Accepting Checks in Your Business

Last week I discussed doing business with cash only. Today I will take the next step and discuss some issues related to accepting checks in your business.

Although credit and debit card payments are on the rise, the expenses and additional record-keeping involved with card payments are not ideal for all businesses. If you want to expand your customer payment options beyond cash but aren't ready to make the leap to card payments, accepting checks is another option to consider. But, to protect the financial health of your business, you should understand the laws that regulate check payment policies.

If your business accepts personal checks, you should establish a detailed check acceptance policy to help identify and avoid bad checks. Don't just make a document and file it away--be sure to train your employees on the new policies and post reminders in visible and prominent locations. Common check policies include variations of these guidelines:

- Checks must be from a local or in-state bank.
- Checks should not be written and accepted for more than the purchase amount.
- Checks should not be accepted that are starter checks, unnumbered checks, or non-personalized checks.
- Accepted checks should be deposited as quickly as possible. Banks may refuse to honor checks dated back six months or more.

Instruct your employees to carefully examine every personal check for information that is essential for cashing and verifying the check. Verifying identification can help your business safeguard against fraud. However, some state laws regulate which forms of identification businesses can require to see. Depending on your business location, it may be illegal to require customers to show a credit card as a condition for accepting their check. Commonly accepted forms of identification often include a state-issued driver's license, I.D. card, or military I.D.

What should you do if a check is returned because a customer's account is closed, or has insufficient funds to pay for the transaction? In addition to instituting a check policy, some businesses are employing the help of electronic check verification companies to identify flagged individuals. For a monthly fee, businesses can compare a customer's name against a database of individuals that are known to have written bad, stolen or forged checks.

Even with precautionary measures in place, businesses that accept checks may still have a bad check occasionally slip by. If a check fails to clear on your first attempt, your bank will generally attempt a second deposit. In some cases, the customer can quickly resolve the problem by transferring or depositing funds to cover a bounced check.

If the issue remains unresolved, consider filing a suit with a small claims court or employing a collection agency to resolve the payment. Many businesses choose to employ a collection agency or the help of an attorney to avoid a lengthy and expensive court settlement.

Planning and managing your business finance strategies can be complex. To learn more about this topic for your business, contact America’s free and confidential source of small business mentoring and coaching, SCORE, on our website: http://seminnesota.score.org/
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