

LEGAL Alternatives to Cheques



Set up

Considerations

Advantages

It was recently announced that cheques are due to be phased out by 2018, leaving many business with the decision of finding an adequate replacement

Legal firms are set to be affected by this change as a significant number of their clients pay by cheque. Receiving payment from customers by BACS is an alternative to using cheques but as a large proportion of legal firms' clients are individuals, access to this facility is not available. As such many firms are looking into taking payments via debit and credit cards. There are a number of things to consider and the following is a brief guide to providing the facility to receive payment through card transactions.

Set up

In order to take payments via debit or credit card, you must be subscribed to a payment service provider (merchant). These will typically provide the point of sale equipment and set up the system.

Clients could pay face to face but more likely payments will be taken over the phone. This is called the purchaser not present model and must be explained to the merchant to ensure you have this facility.

There is a monthly charge for the terminal in addition to the set-up fee and fees range from 24p per transaction to 2.5% plus the monthly fee. These fees vary depending on merchant and will depend on the size of your business and the number of transactions.

Payments made by card typically take 2-3 working days to clear to your bank account, and a statement is usually sent monthly by the payment service provider

detailing all transactions and relevant charges.

Considerations

- To capture a larger customer base it is recommended to accept both debit and credit cards, although you may wish to opt out of accepting American Express and Diners Club as the fees are considerably higher.
- Debit cards have the cheapest fees, with credit cards being higher and corporate credit being the highest.
- If a fee note is a request for payment, an invoice should be raised, and this is the tax point for VAT purposes.
- There are a number of declarations and rules (such as immediate refunds if a service is not provided) which will be detailed in the small print on the service provider agreement.
- Any associated charges to be disbursed to the client would require a further fee note to be drawn up.
- Information regarding the client's credit card details cannot be retained on the file or anywhere else
- There is potentially more work for the accounts department as taking a payment over the phone or in person takes longer than receiving a cheque. Reconciliations will also need to be performed on the statement received from the bank to ensure all payments have been received and allocated.
- The monthly fees involved will increase fixed costs.

LEGAL

Alternatives to Cheques

Advantages

- Bank charges for cheque processing will be reduced.
- In the current economic climate, offering an alternative payment solution can improve cash flow.

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