

Credit card cheques guidelines and Summary Box

Card issuers recognise the importance of providing clear information about this niche product and ensuring they are issued responsibly

A credit card cheque allows customers to draw funds against an existing credit card account. They provide an alternative way to pay, in circumstances where credit cards are not accepted. For example to pay an emergency supplier that doesn't have card accepting facilities, like a plumber, or they are often used to transfer balances between cards at low promotional rates. Credit card cheques can only be written within the customer's agreed credit limit and do not grant new lines of credit.

The industry takes every step to ensure that credit card cheques are issued responsibly

and that information about them is presented to customers in a clear and transparent manner.

Under the guidelines set out below, credit card cheque issuers must ensure that cheques are not sent to all cardholders and that an issuer will check a cardholder's creditworthiness and ability to repay before cheques are issued.

Customers can opt out of receiving credit card cheques by simply contacting their card company. Any customer sent a credit card cheque will receive information

advising them how they work and what charges are involved.

Most of these commitments were incorporated into version 2.0 of the guidelines and are enshrined in The Banking Code. New for version 3.0 is the inclusion of the Credit card cheque Summary Box – providing concise, at-a-glance information about the key features of credit card cheques.

Credit Card Cheques: Guidelines for Issuers Version 3.0 (May 2006)

1. Introduction

Card Issuers recognise the importance of ensuring that customers have clear and concise information on their products and services. Credit card cheques are no exception.

APACS has developed the following set of Guidelines for credit card cheque issuers. The Guidelines are intended to comply with the rules of the Competition Act 2002.

The Guidelines set out best practice to encourage consistency across the industry. They are not legally binding. Any failure to follow them does not give rise to any right of action.

2. Guidelines for issuance

Card issuers should take an active approach to ensure responsible lending.

- Before credit card cheques are sent out

to a customer the issuer will always assess the customer's ability to repay.

- Issuers will provide new customers with a first time opt-out of receiving credit card cheque mailings.
- Existing customers will be able to opt-out of receiving credit card cheques by contacting their issuer.
- Issuers should undertake appropriate checks to assess a customer's suitability before sending credit card cheques.
- Issuers should notify customers that regular checks may be made (the method and timing of advice will be at the issuer's discretion).

3. Guidelines for information provision

Card issuers will give customers the information they require to make informed decisions. Information should be clear, concise, consistent and consumer friendly.

The format and presentation of such information, which will be prominent and accessible for the consumer, should conform to the agreed credit card cheque summary box template.

4. Guidelines on charges

- Issuers should notify customers of the interest rate the cheques will attract (recognising that the rate can only be correct at the time of cheque mailing and is therefore indicative) and from when interest will accrue.
- The duration of any promotional rates should be made clear.
- Issuers should give the customer information on all charges (i.e. other than interest) and the circumstances under which these charges will be applied to the account. This should include any charges relating to unpaid cheques.

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5. Guidelines on other issues

- Issuers will not offer customers specific inducements, such as prize draws, to use credit card cheques. This does not apply to promotional interest rates, such as lower APRs.
- Issuers should advise customers of the level of protection on purchases made with credit card cheques and highlight how this differs to purchases made with their credit card. For instance, if credit card cheques are treated as 'cash'

transactions, they will not benefit from protection provided on credit card purchases under Section 75 of Consumer Credit Act.

- Where issuers provide customers with a cheque guarantee function on their credit card, they should inform the customer whether credit card cheques can be guaranteed¹ (given that the guarantee facility may be attached to a different account). Customers should be advised that where a cheque has been guaranteed, it cannot be countermanded.

- Issuers should provide the customer with a clear explanation of any exclusions, exemptions or limitations that apply to credit card cheques e.g. if they are unable to be used to pay off another account with that organisation; any geographical limitations; or any limitations on the ability to countermand etc.

6. Effective date

These best practice guidelines are effective from 31 December 2006.

¹ Within the provisions of the UK Domestic Cheque Guarantee Scheme

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SUMMARY BOX – Credit Card Cheque Version

The information contained in this table summarises key features associated with the use of credit card cheques and is not intended to replace any Terms and Conditions

	Example Text
Promotional rate*	X % per annum before DD/MM/YY; or promotional rate applies before DD/MM/YY; current rates available on monthly statement
Standard interest rate	X % per annum after DD/MM/YY; and/or current rates available on monthly statement.
Interest period	Interest will be charged on a daily basis from the date the cheque is debited to your account and will continue to accrue until full payment is received
Allocation of payments	Payments we receive are applied first towards lower rate, promotional or other offers before cash advances, purchases and other higher rate transactions
Charges	Cheques are subject to a fee of X% (minimum amount £X) If a cheque is returned unpaid for exceeding the credit limit, the charge will be £X
Amount available	Credit card cheques will be treated as cash advances. The cash advance limit is 'X%' of your credit limit.
Cheque guarantee	These cheques can/cannot be guaranteed
Stopping a cheque	You can/cannot stop a credit card cheque. The charge for stopping a cheque is £X
Opt-out	You can request that we do not send further cheques; please contact us on XXXXXXXX
Level of protection	Cheques do not offer the same level of protection as credit cards; you will not be covered in the event that the transaction is disputed
Payment of cheques	We may pay cheques up to X months/years from the date of issuance
Restrictions	Cheques cannot be used for the following purposes: (e.g. balance transfers)

* Where promotional rates are relevant, the text in the box must clarify the extent to which the rate applies e.g. whether it is for the life of the credit card cheque balance or a specified period from when the cheque is written. For general Terms and Conditions of your credit card agreement, refer to XXXXXXXX or check the Summary Box on the reverse of your statement.