



NatWest Group digitises cheque-clearing processes

Client name: NatWest Group (formerly Royal Bank of Scotland Group)

Location: Edinburgh, Scotland

Industry: Banking

Challenge

- Transform cheque-processing systems to comply with new digital image-capture law
- Streamline customer-facing processes and improve cheque-clearing flows
- Create sustainable business model that maintains per-item rates as cheque volumes decline

Solution

- Transition from paper-based cheque clearing to image-based cheque clearing
- Deploy automated image-based fraud detection system
- Prepare to deploy mobile capture, which will allow customers to deposit cheques via their mobile banking app

Results

- Reduced cheque processing costs by 50 per cent through switch from paper to digital image system, removing the need for interbank paper exchange
- Faster and more accurate cheque processing, which translates into better customer service
- Additional use of automated fraud detection that identifies around 350 bad cheques per month, saving the bank £50 million a year on potential fraud losses

Thanks to electronic banking, there are millennials who have never written a paper cheque. And whilst the overall volume of paper cheques continues to plummet by 10 per cent to 15 per cent a year, NatWest Group still sometimes processes as many as 500,000 cheques per day and needs to do so as quickly, accurately and cost-effectively as possible.

The UK recently introduced legislation requiring that all banks switch to image exchange of cheques. The new legislation means that banks now capture images of cheques and exchange these instead of the physical paper cheques.

NatWest Group decided that instead of doing the bare minimum to comply with the image-clearing cheque system requirements, it would take the initiative and work with long-time outsourcing partner DXC Technology to completely transform the cheque-processing system. This included moving to a new software platform and installing new desktop scanners in DXC processing centres to comply with industry requirements.

The key to the transformation was to use DXC's expertise in the digital arena and knowledge of the banking industry to migrate from the old platform of bulky, high-maintenance capture devices to new smaller, more-efficient desktop scanners. This enabled NatWest Group to reduce its overall footprint for image-capture functionality, increase speed and accuracy, and enable automated image fraud detection based on machine learning and artificial intelligence (AI) technologies.

During the transition period, DXC managed both paper and digital image-based processes simultaneously and successfully adhered to the migration schedule. DXC also rationalised systems for out-clearing and in-clearing of cheques so the same platforms are used for each process. Shrinking the processing real estate allowed for closure of redundant sites whilst retaining a network of distributed capture sites to allow for easy delivery by the bank's couriers.

The net result is a cost-effective digital process that helps reduce fraud, mitigates risk and complies with the new legislation. Specifically, the new industry model has delivered a 50 per cent reduction in cheque-clearing costs and a 66 per cent reduction in the clearance cycle time of a cheque. A full day's worth of cheques, on average about 350,000, is processed in a 2-hour window with an accuracy level of 99.9 per cent. Funds are now available to customers of all banks within 1 or 2 days, as opposed to up to 6 days under the old system, a change that translates into enhanced customer service and higher customer satisfaction.

The automated fraud detection software has identified an average of 350 fraudulent cheques per month, saving the bank more than £50 million per year in potential fraud losses.

The new system also enables NatWest Group to do a better job of responding to cheque-related customer questions through an improved audit trail. And in the longer term, the digital system creates a sustainable business model that helps enable NatWest Group to continue to keep its cost per cheque at a lower level than would have been experienced with the old paper processing model whilst volumes continue to decline.

Continuous improvement at NatWest Group

In 2020, the bank is seeking to implement mobile capture, allowing selected customers to use a cheque deposit option via their mobile banking application, rather than having to go to a branch to deposit a cheque. Also under consideration is a corporate capture option that would enable business and charity customers to deposit large numbers of cheques via desktop scanners linked to their online bank accounts.

The bank is also considering introducing cheque image capture at branches, which would assist in significantly reducing the expense and time associated with couriers transporting cheques from branches back to the central DXC cheque processing facilities — complementing the bank's desire to improve its carbon footprint.

NatWest Group understands that cheque-processing volume will continue to decline over the years ahead, so the firm will continue to work collaboratively with DXC for the duration of the relationship to digitise and optimise cheque-clearing processes to cut costs and improve customer service.

Learn more at www.dxc.technology/banking

 **Get the insights that matter.**
www.dxc.technology/optin

About DXC Technology

DXC Technology (NYSE: DXC) helps global companies run their mission critical systems and operations while modernizing IT, optimizing data architectures, and ensuring security and scalability across public, private and hybrid clouds. With decades of driving innovation, the world's largest companies trust DXC to deploy our enterprise technology stack to deliver new levels of performance, competitiveness and customer experiences. Learn more about the DXC story and our focus on people, customers and operational execution at www.dxc.technology.