

How e-transfers are ousting paper cheques



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The surging popularity of e-transfers could soon cancel the paper cheque's status as our favourite way to send money.

The cheque as we know it has been around for 300 years, while the Interac e-transfer dates back 15 years. But recent trends suggest e-transfers could overtake cheques in popularity in a year or two. A pair of new features to make e-transfers more convenient could speed up the process.

The e-transfer allows you to send someone money electronically through e-mail or text. Now, there's a new option to use e-transfers to request money from someone. All you need is their e-mail address or mobile phone number (for sending a text). Add a short personal message, specify the amount of money owed and then click send.

Another new e-transfer feature will help on the receiving end. You can now authorize e-transfers sent your way to be directly deposited into your account without you having to answer a security question. With the standard e-transfer, the deposit is only made after you answer a security question designed to ensure the right person is getting the money.

About 75 per cent of Interac e-transfer users have access to these two new services and most others should be on board by the beginning of next year. Expect them to help e-transfers further erode the cheque as our favourite way in Canada of sending money to someone.

Roughly 242 million personal cheques were processed in 2016 with a total value of just under \$100-billion, according to Payments Canada, which co-ordinates the country's system for handling cheques, direct deposits, debit and ATM transactions and more. Interac – the ATM, debit and e-transfer network – says there were 158 million e-transfers last year with a value of \$63-billion.

This year, Interac is on track to process more than 230 million e-transfers with an estimated value of \$90-billion. The shift away from cheques can't come fast enough because the e-transfer is better than a cheque in every way. The sender sees the money leave his or her account immediately, so there's no waiting around. The recipient can deposit the transfer immediately using a phone, tablet or computer.

The new autodeposit feature will help speed the decline of cheques. If you're interested in bypassing the security question when you receive an e-transfer, just log into your bank account online and set it up this preference. The purpose of the security question is to protect senders in case they sent an e-transfer to the wrong e-mail address or texted it to the wrong phone number. But the security feature becomes tedious and unnecessary if you're receiving money from the same people repeatedly.

The request-money feature allows someone to send an e-mail or text to request payment of a specified amount of money. The recipient can decline the request or use a link contained in the request to make the payment through e-transfer.

It looks as if businesses are a prime target for the request-money feature. Your gardener or babysitter might use it to bill you, for example. Sending someone a request for money is also a good way to show someone how much quicker and easier e-transfer is than writing a cheque.

At least one of the banks offering the request-money feature is pitching it as being available at no cost for a trial period, which suggests a fee would be charged later. But Debbie Gamble, vice-president of digital products and platforms at Interac, said the general trend with e-transfers is for banks and credit unions to eliminate fees for a limited or often unlimited number of transactions. "These are the kind of offerings that 21st-century digital commerce users expect to have," she said. "So I think you'll see that free or a flavour of free trend continue as the service expands."

In 2002, when e-transfers were introduced, 814.5 million personal cheques were processed with a total value of \$210-billion. Technology has made cashing a cheque easier in recent years – many banks now let you deposit a cheque right into your bank account by taking a photo of it with your smartphone or tablet. There's no need to go to a bank branch.

Cheques are slowly fading, though. If you doubt it, ask people 30 and under how many cheques they wrote in the past year.