

Collection of subscriptions and other fees by Club

Introduction

The collection of subscriptions and other payments is a big administrative issue for clubs. The objective of this Guidance is to offer information on the methods available and prompt consideration of the possible alternatives to the most frequently used methods of cash, cheques and standing orders. A table setting out the options is provided plus some Golden Rules for Treasurers.

Clubs which use the common methods for collecting subscriptions and other payments will be aware of their shortcomings, which are, briefly:

- *Cash*: security and control, except it does not disenfranchise anyone who cannot get a bank account,
- *Cheques*: recording, paying in and dealing with lost cheques,
- *Standing orders*: Ensuring changes to subscriptions are changed at members' banks upon subscription increases.

For smaller clubs the use of cheques may continue be the easiest option. There are, however, options which, especially as a club grows, may be more efficient in terms of the Treasurer's workload and could be helpful to the (annual) renewal of membership or the take-up of meets and events, etc. The following alternatives are covered here:

- **Interbank Transfers.** The member makes payments from their account directly into the club's bank account, usually using the internet (but could be initiated by telephoning their bank or by visiting their branch);
- **Web-based Payments Services.** The Member pays the club through the club website and an intermediary account, e.g. Pay Pal;
- **Direct Debits.** The Member gives the club authority to debit their account through the direct debit system.
- **Smartphone payments.** This is a developing payment option whereby a payment is made to an account associated with mobile phone. A club mobile phone would need to be obtained, set up and controlled. In view of the lack of current experience cannot be recommended at this time.

1. **Interbank Transfers.** For small and medium sized clubs the receipt of payments submitted by members paying by interbank transfers may be convenient for both member and club. The club has to give the member details of the club's bank account (minimum sort code and account number) and then the member sets up a payment authority with their bank. Thereafter, all the member has to do is initiate the amount to be transferred from their account directly into the club's account. This is a cost free option for both member and club.

The downside is that the transferred money is just deposited in the club account with nothing more than a (short) reference which was setup as part of the original payment authority. As can be imagined, reconciliation of bank accounts could be very difficult unless these interbank transfers always include a meaningful (standardised) reference with the payment; membership number or name. One club has found there is often insufficient detail on incoming payments to identify the payer. Another medium sized club has opened a separate account to receive direct bank transfers and has found reconciliation not to be a problem, A third club successfully uses a structured web page to a web-based payment service (see 2 below).

Ideally, a club using this method of payment should have a reasonably secure website which details explicitly how to make and reference the payment. The web site should also be capable of sending completed forms (i.e. structured emails) to the treasurer and secretary, etc., at the same time as the member makes the payment. It is also desirable for the principal officers of the club to have a club-owned and controlled email address.

2. **Web-based Payment Services** involves a company such as PayPal, with which users of EBay will be familiar, or Google Checkout. The club sets up a facilitating account with a Payment Service Provider and then using links created on the club's website members can initiate payments into the club's account.

Members do not need an account with the Payment Service Provider and they can pay from a debit or a credit card and can easily pay for anything that is specifically detailed on the club website.

The club has secure access to its account. Features include facilities for:

- Sending funds to the club's account with the Payment Service Provider,
- Emails to be sent to the club each time a payment is received into its account. These can have a description of the category of payment (e.g. subscription or event),
- Viewing/downloading details of funds received in Excel format for analysis.

The club Treasurer can periodically transfer the money from their account with the Payment Service Provider to the club's bank account. This would be on the authority of one person which may conflict with other financial controls of the club.

Whilst this method is not cheap, each payment incurs a charge, many members like it as it is convenient and avoids the need to write cheques and post letters. Charges depend on volumes, with each payment being around 3.5% plus 20p. One club has the member carrying the charge but it is still heavily used because of its convenience. The income side is straight forward and avoids the time consuming tasks involved in recording and paying in cheques and the associated problems when cheques are lost in the post. There are, however, account opening and operator checks and procedures need careful organisation including controls over the Payment Service Provider account, of passwords and the like. See the following websites for more information:

- PayPal: www.paypal.com
- Google Checkout: <http://checkout.google.com/>
- Nochex: www.nochex.com

- 3. Direct Debits:** Most members will be familiar with direct debits as a means of making payments from their personal accounts, especially for mortgage payments and utility bills. The member gives the club their own bank details and the authority to debit their account directly (with prior notice). There are many advantages to clubs, including the continuity of collection (reducing drop outs) and ease of changing amount collected, and not least knowing when they will receive the money. Originating debits on the accounts of members for the payment of subscriptions involves a number of hurdles and small and medium sized clubs may not be able to meet all of the requirements of their bank.

