



Consumer Corner

by Illinois Attorney General LISA MADIGAN



NEW INFORMATION ABOUT YOUR CHECKING ACCOUNT

Recent technology allows money to be deducted from your account in a variety of new ways. Below are some common questions about new payment and processing methods, along with explanations of how they work and steps you can take to protect yourself from scams and banking errors.

Q: *My bank recently stopped enclosing my canceled checks with my monthly statements. Now I receive tiny photocopies of my canceled checks instead. My bank says a new law allows them to do this. What can you tell me about this new law?*

A: Your bank is referring to a new federal law called the Check Clearing for the 21st Century Act, or "Check 21," which went into effect on October 28, 2004. Although many consumers have grown used to receiving photocopies of their canceled checks each month, Check 21 introduces sweeping changes to the way we bank and do business.

Here's how it works. You write a check at your local grocery store. Your grocery store deposits your check in its bank. Under Check 21, the grocery store's bank makes a special image of your check—called a "substitute check"—and disposes of the paper check. The bank then transfers the substitute check electronically to your bank, and your bank deducts the amount of the check from your account.

This faster way of processing checks means that consumers will have significantly less "float time" with a check, so you'll need to be extra cautious about bouncing checks. It also means that consumers will no longer have access to their original checks; the paper checks are destroyed early in the process. You do have certain rights under Check 21—such as the right to a refund in the event of a processing

error—but many of these rights come only with substitute checks. Your bank may ask you to agree to something called "voluntary check truncation." Don't do it. By agreeing to voluntary check truncation, you give your bank permission to send you incomplete photocopies of your checks. Only photocopies meeting the legal definition of substitute checks provide you with the same protections as your original checks. Insist on substitute checks. If your bank does not offer substitute checks or charges too much for them, you should consider changing banks.

Q: *A guy called me the other night with a sales pitch for a cruise. Although it sounded like a good buy, I nixed the deal when the salesman asked for my checking account and bank routing numbers. He said it was just like paying with a check, but I wasn't so sure. Was this a scam?*

A: It is very likely that this was a scam. Banking technology now allows you to pre-authorize a specific amount of money to be withdrawn from your account by providing your checking account and bank routing numbers. But you should **never** give your account information to someone calling with an unsolicited sales pitch. To protect against unauthorized withdrawals, promptly and carefully read all your monthly statements and bring errors to your bank's attention. And remember, never give your account information to anyone you don't trust.