



Banc Ceannais na hÉireann
Central Bank of Ireland

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Cheque Survey 2012



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1. Executive Summary

Ireland is one of only a few EU countries that still have a significant dependency on cheques. While the number and value of cheques has been measured for some time, little information about issuers and beneficiaries of cheques was available. In 2012, the first major analysis of its kind was coordinated by the National Payments Plan programme office of the Central Bank of Ireland and undertaken by a number of major banks.

In 2011, 84.2 million cheques and other paper debit instruments were issued in Ireland.

The results of the survey show that cheque usage in Ireland is dominated by smaller businesses and consumers. Two thirds of all cheque usage occurs entirely within these two segments.

Businesses issued 44% of all cheques in Ireland which, in 2011, equated to about 37 million cheques.

Most of these (90%) are issued by SMEs (small and medium sized enterprises).

The results for cheques received by businesses show a very similar pattern. The vast majority (57%) of cheques received by businesses are written by other businesses, which equates to more than 21 million cheques per annum. 88% of these, or almost 19 million cheques in 2011, are received by SMEs.

Consumers issued 35% of all cheques and are the recipients of 44%. 42% of cheques issued by consumers are for €100 or less.

The public sector is no longer a major issuer of cheques other than the Department of Social Protection. Of 8 million cheques issued by the public sector in 2011, 6 million were social welfare payments.

Figure 1.1: Summary of Survey Results

		Beneficiary				
		Consumers	Businesses	Public sector	Unincorporated Bodies	Total
Issuer	Consumers	11.9%	19.4%	1.9%	1.7%	34.9%
	Businesses	16.8%	25.2%	1.3%	0.5%	43.8%
	Public sector	9.9%	0.9%	0.2%	0.0%	11.0%
	Financial Institutions	1.8%	1.6%	0.2%	0.1%	3.6%
	Unincorporated Bodies	1.8%	1.2%	0.0%	0.2%	3.2%
	Bank Drafts	1.5%	1.5%	0.2%	0.1%	3.4%
	Totals	43.8%	49.7%	3.8%	2.6%	100.0%

2. Introduction

2.1 Background

The National Payments Plan was established to help improve national competitiveness. According to the European Central Bank (2012)¹, cheques are an inefficient form of payment. While the number and value of cheques has been measured for some time, little information about the issuers and beneficiaries of cheques was available. In this context, the first major cheque analysis of its type was undertaken in 2012 by participant banks, coordinated by the National Payments Plan programme office.

A total of 10,000 cheques were examined, with each of five cheque clearing banks sampling 1,000 cheques on two dates, April 18th 2012 and May 1st 2012. In each case the cheques were examined to determine the issuer, the beneficiary and the amount,

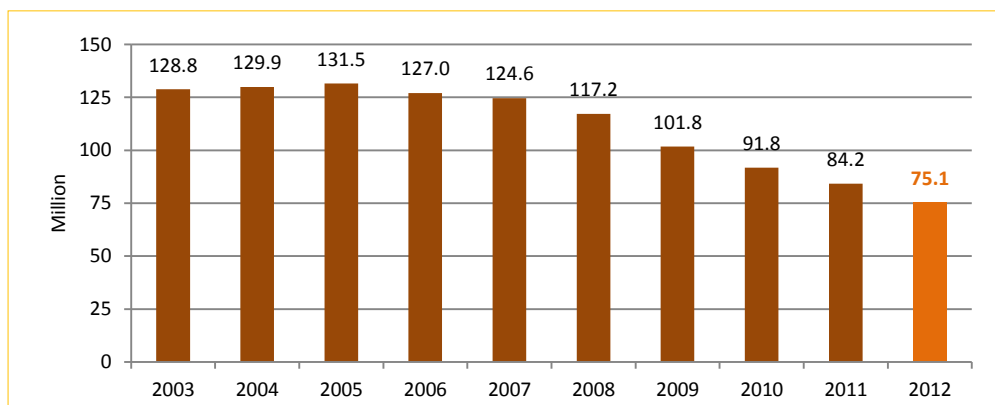
with this information being categorised under a number of headings. The survey methodology, guidance notes and full results are available in the appendices.