A number of companies offer a direct debit service to small organisations. Their fees might appear high, but they reduce administration and cover the indemnity to the bank. Nevertheless, direct debits are likely only to be attractive to a few of the larger large clubs.

Listed below are some providers of this service. We have no experience of any of these services at present and it is not possible to offer information on costs at this stage.

- Ceridian: <http://www.ceridian.co.uk/payroll-services/managed-direct-debits/>
- First Capital Cash Flow: <http://www.firstcapitalcashflow.co.uk>
- Fast Pay: <http://www.fastpayltd.co.uk>
- Eazipay: www.eazipay.co.uk

Conclusions

There is no easy solution. Whatever method a club uses to collect money it will require a treasurer who is systematic and a good record keeper to run its finances.

These brief notes are offered in an effort to enable club officers to consider alternatives to the traditional means of collecting money from members. Each club will have to establish the method that suits its needs and the capabilities of its officers: it is unlikely that any club will be able to use only one method of receiving payments.

This is not intended to be the last word on the subject as it is based on the experience of very few clubs. It is hoped that other clubs will offer their experience which can be incorporated in a reissue in the future.

Golden Rules for the Treasurer

All Payments – avoid grouped payments for multiple items, e.g. Subscriptions + hut fees + social event, unless there is accompanying paperwork.

Cash – insist that cash is passed over in an envelope with a note or form stating who the payment is from and what it's for.

Cheques - insist that cheques are passed over in an envelope with a note or form stating who the payment is from and what it's for or write the details the back of the cheque.

Standing Orders – if any members still paying subscriptions by standing order consider persuading them to remain a member but to pay by another method.

Interbank Transfers – establish clear instructions on referencing payments and, if at all possible, provide structured emails for the member to notify the treasurer.

Payment by smartphone or to a mobile phone – This is a developing technology – approach with care.

Web-based Payment – establish clear responsibilities for payment of the charges. Pre-calculate and specify the amount to be paid each time a payment is set up.

Direct Debits – club administration and record keeping must be perfect before you start, and remain so.

	Advantages	Disadvantages	Cost	Security	Treasurer's Workload	Appropriate size of Club	Comments
Cash	<ul style="list-style-type: none"> Available to all members, i.e. does not disenfranchise Members who do not have a bank current account. Can easily be used for all payments; subscriptions, hut fees, etc. 	<ul style="list-style-type: none"> Too easy to pass on cash without accompanying paperwork. 	£Nil	<ul style="list-style-type: none"> Insecure. Easy to mix club and Treasurer's personal money. 	<ul style="list-style-type: none"> Treasurer needs to look after cash and visit the bank to pay it in. 	All clubs	<p>Cash is, unfortunately, likely to remain a payment method for all small and medium sized clubs.</p> <p>CASH PAYMENTS TO BE DISCOURAGED</p>
Cheques	<ul style="list-style-type: none"> Relatively convenient for members with a bank current account. Can easily be used for all payments; subscriptions, hut fees, etc. 	<ul style="list-style-type: none"> Too easy to pass on a cheque without accompanying paperwork. With increasing postage costs many members rely on hand delivering cheques with consequent delay. 	£Nil Note 1	<ul style="list-style-type: none"> Fairly secure, but cheques can get lost before they are paid in to the bank. 	<ul style="list-style-type: none"> Cheques need recording and paying in to the bank regularly, by visiting or post. Disproportionate amount of effort when cheques are lost. 	All clubs	<p>Cheques are likely to remain a payment method for small and medium sized clubs, although their use is likely to decline.</p>
Standing Orders	<ul style="list-style-type: none"> Useful in retaining members at subscription renewal - members must actively cancel the standing order on leaving the club. 	<ul style="list-style-type: none"> Relies on members to set up the standing order in the first instance and change the amount when subscriptions alter. Payment can be made without any accompanying paperwork. Standing Orders not appropriate for occasional payments; hut fees, etc. 	£Nil Note 1	<ul style="list-style-type: none"> Secure 	<ul style="list-style-type: none"> Cross referencing of Bank Statements can be tedious unless there is a unique reference attached to the payment. 	All clubs	<p>Standing Orders can be problematical – tolerate existing SO's and discourage new ones.</p>
Interbank Transfers	<ul style="list-style-type: none"> Can easily be used for all payments; subscriptions, hut fees, etc. Easy for members to make payments by visiting their bank, telephone or PC banking. Easier payment methods can be helpful to the early take-up of Membership renewal, signing up for meets, etc. 	<ul style="list-style-type: none"> Not easy to make a payment with a unique reference. Too easy to make an interbank transfer without accompanying paperwork – relies on the Member to separately notify the club. A well-structured club website with facility to send forms (i.e. structured emails) is invaluable. A club owned email address attached to the club website is beneficial to monitoring payments and for security, e.g. treasurer@anymc.co.uk 	£Nil Note 1	<ul style="list-style-type: none"> Secure 	<ul style="list-style-type: none"> Cross referencing of Bank Statements can be tedious unless there is a unique reference attached to each payment, or members diligently notify the treasurer. 	All clubs	<p>Interbank Transfers (using internet banking in particular) are free and likely to become a more widely used payment method for small and medium sized clubs, especially with the increasing use of more sophisticated and secure club websites.</p>
Payment by Smartphone, or to a mobile phone	<ul style="list-style-type: none"> Theoretically payments can be easily made anywhere there's a signal and at any time and for any purpose. This type of payment also offered by some Web Based Payment Services, e.g. Pay Pal. 	<ul style="list-style-type: none"> Member's bank must provide the service, e.g. Barclays Pingit. Requires a smartphone and an App (probably free) from the member's bank. Payments transferred to an account associated with another phone which is unlikely to be a club phone. 	?	<ul style="list-style-type: none"> Insecure. Too easy for transferred payments to get mixed up with Treasurer's personal money 	<ul style="list-style-type: none"> Developing payment method The club would need a phone to ensure that all payments go to the club 	None	<p>Payments via Smartphone, etc., are likely to become more widely used, but for a club the method has the faults of payment by cash, i.e. lack of traceability and the potential for mixing up of Treasurer's personal money and club money.</p> <p>PAYMENTS BY SMARTPHONE NOT RECOMMENDED.</p>

