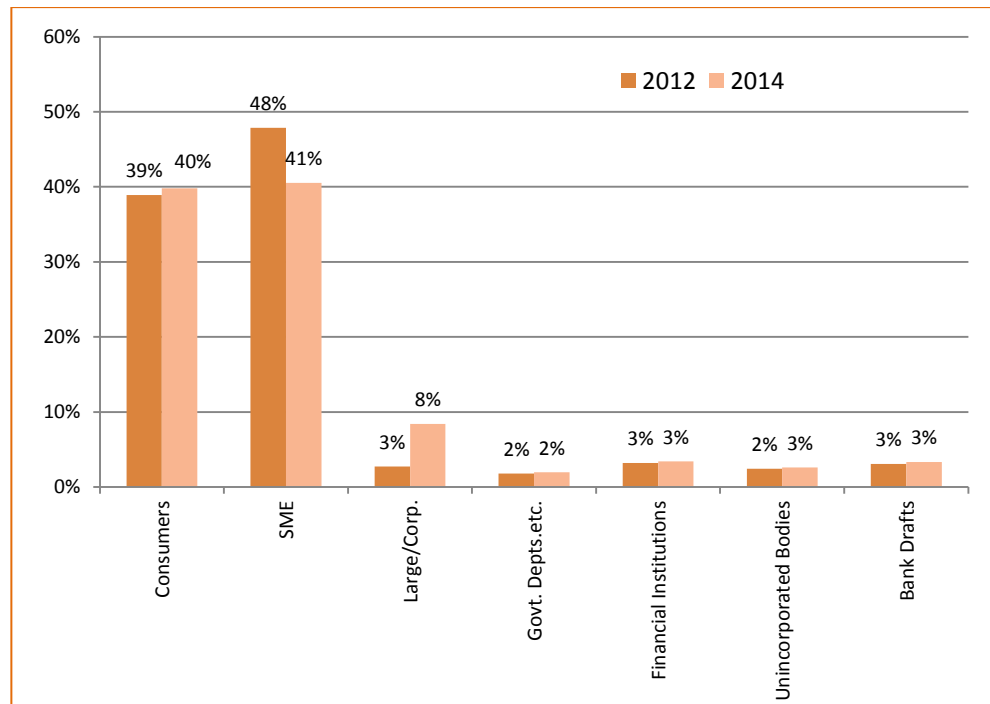
The particular focus of e-Day is to encourage SMEs to migrate from cheque usage as they are either issuers or receivers of more than 60% of all cheques in Ireland. It is anticipated that with the State leading by example, and with many businesses already using electronic payments rather than cheques, that other businesses will follow suit and switch to electronic payments.

3.4 e-Day

e-Day, September 19th 2014, is the date from which public sector bodies such as Government departments, State agencies and local authorities will no longer issue cheques to or accept cheques from businesses.

This key recommendation of the National Payments Plan for Ireland is being implemented as part of an effort to reduce cheque usage generally in an effort to reduce cost and improve cash-flow for Irish businesses.

Figure 3.3: Issuers of Cheques to Businesses



4. Consumer Cheque Usage

4.1 Introduction

Consumer cheque usage in Ireland remains quite high with consumers issuing 37% of cheques and receiving 49% of them, both higher numbers than found in the 2012 survey. This suggests that though cheque usage in general is declining, consumers are more reluctant to let go than businesses. In absolute terms, this suggests that consumers will issue about 23 million cheques in 2014, down from 27 million in 2012.

4.2 Consumers as Issuers

The split of consumer cheques by value bands has remained virtually unchanged since the 2012 survey with 41% for €100 or less and 22% for over €500.

50% of consumer cheques are payable to businesses (down 6% since 2012), 41% to other consumers (up 7% from 2012), 7% to public sector bodies and the remaining 2% to unincorporated bodies such as clubs and charities. Of the cheques payable to

businesses, 72% are payable to small businesses, 18% to larger businesses and with 5% each going to the education sector and utility billers.