The survey contains information that can be used to help develop payments policy in Ireland. It will also provide a reference base for measurement of future changes in cheque usage.

2.2 Cheque Usage in Ireland

Although volumes are declining, Ireland remains one of only a few EU member states that still use cheques for regular payments (see Figures 2.1 and 2.2). After many years of growth, cheque usage in Ireland reached a peak of 131.5 million per annum in 2005. This equated to 32 cheques per capita.

Figure 2.1: Cheque Usage in Ireland, 2003-2012²



Source: Irish Payment Services Organisation Ltd.

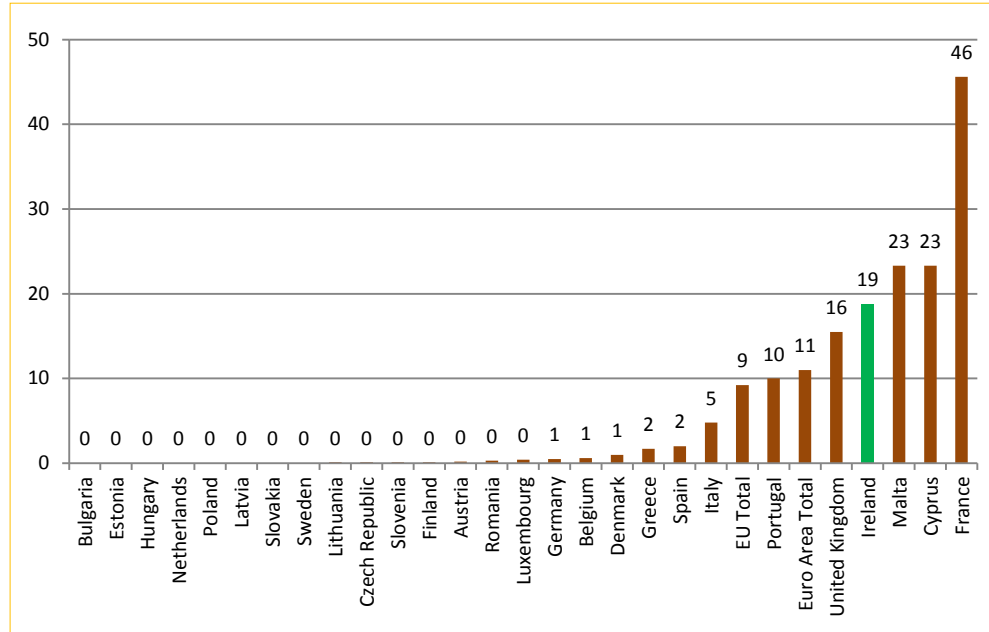
¹ ECB Occasional Paper Series No. 137, September 2012 - The Social and Private Costs of Retail Payment Instruments: A European Perspective - H. Schmiedel, G. Kostova and W. Ruttenberg

² The figure for 2012 is an extrapolation of the quarterly reduction for Q1 and Q2 for the year as whole.

This has declined every year since, falling to (a projected) 75.1 million cheques in 2012. Ireland averages 19 cheques per capita per annum compared with the EU average of 9.

However, the majority (20 out of 27) member states use 2 or less cheques per capita per annum.

Figure 2.2: Cheque Usage in Europe per Capita, 2011



Source: European Central Bank

3. Business Cheque Usage

3.1 Introduction

While businesses in most other European countries do not use cheques as a regular means of payment, cheque usage in Ireland among businesses is widespread. This section covers cheque usage of businesses in Ireland in terms of both issuing and receiving, with a particular focus on the cheque usage of small businesses. See Table A.1 in Appendix III for the full data.

3.2 Businesses as Issuers

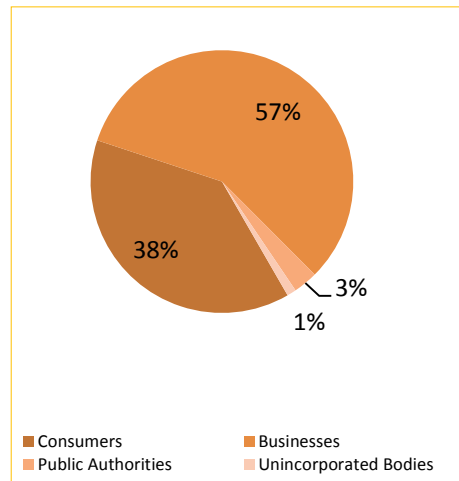
Businesses issue 44% of all cheques in Ireland which, in 2011, equated to about 37 million cheques. Of these, 9 out of every 10 are issued by SMEs.

