

# Cheques may be abolished

By Anthea Linacre

A scheme is being considered in Canada for a computer system which would eliminate paper cheques.

A bold venture since Canadians write more cheques per person than any other country in the world except for the United States.

Nevertheless the government has recently announced plans for merging cheque cashing and credit card systems, thus eliminating a need for many cash transactions.

The concept of a 'cashless society' is not new, but Canada is one of the first countries seriously to consider implementing such an ambitious scheme.

Already a government committee has spent two years investigating the use of computers for paying bills, and has just published a 25-page paper called 'Towards an Electronic Payments System.'

Broadly the idea is for a communications system which banks, trust companies, and credit unions would use jointly.

Under the current cheque-clearing system, cheques are mailed to an individual's branch and in the last ten years the number has doubled to 1.5 billion dollar's worth.

A computer payments system would eliminate the transferring of this massive amount of paper, and would hopefully be used for several types of transaction.

## Shops linked to banks

It would, for instance, be possible for stores to have machines connected to bank computers so that purchases could be deducted automatically from an individual's chequing account.

This would be achieved by feeding the consumer's payment or credit card into 'credit authorisation' and 'point of sale terminals.'

Similarly the computers could be programmed to deduct automatically standard bills such as monthly mortgage payments.

Working the other way on, they could also accept payments into an individual's account such as his wage, family allowance or old age pension which would be deposited electronically into his bank account.

By doing this the government hopes to forestall the chaos which threatens due to the proliferation of electronics systems by various chartered banks; special arrange-

ments between some banks and some credit card companies and major retail chains; and the control of the hardware end of the different systems by foreign-owned computer companies.

The idea is to develop a single system which would be Canadian-controlled and would protect the interests of the smaller computer companies, financial institutions and merchants — and, ultimately, the consumer.

## Do people want this?

The new government committee will adopt uniform specifications so computers can communicate with each other. And existing communications carriers such as local telephone companies and CNGP Telecommunications would handle the transfer of data from computer to computer.

Although this makes sense as far as it goes, it has already been pointed out that some fundamental considerations do seem to have been overlooked.

Firstly, does the country really want an electronic payments system, Government-orchestrated or otherwise? Is it socially desirable to replace cash with cards made of plastic? Although officials say the electronic system would do away with cash, there would be little incentive for merchants to accept, or for consumers to carry cash once they were all tied into a computer system.

The housewife who knows she has only a certain number of dollars in her purse is apt to shop more carefully than one who knows it doesn't much matter if she exceeds her budget because her plastic card will get her past the checkout counter.

Then, too, computers — or the people who run them — have been known to make horrendous errors.

Possibly, though, the most worrying aspect of such a scheme would be the difficulty of protecting the individual's right to privacy. As it stands at the moment the Government paper touches only in passing on the vital need to prevent unauthorised access to information on a person's credit status.

## Discussion points

But then can a single nation-wide system function without a pooling of credit information? And would this mean

that someone who had a legitimate dispute with a department store in Toronto would be unable to buy a meal in Vancouver?

All these points and more are already being heatedly discussed.

At a Canadian Bankers' Association conference on the payments system, the president, Mr. J. Allan Boyle, claimed that some of the assumptions in the paper had been made without adequate information from bankers and other private groups.

He felt that cheques were still meeting the needs of the public and would go on doing so for many years to come.

"Therefore the criteria for future improvement should be set by the users and will depend upon what they want to have and how much they are willing to pay for it."

## Bankers' reservations

Finally Mr. Boyle said the federal paper raised major questions of privacy as to whether a new system would be able to prevent unauthorised access to confidential information concerning an individual's credit.

Banking sources in England greeted the Canadian scheme with similar reservations.

Although such a scheme has been looked into here it has been rejected on the grounds that there seemed no way to safeguard complete protection of an individual's confidential credit rating.

"In England we are particularly proud of the security we offer individuals over their financial standing. And since the cheque system works so well there doesn't really seem any urgent need to change it," said one banker.

Britain, however, has taken a number of steps towards eradicating the use of paper in banking.

In the direct debit system, for example, the transfer of money is largely done by means of transferring magnetic tape which excludes paper.

And magnetic tape is also used to facilitate the freeflow of credits throughout the country, although there is still a considerable amount of paper used in the credit clearing system.

"We are constantly revising the technological facilities within the framework but in this instance one has to ask would you just be replacing paper with plastic?"