Cheque limits reduced to R50 000 – businesses to be impacted

14 January 2020: Following the recently announced rules from the Payments Association of South Africa (PASA) to reduce the maximum value of cheque limits to R50 000, businesses are urged to adopt electronic banking channels.

The updated rules come into effect in May 2020.

Kenneth Matlhole, FNB Business Spokesperson, says several businesses and public institutions that still have cheques built into their operations will be heavily impacted by the decision. This ranges from schools, churches, scrap metal dealers, agriculture, motor industry, fiduciary services and auctioneers, amongst others.

He unpacks important factors for businesses to consider as they reduce their reliance on cheques, prior to the implementation of the new rules:

- **Act now** – depending on the nature of the business or institution, moving away from a traditional payments system may result in cash flow disruptions. Business should allocate enough time for migrating to new payments systems. It is also essential to ensure that staff members are trained accordingly.

- **Business to business transactions** – whether the business is receiving or issuing cheques, it is advisable to communicate and inform business associates and suppliers about the new payment systems/ arrangements and reach a mutual understanding.

  Businesses can offer discounts or incentives for suppliers or business associates to adopt electronic banking channels, to help speed up the process.

  Moreover, when considering the administration process, storage of physical paper, and the cheques clearance waiting period, migrating to electronic payments which are more efficient will no doubt be an incentive to migrate to electronic payments.

  The same guiding principles for alternative payment adoption should be applied to inter-company funds transfer where cheques have been used as a mechanism to allow for money flow between linked franchises and business entities.

- **Adopt electronic banking channels** – once a thorough analysis of how the business uses cheques has been conducted, the next step is to identify the most appropriate and efficient electronic banking channel to use. Furthermore, businesses that are still receiving B2B
cheque payments should ensure that their systems are updated and ready to accept electronic payments.

Businesses that need clarity or assistance should approach their bank for help on available payment options to be considered.

“Given the reduction of cheque limits due to several issues including fraud, it may not be viable for businesses to continue using cheques.

Regardless of the final decision to be taken by businesses, one thing is clear, the imminent reduction of cheque limits to R50 000, leaves businesses and institutions with no choice but to ultimately reduce their reliance on cheque payments,” concludes Matlhole.

ENDS
14 January 2020: Following the recently announced rules from the Payments Association of South Africa (PASA) to reduce the maximum value of cheque limits to R50 000, businesses are urged to adopt electronic banking channels.

The updated rules come into effect in May 2020, with an eight-month grace period to be granted for cheques that are yet to be processed by the due date.

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