The majority (57%) of cheques issued by businesses are payable to other businesses (see Figure 3.1) which equates to more than 21 million cheques per annum. Of these cheques issued to other businesses, 87% (almost 19 million in 2011) are issued to SMEs, 9% to larger businesses and corporates, 3% to utilities and the remaining 1% to the education sector.

Consumers account for most of the remainder of cheques issued by businesses (38% of the total), with relatively low numbers of cheques issued by businesses to public authorities or unincorporated bodies.

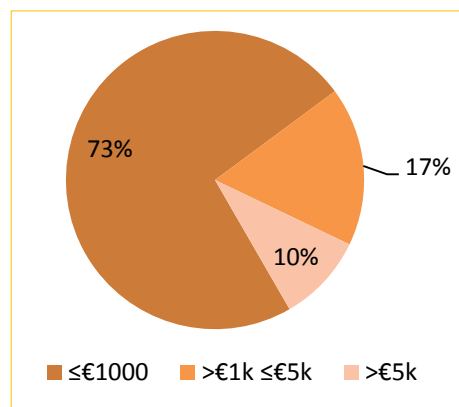
73% of all cheques issued by businesses are for €1,000 or less. 10% are for values greater than €5,000 (see Figure 3.2).

Figure 3.1: Beneficiaries of Cheques Issued by Businesses



The patterns 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

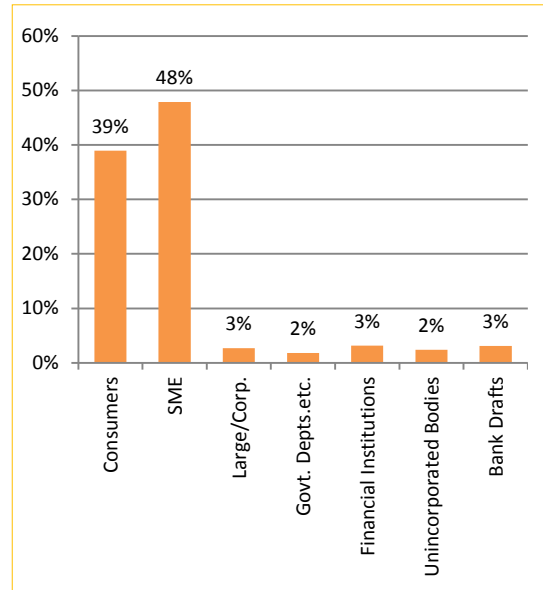


3.3 Businesses as Beneficiaries

Almost half of all cheques issued (48%) are payable to businesses, equating to 42 million in 2011 (see Figure 3.3). More than half of these were issued by other business, primarily SMEs.

The next biggest issuers of cheques to businesses are consumers, accounting for 39% of all cheques issued to businesses, while large businesses, corporates, Government and other sources accounted for relatively small numbers of cheques.

Figure 3.3: Issuers of Cheques to Businesses



4. Consumer Cheque Usage

4.1 Introduction

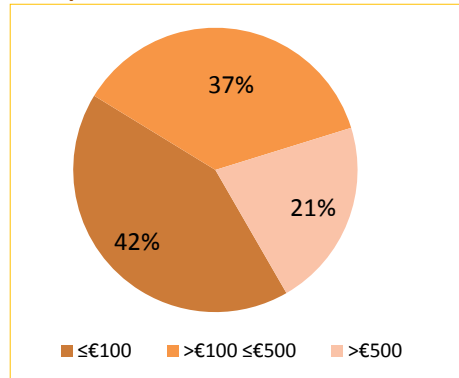
The use of cheques by consumers remains extensive in Ireland. Consumers account for more than one third of all cheques issued, equivalent to nearly 30 million in 2011. From a beneficiary perspective, 44% of all cheques, 37 million in 2011, are issued to consumers. See Table A.3 in Appendix III for more detail.

