



# Business Payments Defined: The Difference Between Checks, Bill Pay, ACH and Wires

For business owners, payments are a critical piece of keeping a business alive and thriving. The need to pay bills will always exist, whether they be utility payments to keep the lights on, vendor payments for material purchased to help create your end result, down to your employee payroll. Payments are an intricate piece of the business cycle.

But knowing which method of payment is the most beneficial to your business and its functions is key. Which method is the most secure? Which is the most efficient? Read on to learn which methods provide the highest security and which keep your schedule free from tedious repetitive tasks.



## Checks

Remaining widely used when it comes to businesses paying each other, more than half of all business still use this archaic way of exchanging funds for goods or services. Many believe that checks are still a “low-cost” payment method, while studies have reported that a single business check can cost a business up to \$20 depending on the check’s amount, any shipping charges, as well as the administrative tasks involved in its creation.<sup>1</sup>

Many businesses use checks as they feel it provides them better control when it comes to their cash flow, providing an easily verifiable audit trail without needing to setup a new system or process. Payers also take advantage of the “check float” that gives a bit of extra time on a payment while potentially waiting for those last minute receivables to appear.

However, with the ease of use of using a check there is a severe downside that still remains prevalent in today’s world – check fraud. Altered, counterfeit and forged checks remain the most common types of check fraud. Fraudsters still exploit this payment channel the most accounting for about 70% of the fraud reported in 2019.<sup>2</sup>



Stay tuned for our next topic: reviewing Positive Pay and the benefits to a business on combating check fraud.

## Bill Pay

There’s a variety of electronic payment methods that a business could use depending on the type of payment needing to be made and the urgency of which the payment needs to be delivered. Bill Pay has been around since the mid-90’s however, consumers have adopted this form of payment increasingly over businesses.<sup>3</sup> Bill Pay has a wide variety of uses but, most commonly is used for payments such as utility bills (e.g., electric, heat), commercial credit cards, cell-phones, etc.

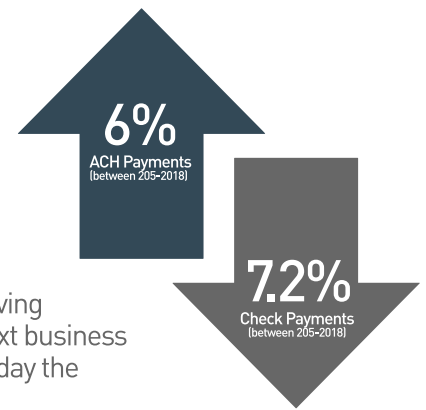
The downfall of Bill Pay is the delivery timeframe, which can be elusive and sometimes tough for businesses to decipher. There are two-different ways that Bill Pay payments can be delivered: either by check or electronically. If by check, the Bank’s core provider takes the payment instructions and sends the check out on the business’s behalf. The delivery timeframe is usually between 5-7 business days. Depending on if the recipient can accept electronic payments through the Bill Pay network, the payment will be delivered electronically. Still, most electronic bill payments come with a 2-3 business day delivery stipulation based on the payment being received and posted to their respective account.

## “ACH”

ACH (Automated Clearing House) is a form of an electronic funds transfer. We most often see this in the direct deposit of employee payroll or setting up a mortgage, car loan or other recurring payment to automatically withdraw on a preferred day of the month. To give a bit of a comparison between the use of check and ACH payments, ACH Payments grew 6% per year between 2015 and 2018, while check payments saw a decline of 7.2% per year.<sup>4</sup>

ACH payments are a secure, reliable, low-cost, easy to use form of making payments or receiving funds. The standard for the majority of ACH payments that are made will be delivered/paid next business day. Meaning, if a business was to make a payment to one of their vendors, the next business day the vendor would have the funds in their account.

ACH provides a more secure means of payment by not requiring your business to relinquish additional account information to more eyes than is necessary. When processing an ACH payment – the sender/payer only needs to provide the routing number and account number of the receiver. This process alone significantly cuts down on fraud, while also increasing efficiency and cost effectiveness in comparison to check payments.



## Wires

Wires are another form of electronic payment available to businesses. Wires are most notable for their speed of delivery however, with that comes a business needing to know much more information on the recipient than just what is required when sending an ACH payment.

Wires are typically received same business-day and while being a means of getting funds to its intended target rather quickly, they are typically a costly and less efficient means of payment than their counterpart, ACH. Wire Payments are best used when a business needs to send funds internationally. Most international vendors are used to receiving funds in this manner and are ready with the information needed to facilitate these more intricate payments.

Banks tend to vary when it comes to security wrapped around these payment channels. Most have multiple layers of security because there is not one “silver-bullet” that will stop all fraud attempts. At Bristol County Savings Bank we institute a variety of the security measures available to us, from Out of Band Authentication, Secure Tokens and Account Limits to name a few. We also offer customers with enhanced security measures such as Positive Pay, and XXX. For more information, please contact our Cash Management team or your nearest branch.

<sup>1</sup><https://www.federalreserve.gov/paymentsystems/2019-December-The-Federal-Reserve-Payments-Study.htm>

<sup>2</sup><https://www.federalreserve.gov/paymentsystems/2019-December-The-Federal-Reserve-Payments-Study.htm>

<sup>3</sup><https://www.nacha.org/system/files/2019-10/3Q-2019.pdf>

<sup>4</sup><https://www.federalreserve.gov/paymentsystems/2019-December-The-Federal-Reserve-Payments-Study.htm>

## Contact one of our Cash Management professionals to discuss your business needs.



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