Figure 4.1: Value of Consumer Cheques Issued

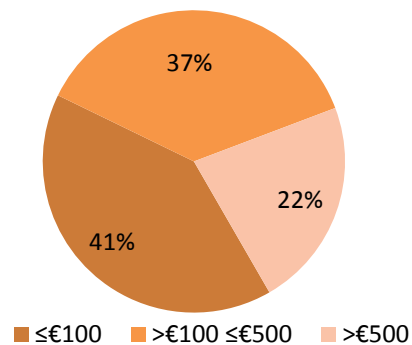
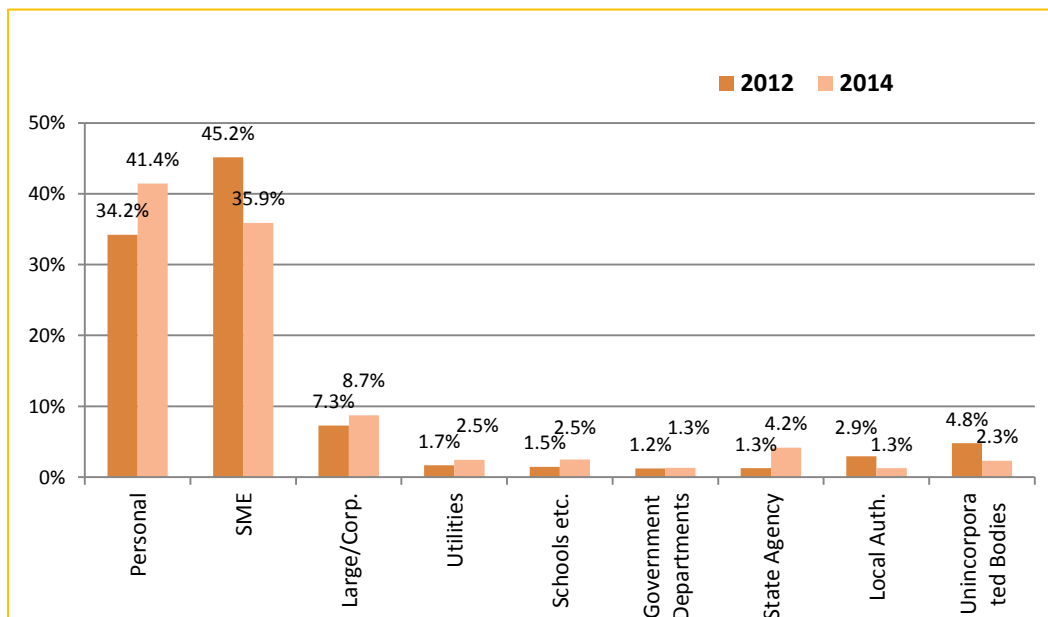


Figure 4.2: Consumer Cheques by Beneficiary



4.3 Consumers as Beneficiaries

Based on the survey results, almost half of all cheques written in Ireland every year are now payable to consumers. The 2014 figure is 49% compared to 44% two years earlier. This will equate to over 30 million cheques in 2014.

Social welfare cheques will make up about 6 million or 21% of these. Of the rest, 32% (9 million) will be issued by other consumers. 41%, (13 million) will be received from businesses, including financial institutions, with about three quarters of these being issued by SMEs. The remaining two million will consist of cheques from unincorporated bodies and bank drafts.

Table 4.1 shows the breakdown of cheques issued to consumers in 2012 and 2014.

Table 4.1: Issuers of Cheques to Consumers

Issuer	Share 2012	Share 2014
Business	39%	39%
Consumers	27%	32%
Government, State Agencies etc.	23%	21%
Financial Institutions	4%	3%
Unincorporated bodies	4%	3%
Bank Drafts	3%	2%

Appendix I – Methodology

Overview

Each of four Irish clearing banks² were asked to examine 1,000 cheques picked at random from their 'in-clearing' debit items on two dates, April 30th 2014 and May 6th 2014.

In each case the cheques were examined and categorised under a number of headings for both the issuer and the receiver. Under these headings the cheques were further categorised into different value banks. These are listed below.

