

Can I stop payment on an electronic check conversion?

Federal laws regarding electronic funds transfers generally cover these transactions as well as rules established by the networks that are used to complete these transactions. Although those rules provide for the possibility of stopping payment, as a practical matter, you may not be able to stop an electronic check conversion payment because it may be completed too quickly for you to notify your financial institution in time for it to act. If you gave your permission for the electronic check conversion, you may have to deal with the merchant to get your money back.

Are there any precautions I should take regarding electronic check conversion?

Yes. There are precautions you can take to reduce your potential liability for unauthorized electronic check conversion transactions and preserve your legal rights. You should always keep your checks and checkbook safe. Retain your receipts and other electronic check conversion documentation. Review your account statements promptly, and if you discover an unauthorized transaction, notify your financial institution immediately so it can help take further corrective measures.



What you need to know about electronic check conversion



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What is electronic check conversion?

Payment by electronic check conversion occurs when funds are electronically transferred from your account using information from your check. Your check contains important information about your account, such as your account number and the routing number of your financial institution. If you give your permission, a business can use that information to initiate a one-time electronic funds transfer, thus eliminating the need to process the check.

How does payment by electronic check conversion occur?

In a typical transaction, you give your check to a merchant to make a purchase as usual. The merchant then obtains your permission and passes your check through an instrument that reads the information on your check. The conversion can occur at the point of sale, in a back office, or—in the case of a mailed payment—at the place of receipt. Each merchant may have slightly different procedures. Depending on the exact conversion method used, you may or may not receive your check back.

Why might a merchant want to do this?

Payment by electronic check conversion saves the merchant time and money. Processing paper checks can be expensive, and it may take several days for a paper check to clear. Payment by electronic check conversion is cheaper to process and the merchant typically receives final payment sooner.

How do I give my permission to pay by electronic check conversion?

You authorize a merchant—give your permission—to convert your check to an electronic funds transfer when you go forward with the transaction after the merchant gives you notice that they will or may convert your check.

At the point of sale, notice will be posted. A copy of the notice must also be provided to you in a form you can keep (such as on your receipt).

When the transaction involves mailing a check, the notice can be placed on a statement, invoice, or coupon booklet. For this type of transaction, you typically will not be given another copy of the notice.

A merchant cannot convert your check without your permission. Your permission only applies to one transaction or payment cycle. You can refuse to give your permission, in which case you may need to offer a different method of payment or abort the transaction.

Do I need to present my check in any special way to pay by electronic check conversion?

The information the merchant needs is already printed on your check. You may be asked to provide a clean, partially completed, or fully completed and signed check.