4.2 Consumers as Issuers

42% of cheques issued by consumers are for €100 or less and 21% are for more than €500. The remaining 37% are between €100 and €500 in value (see Figure 4.1).

34% of cheques issued by consumers are payable to other consumers. However, the majority (56%) are payable to businesses, primarily to SMEs, with 5% each to the public sector and to unincorporated bodies such as clubs, societies and charities (see Figure 4.2).

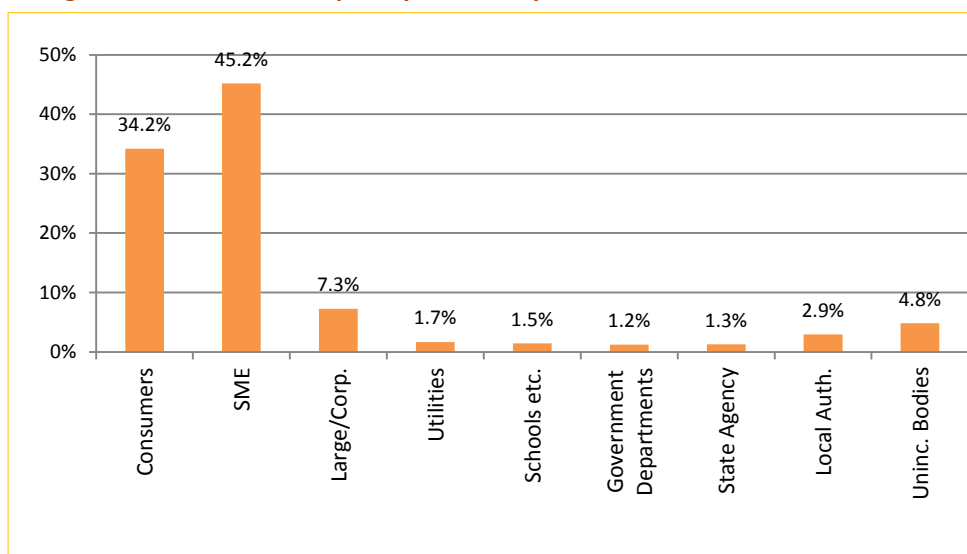
Figure 4.1: Value of Consumer Cheques Issued



This means that in 2011 consumers issued 16.5 million cheques to businesses, of which 13 million were issued to SMEs. A further 10 million cheques were issued to other consumers and the balance of 2.9 million cheques to other entities such as Government departments, local authorities, clubs, societies and charities.

Of the 13 million cheques issued by consumers to SMEs, over 5 million of these were for €100 or less.

Figure 4.2: Consumer Cheques by Beneficiary



4.3 Consumers as Beneficiaries

Consumers in Ireland receive a high volume of cheques, accounting for 44% of all cheques, equating to almost 37 million in 2011.

38.5% of cheques issued to consumers are issued by businesses (14.3 million in 2011) of which the vast majority (12 million) were issued by SMEs.

Other consumers accounted for 27% (10 million cheques in 2011) with the public sector accounting for a further 8 million, of which 6 million were social welfare payments.

In addition to over 1 million bank drafts issued in favour of consumers in 2011, unincorporated bodies and financial institutions each contributed 1.5 million

cheques with consumer beneficiaries

Table 4.1 shows the breakdown of cheques issued to consumers.

Table 4.1: Issuers of Cheques to Consumers

Issuer	Share
Businesses	38.5%
Consumers	27.3%
Public Sector	22.7%
Financial Institutions	4.1%
Unincorporated Bodies	4.1%
Bank Drafts	3.3%

Appendix I – Methodology

Overview

Each of five Irish clearing banks³ were asked to examine 1,000 cheques picked at random from their 'in-clearing' debit items on two dates, April 18th 2012 and May 1st 2012.