Issuer Categories

1. Consumers
(Divided into three value bands: ≤€100, >€100 ≤€500 and >€500)
2. Businesses, further subdivided as follows:
 - SMEs
(Divided into three value bands: ≤€1k, >€1k ≤€5k and >€5k)
 - Large Businesses
(Divided into three value bands: ≤€1k, >€1k ≤€5k and >€5k)
3. Government Departments, State Agencies and Local Authorities
4. Financial Institutions
5. Unincorporated Bodies
6. Bank Drafts

Beneficiary Categories

1. Consumers
2. Businesses, further subdivided as follows:
 - SME
 - Large / Corporates
 - Utilities
 - Schools etc.
3. Government further subdivided as follows:

- Departments
 - State Agencies
 - Local Authorities
4. Unincorporated bodies

Process

Each bank undertook to examine 1,000 random cheques from its 'in-clearing' debit items for each of the survey dates and to capture the findings on an agreed template. The returns from each bank were then weighted by market share and aggregated.

The results of the two surveys were examined and compared and no inconsistencies were evident.

It was recognised that a certain degree of subjectivity was required, e.g. in determining the size/type of businesses and in some cases to determine if the name on a cheque applied to a consumer or a sole trader. Guidelines in this regard were provided to each of the banks, a copy of which is included in Appendix II.

As a further cross-check on the breakdown between businesses and consumers, each of the participating banks supplied a split between personal and non-personal cheque issuers. Once again these were weighted by market share and the figure obtained was 36% which is consistent with the 35% that emerged from the survey.

Social welfare cheques negotiated in post offices do not go through the normal clearing process, but have been accounted for in the survey.

² AIB Bank, Bank of Ireland, permanent tsb and Ulster Bank Ireland

Appendix II – Guidance Notes

General

1. The cheques selected to be surveyed should be a random sample of 1,000 items from each bank's 'in-clearing' debit items
2. The items examined should all be received on the agreed survey date
3. The information required may be recorded by examining images of the items if more convenient than physically examining the originals
4. In some cases the exact classification may be somewhat ambiguous e.g. whether small business or personal. In such cases, the examiner is to use their best judgement
5. Bank drafts are to be included in the return (on the understanding that they form part of the cheque 'in-clearing')
6. Any difficulties with completing the survey should be reported to the NPP Programme Office (Russell Burke)

Categories - ISSUER

Personal – personal (consumer) customers of the bank. Includes value bands:

- Up to and including €100
- Greater than €100, up to and including €500
- Greater than €500

Business SME – business customer that are clearly medium/small businesses or sole traders/professionals. If only a personal name appears and there is nothing else to indicate that the issuer is a business, then please deem 'personal'

Includes value bands:

- Up to and including €1,000
- Greater than €1,000, up to and including €5,000

- Greater than €5,000

Business Large/Corporate – businesses that are deemed too big to fall into SME category. If in doubt, use best judgement

Includes value bands:

- Up to and including €1,000
- Greater than €1,000, up to and including €5,000
- Greater than €5,000

Government Departments, State Agencies and Local Authorities – This is intended to capture the broader public sector so includes e.g. Dept. of Justice, DSP, Revenue Commissioners, HSE, OPW, Road Safety Authority, City and county councils, household charge etc.

Financial Institutions – all banks, buildings societies, credit unions, P.O. etc.

Unincorporated Bodies – Clubs, charities, societies etc.

Bank Drafts – drafts drawn on the bank

Categories – BENEFICIARY

Personal – as above

Business - here businesses are divided into four categories:

- *SMEs* as above
- *Large/Corporate* as above.
- *Utilities / Billers* is to include all utilities and regular billers e.g. Bord Gáis, ESB, UPC, phone and mobile operators, waste companies etc.
- *Schools etc.* is to include schools, universities, colleges etc.
- *Government* - record Depts., State Agencies and Local Auths. separately
- *Unincorporated Bodies* – as above

