



Guidelines for Debit and Credit cards



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Increasingly U3As are finding it difficult to pay for some items by cheque. The following provides background information to assist in the acquisition of Debit cards. Credit are less likely to be issued to holders of charity accounts but if you do obtain one, the same guidelines apply. An outline Secure procedure, which you should follow in principle, is given first. U3As will have set up their own financial procedures but the proposed general principle should be modified to fit in with your procedures. If these are less secure than those proposed, you should tighten your procedures.

Proposed secure procedure

- A Debit card should be attached to your Social Account using two of your mandated signatories to obtain the card(s) in the name of the organising trustee, who must also be a mandated signatory. The Committee should draw up procedures for the use of this card which they should review regularly.
- You should set up Online Banking for this account with Read Only access. The committee should ensure the same level of security for the use of an online account as for the use of a debit card.
- The Treasurer and one other signatory should be able to access the Social Account on line (to ensure access during holiday periods).
- Identify the Groups wishing to pay for items with a debit card and ensure that the organising trustee is also a mandated signatory who is **not** the trustee who operates the bank account.
- The mandated trustee will make requests in writing to the Treasurer for an item to be paid for by debit card
- The Treasurer will check the account to establish that there are sufficient funds available
- Treasurer makes the payment and advises the mandated trustee
- Treasurer checks the account to establish when the bill has been paid and advises the mandated trustee accordingly.

Planning

By the very nature of activities such as theatre tickets and coaches for outings, planning well ahead is even more essential if you are using a debit card to pay for them. Money will need to be collected well in advance so that there are sufficient funds available. Many of you are already operating efficient plans in which case you will be prepared for the additional extra security occasioned by the use of debit cards.

Social Accounts

The most practical way to handle social activities, if and when they become a regular feature of your U3A activity, is via a separate bank account, which becomes a holding account. This account can then be managed by another trustee to spread the workload if required. The mandate should be set up in the same way as your main account, with all cheques being signed by **two trustee** signatories, but for convenience the organiser(s) can have paying in arrangements.

One of the main reasons for separating social events from the “normal” educational activities of the U3A is that you are not allowed to fund social events from your main income i.e. members’ subscriptions/payments, which have to be used solely in pursuance of your charitable objects/purposes. Also, as previously mentioned, the Charity Commission in England and Wales does not need to be advised of such activities so, if you are organising a lot of social events, a separate account is more straightforward. It is recommended that all social events are reported on a **net** accounting basis by showing in the income side the monies received, either in detail or total, less the actual expenditure incurred and carrying forward only the net figure for each event into the accounts.

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Debit cards

As you are all aware, banks operate very differently and not all banks are prepared to issue a cheque book for a Charity account. Most are unlikely to issue a Credit card and the procedure for Debit cards will vary from bank to bank. Since U3A accounts are set up with two signatories to a cheque, some banks will not issue a Debit card on such an account. An example in point is Lloyds bank. Until 22 September this year they would only issue a Debit card for accounts with a single cheque signatory. This has now changed and holders of Social Accounts can now apply for a Debit card. TSB also issue Debit cards but all business accounts are dealt with by their Edinburgh Head Office. I understand that Lloyds deal with Debit cards at a Regional level but will discuss the matter in any Branch which handle business accounts.

Paying by Credit/Debit Card

It is becoming more difficult to book and pay for activities by cheque; many theatres for example, now adopt a 'payment by card only' policy. As a consequence, organisers have resorted to using personal credit cards. This practice is not recommended because of the lack of trustee control and the potential risk should a supplier go into administration, as it is possible that only the proportion of the payment pertaining to the individual would be covered rather than the full debt, because of the use of a personal card for a group booking.

The only realistic alternative, assuming cheques are not acceptable, is to try for a debit and/or credit card on your account(s), using two of your mandated signatories to obtain the card(s) in the name of the organising trustee, who must also be a mandated signatory. A debit card would not provide any protection should a supplier go out of business but if you managed to get a credit card you could use that when you felt the situation demanded it.

However, it is important that trustees set a clear policy for use which incorporates strict controls, for example, single and monthly payment limits, all payments to be supported by an invoice or receipt and reported to the treasurer immediately, credit card statements to be sent to other members of the committee and you could set up online banking for instant access to statements. There should also be a regular review of procedures by the committee to ensure controls are and remain effective.

U3As are still experiencing some difficulties with debit card applications but if you are turned down at local branch level, insist that your request is referred to the head office. It is important to remember that charity banking is covered by the business department of the bank not the retail sector and you may not have a business operation at your local branch.

Internet Banking

The Charity Commission does NOT recommend allowing one authorised signatory to initiate single transactions online and suggests that online banking is confined to those banks which offer the security of a dual authority option – currently we believe CAF, Unity Trust and the Co-operative Bank provide this facility, but more are expected in the future. Charities would then have the same level of financial control with an online account, as they do with a standard bank account, requiring 2 trustee signatories on cheques.

It is, however, acceptable to have an online bank account for inter-bank transfers between your accounts, committee authorised direct debits, payments to regular suppliers and for downloading statements. Of course if you do have a debit card, it allows its use to be monitored as often as you wish. Clearly the trustee operating the online account should be different to the trustee using the debit card and the committee should ensure the same level of security for the use of an online account as it does for the use of a debit card, with a regular review of its operating procedures. If you have problems obtaining internet banking, the same comments apply as for debit cards.

This document has been prepared by the East Midlands Regional Trustee relying on Information for Treasurers revised in January 2014 and information provided by a number of banks and U3As.