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

Issuer Categories

1. Consumers
(Divided into three value bands: $\leq\text{€}100$, $\text{€}100 < \text{€}500$ and $>\text{€}500$)
2. Businesses, further subdivided as follows:
 - SMEs
(Divided into three value bands: $\leq\text{€}1\text{k}$, $\text{€}1\text{k} < \text{€}5\text{k}$ and $>\text{€}5\text{k}$)
 - Large Businesses
(Divided into three value bands: $\leq\text{€}1\text{k}$, $\text{€}1\text{k} < \text{€}5\text{k}$ and $>\text{€}5\text{k}$)
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 amount 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.

³ AIB Bank, Bank of Ireland, Danske Bank, 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 - 2012

	Cheque value	Beneficiary									Total
		Consumers	SME	Large Business /Corporate	Utilities	Schools etc.	Gov't Depts.	State Agencies	Local Authorities	Unincorporated Bodies	
Consumers	≤€100	4.39%	6.45%	0.61%	0.31%	0.29%	0.17%	0.16%	0.91%	1.38%	14.67%
	>€1k ≤€5k	4.95%	5.57%	1.16%	0.24%	0.09%	0.24%	0.15%	0.09%	0.23%	12.72%
	>€5k	2.58%	3.74%	0.76%	0.03%	0.12%	0.03%	0.14%	0.02%	0.06%	7.48%
Small and Medium Sized Business	≤€1k	11.58%	15.19%	1.03%	0.61%	0.15%	0.32%	0.30%	0.39%	0.39%	29.96%
	>€1k ≤€5k	1.92%	4.11%	0.47%	0.04%	0.00%	0.02%	0.00%	0.16%	0.06%	6.78%
	>€5k	0.59%	2.03%	0.20%	0.00%	0.00%	0.03%	0.02%	0.02%	0.01%	2.90%
Large Business/ Corporates	≤€1k	1.60%	0.37%	0.09%	0.02%	0.00%	0.02%	0.00%	0.02%	0.00%	2.12%
	>€1k ≤€5k	0.44%	0.22%	0.10%	0.00%	0.00%	0.00%	0.00%	0.02%	0.00%	0.78%
	>€5k	0.71%	0.25%	0.28%	0.01%	0.00%	0.01%	0.00%	0.01%	0.03%	1.29%
Public sector		9.94%	0.66%	0.07%	0.01%	0.16%	0.19%	0.00%	0.00%	0.01%	11.04%
Financial Institutions		1.79%	1.04%	0.49%	0.01%	0.03%	0.09%	0.04%	0.06%	0.09%	3.64%
Unincorporated bodies		1.79%	1.00%	0.10%	0.05%	0.05%	0.00%	0.02%	0.02%	0.22%	3.25%
Bank drafts		1.47%	0.95%	0.55%	0.02%	0.01%	0.14%	0.04%	0.05%	0.14%	3.37%
Total		43.76%	41.57%	5.92%	1.36%	0.91%	1.24%	0.85%	1.77%	2.62%	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	26.42%	34.64%	2.36%	1.39%	0.34%	0.73%	0.68%	0.89%	0.90%
	>€1k ≤€5k	4.38%	9.38%	1.07%	0.08%	0.00%	0.04%	0.00%	0.37%	0.14%
	>€5k	1.34%	4.63%	0.47%	0.00%	0.00%	0.07%	0.03%	0.05%	0.02%
Large Business/ Corporate	≤€1k	3.66%	0.85%	0.19%	0.06%	0.00%	0.04%	0.00%	0.04%	0.00%
	>€1k ≤€5k	1.00%	0.51%	0.24%	0.00%	0.00%	0.00%	0.00%	0.03%	0.00%
	>€5k	1.61%	0.57%	0.63%	0.03%	0.00%	0.02%	0.00%	0.02%	0.08%
Total		38.42%	50.57%	4.96%	1.55%	0.34%	0.90%	0.72%	1.41%	1.13%

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	12.60%	18.49%	1.73%	0.90%	0.83%	0.47%	0.46%	2.62%	3.97%
>€100 ≤€500	14.20%	15.96%	3.34%	0.68%	0.27%	0.68%	0.42%	0.25%	0.67%
>€500	7.40%	10.72%	2.19%	0.09%	0.35%	0.09%	0.40%	0.06%	0.16%
	34.20%	45.17%	7.26%	1.67%	1.45%	1.24%	1.28%	3.93%	4.80%

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