Appendix III – Tables

Table A.1: Full Survey Results

Table A.2: Cheques Issued by Businesses in Ireland

Table A.3: Cheques Issued by Consumers in Ireland

Table A.1: Full Survey Results - 2014

	Cheque value	Beneficiary								Total	
		Consumers	SME	Large Business /Corporate	Utilities	Schools etc.	Gov't Depts.	State Agencies	Local Authorities		Unincorporated Bodies
Consumers	≤€100	5.75%	5.97%	0.64%	0.38%	0.40%	0.26%	0.96%	0.17%	0.53%	15.04%
	>€1k ≤€5k	5.70%	4.39%	1.78%	0.30%	0.41%	0.21%	0.50%	0.20%	0.25%	13.74%
	>€5k	3.93%	2.96%	0.83%	0.23%	0.10%	0.02%	0.08%	0.09%	0.08%	8.32%
Small and Medium Sized Business	≤€1k	9.92%	10.54%	0.96%	0.14%	0.17%	0.83%	2.99%	0.23%	0.19%	25.98%
	>€1k ≤€5k	3.34%	4.28%	0.69%	0.09%	0.06%	0.09%	0.07%	0.06%	0.03%	8.71%
	>€5k	0.88%	1.49%	0.27%	0.03%	0.00%	0.03%	0.02%	0.01%	0.00%	2.73%
Large Business/ Corporates	≤€1k	2.51%	1.28%	0.63%	0.04%	0.00%	0.00%	0.06%	0.00%	0.02%	4.53%
	>€1k ≤€5k	1.40%	0.50%	0.44%	0.01%	0.00%	0.01%	0.00%	0.01%	0.02%	2.39%
	>€5k	1.06%	0.54%	0.40%	0.05%	0.00%	0.10%	0.00%	0.01%	0.00%	2.16%
Public sector		10.29%	0.24%	0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	10.58%
Financial Institutions		1.55%	0.27%	0.09%	0.03%	0.04%	0.00%	0.00%	0.00%	0.02%	2.00%
Unincorporated bodies		1.41%	0.48%	0.04%	0.01%	0.00%	0.02%	0.01%	0.00%	0.18%	2.16%
Bank drafts		0.98%	0.47%	0.13%	0.03%	0.02%	0.00%	0.01%	0.02%	0.01%	1.67%
Total		48.72%	33.40%	6.93%	1.36%	1.20%	1.58%	4.70%	0.80%	1.32%	100.00%

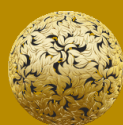
Table A.2: Cheques Issued by Businesses in Ireland

	Value	Beneficiary								
		Consumers	SME	Large Business /Corporate	Utilities	Schools etc.	Government Departments	State Agencies	Local Authorities	Unincorporated Bodies
SMEs	≤€1k	21.34%	22.68%	2.07%	0.31%	0.36%	1.79%	6.44%	0.49%	0.41%
	>€1k ≤€5k	7.18%	9.20%	1.47%	0.19%	0.14%	0.20%	0.15%	0.13%	0.07%
	>€5k	1.89%	3.21%	0.58%	0.07%	0.00%	0.06%	0.04%	0.03%	0.00%
Large Business/ Corporate	≤€1k	5.40%	2.74%	1.36%	0.08%	0.00%	0.00%	0.12%	0.00%	0.04%
	>€1k ≤€5k	3.02%	1.07%	0.94%	0.03%	0.00%	0.02%	0.00%	0.02%	0.04%
	>€5k	2.27%	1.15%	0.86%	0.11%	0.00%	0.22%	0.00%	0.02%	0.00%
Total		41.10%	40.05%	7.28%	0.78%	0.49%	2.29%	6.76%	0.68%	0.56%

Table A.3: Cheques Issued by Consumers in Ireland

Value	Beneficiary								
	Consumers	SME	Large Business /Corporate	Utilities	Schools etc.	Government Departments	State Agencies	Local Authorities	Unincorporated Bodies
≤€100	15.49%	16.09%	1.72%	1.02%	1.09%	0.69%	2.58%	0.46%	1.42%
>€100 ≤€500	15.36%	11.83%	4.79%	0.81%	1.10%	0.58%	1.35%	0.55%	0.66%
>€500	10.60%	7.97%	2.23%	0.63%	0.27%	0.06%	0.22%	0.24%	0.20%
	41.44%	35.89%	8.74%	2.46%	2.46%	1.33%	4.15%	1.25%	2.28%

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