

FINANCE

Firm offers better way to handle bad checks

By JENNIFER A. WEBB

Date A. Top hates bad checks.

The president of Kent-based McVay Transfer and Storage Inc. would write off \$3,000 to \$4,000 annually from checks on which he couldn't collect. And that didn't account for others that he and his employees would chase and eventually make good — sometimes with help from a prosecutor.

"I get very hot-headed; that's why I didn't like dealing with (bad-check writers)," Mr. Top said. "I got real nasty there for awhile. I just don't like

being stifled."

Then, when his lawyer charged him \$1,500 after winning a \$1,100 judgment in a bad-check case, he knew something had to change.

Mr. Top was among the first to sign up for eCollect

of Ohio Inc., a free electronic service offered by Bedford certified public accountant Michael E. Kline.

The service allows Mr. Kline's company to redeposit uncollected checks electronically on behalf of his customers.



This is how it works: A company authorizes its bank to send eCollect its bounced checks.

With the information printed on the check's face, Mr. Kline's employees contact the check writer's bank to learn whether sufficient funds are in the account to cover the value of the check. If so, eCollect will redeposit the check electronically for payment — a process that typically is faster than if the customer physically took the check to the bank. Faster is better, because less time is allowed for other checks to drain the account.

If the account still has insufficient funds, eCollect will continue to contact the bank until the check can be redeposited.

"Unless there is an attempt on the part of the bad-check writer to avoid paying, our success rate on redeposit on the second attempt is 95% to 98%," Mr. Kline said. "We've gone to 90 days in some cases before funds were available." By law, the check remains valid for 180 days from the date it was written.

Once the check clears, the full amount of the check is deposited electronically in the customer's account, a process that takes about seven days. Mr. Kline's company gets a portion of the fee charged to bad check writers (in Ohio, that's \$25) to cover his expenses. The rest of that fee is paid to SurePay LP of Melville, N.Y., a developer from whom Mr. Kline bought the software.

Mr. Kline has grossed about \$23,000 in fees since his firm began processing checks in February. The firm has processed about 1,200 checks so far, he said.

What makes this process possible is a federal law passed in 1998 that authorized banks to use the Automated Clearing House Network to redeposit uncollected checks. It is the same system banks use to make wire transfers and other direct deposits.

Mr. Kline, 55, offers the service separate from his accounting practice, which he has run since 1991. Before that, he worked for several large Cleveland accounting firms, including KPMG Peat Marwick and Meaden & Moore. About 30 customers — ranging from delis to bowling alleys to grocery stores to membership organizations use eCollect, which Mr. Kline first incorporated and offered in January.

Mr. Kline said eCollect helps balance his nontax-season workload, when he typically would have needed his three employees to work fewer hours. The firm gets as many as 20 bounced checks from customer banks each week.

"It was that kind of fit with my accounting practice that initially sparked my interest," he said.

One advantage Mr. Kline sees to the service is eliminating unpleasant confrontations between retailers and customers. Most times,

Mr. Kline said, customers don't intentionally write bad checks, but their embarrassment causes them to shop elsewhere in the future.

"With this, all contact is removed between the business and their customer," Mr. Kline said. "It takes a lot of burden off the company. A company can do it themselves, but they have to take the time to do it, where we would do it for them."

Even companies that experience only a handful of bounced checks each year would benefit from the service, and it doesn't cost them anything, Mr. Kline said.

"When they get a check or two that bounces and they see the hassle they have to go through, that's when they start to realize the benefit of having the service," he said.

Mr. Top, whose moving company is an agent for Allied Van Lines and services Akron, Canton and Youngstown, said he's been happy with eCollect. The service has collected on all or most of the company's six to eight bounced checks, he said.

"My crew here used to fight with the people," he recalled. "It's so hard to collect on your money."