



Letter to the Editor: Back-Office Conversion Isn't Same as ARC
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To the Editor:

Converting a point-of-sale check in the back office rather than at the point of presentment has been introduced with a significant amount of fanfare ["The Tech Scene: Back-Office ACH Format Makes Debut," March 16].

A word of caution is in order: Back-office conversion, or BOC, has been referred to by many in the industry as the same type of transaction as ARC [accounts receivable conversion]. The two applications could not be any more different; one is a recurring payment with an established relationship (ARC); the other is an ad hoc transaction with, in many cases, a spontaneous relationship (BOC).

BOC will have its own unique set of problems and could become very controversial. Opting out will be very difficult, considering the large number of merchants that will be involved.

Since many of these transactions will be ad hoc and not recurring, any discrepancies between the amount written and the amount charged will result in the receiving depository financial institution, or RDFI, getting involved in the disputes. Consumers can also claim that the transaction is unauthorized if they are dissatisfied with the product or intend to commit fraud, again bringing the RDFI into the dispute.

Fraud is not a major risk with ARC. If you are paying a utility or credit card company, it can discontinue the relationship immediately, cutting off gas, electricity, cable, or telephone services. The relationship is tighter in the ARC environment, providing an avenue for recourse by the service provider.

Merchants that understand these risks will proceed with caution and have the appropriate tools in place (e.g., an ability to retrieve images on demand). Those that do not may find that a few surprises await their venture into a new payment frontier.

It would be refreshing to see the banking industry focus the same amount of effort on getting consumers and businesses to stop writing checks as it does on developing solutions that only solve half the problem.

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Editor's note: The author is a former executive vice president of The Clearing House Payments Co., where he was responsible for managing the payments division.