

YOUR MONEY

Businesses should think twice before paying with paper checks

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Small businesses face a flurry of obstacles these days. You have to locate and retain the right employees, navigate your company’s growth or reductions, and find the right resources and time. These areas are important for your business and lacking in any of them can significantly threaten your revenue and operations.



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However, none of these compares to the palpable threat of checks — a seemingly innocuous slip of paper that is the biggest menace to your operations.

Checks are the problem

Most businesses rely on checks to pay bills, contractors and more. From their customizable aesthetics to the feeling of guaranteed payment, we understand why you love checks. But consider this: According to the [2020 Payments Fraud and Control Survey](#) conducted by the Association for Financial Professionals, “Checks and wire transfers continue to be the payment methods

most impacted by fraud activity.” There are countless ways to commit check-related fraud. Forgers can steal blank checks and take an impromptu trip to wherever they like. Counterfeiters can gain access to your bank account and routing numbers and create checks with your information. Checks can be altered to look blank by soaking them in chemicals to “scrub” off the writing that makes them legitimate. A thief can gain your account information and make online transactions. You might think that you are exempt because your accounts are closed, but have you ever heard of paperhanging? That’s when a person writes checks on a closed account. Although this is a personal favorite of fraudsters, it’s a living nightmare for you and your business. The repercussions of check fraud are harsh, as you can lose substantial amounts of money, and large amounts of your already-limited time. It’s much more complicated than a false credit card transaction. And coordinating with the bank to recoup your money can be tedious.

Inviting Check Fraud: External and Internal Circumstances

Threat #1: Mailing checks. It’s a process so common that you might not think twice about it. Each time you drop a check in the mail, you lose control over who can access your critical banking information. That envelope — with the check — can be lost, stolen or



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ripped, exposing all the information a thief needs to defraud your business. **Threat #2:** Handing checks over for payment. Again, all of your critical information is now in the hands of a third party which may have dishonest intentions or leave your check vulnerable to theft. For example, is this third party securing your check? Are they taking it immediately to the bank? Will they leave it in their car? Will they hand the check over to someone else for a bank drop? More eyes on your banking information could mean increased potential for fraud. **Threat #3:** Check fraud within your business. That lovely book of blank checks is sweet temptation for a burgeoning fraudster. Even under lock and key, it can be accessible to those bent

on committing fraud. Convenience is key, and it can be relatively easy to steal some or all of those checks for illegal purposes. A morally skewed employee would most likely have a decent window of time to perpetrate a significant amount of damage before getting caught.

How to Protect Your Business

Tip #1: Ditch paper checks. Although no form of payment is 100% immune from fraud, online payment solutions provide a higher level of protection for your payment information. **Tip #2:** Use positive pay. This process takes note of what is cleared for payment on a daily basis. Any unauthorized charges that come through are not paid, but run by the business for review. **Tip #3:** Create a workflow. If you insist on keeping paper checks, create strict rules and processes around who can access the checks, who will review them, who will sign them, how they are stored and more. Take the time to re-evaluate your payment processes and eliminate paper checks. A small step now can protect your business in a significant way later down the road. When it comes to fraud, you have the power to proactively prevent it and the devastation it can cause to your business. Learn more about how Commerce can help. Go to <https://solutions.commercebank.com/l/82462/2021-09-24/5x39rq>

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