	Advantages	Disadvantages	Cost	Security	Treasurer's Workload	Appropriate size of club	Comments
Web-based Payment Services	<ul style="list-style-type: none"> • Can easily be used for all payments; subscriptions, hut fees, etc. • Payments are made through links on the club's website and members can pay by either a credit or debit card. • Successful completion of the payment automatically generates an email to the Treasurer. • Easier payment methods can be helpful to the early take-up of membership renewal, signing up for meets, etc. 	<ul style="list-style-type: none"> • Requires an account with a Payment Service Provider, e.g. Pay Pal. • Account opening formalities and identification requirements will be needed as with a bank account. • Requires a reasonably sophisticated and secure club website. • A club email address attached to the club's web-site is beneficial to monitoring payments and for security, e.g. treasurer@anycc.co.uk. • Unless the club bears the transaction cost, the Member must be made aware of the extra cost prior to making the payment. • Requires integrity from the Treasurer, withdrawals on the authority of a single person. 	<p>Typical charges: 3.4% + 20p per transaction. Note 2</p>	<ul style="list-style-type: none"> • Secure 	<ul style="list-style-type: none"> • Treasurer has to manage an additional account but the payments are downloadable on a spreadsheet (MS Excel). • The accounting is more complicated but overall probably less tedious than say a cheque based system. • Careful monitoring/control of transaction costs. • Account opening and operating checks and procedures need careful organisation and there needs to be more rigorous auditing, controls over the accounts, issue of passwords, etc. 	All clubs	<p>Web based Payment Services are not cheap for small payments but appear to be liked by members, probably due to familiarity and convenience. They are likely to become more widely used for medium sized and larger clubs with the development of more sophisticated and secure club websites.</p>
Direct Debits	<ul style="list-style-type: none"> • Likely only to be worthwhile for larger clubs. Direct debits offer the potential for significantly reducing the annual load on the Treasurer when subscriptions are due. • Helps to retaining members at subscription renewal - member must actively cancel the direct debit before the payment is collected. • The club will know in advance when payments are going to be made. 	<ul style="list-style-type: none"> • Not suitable for occasional payments unless each member effectively has an account with the club. • The Member must have a bank account and agree to make payments by variable direct debits and provide accurate up-to-date details of their bank account. • The bank will require an indemnity from the club to provide a reassurance that in the event of an error the debit can be reversed (with costs). It appears difficult for smaller clubs to comply with this requirement. • Data to be provided to the bank in a defined format – this is likely to involve the use of a bureau, such as Ceridian. 	<p>Costs dependent on method and company used.</p> <p>If managed directly with the Bank, i.e. without an intermediary bureau, it could be cheaper in the long run.</p>	<ul style="list-style-type: none"> • Secure 	<ul style="list-style-type: none"> • The administration of the club's accounting and membership records needs to be of a very high order to avoid an excessive number of rejections and associated extra costs. • Initial set up effort could be very committing. 	Very large clubs (>~1000 Members)	<p>Direct Debits are likely to remain appropriate only for very large clubs and probably limited to the collection of subscriptions, but have been developed for the collection of hut fees.</p>