DXC TECHNOLOGY

NatWest Group digitizes check-clearing processes

CUSTOMER
NatWest Group

LOCATION
Edinburgh, Scotland

INDUSTRY
Banking and Capital Markets

Challenge

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

Solution

- Transition from paper-based check clearing to image-based check clearing
- Automated image-based fraud detection system
- Mobile capture capabilities, which will allow customers to deposit checks via their mobile banking app

Results

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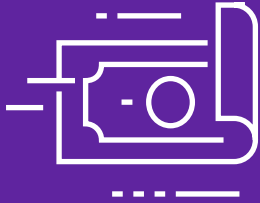
NatWest Group digitizes check-clearing processes

Thanks to electronic banking, there are millennials who have never written a paper check. While the overall volume of paper checks continues to plummet by 10 to 15 percent a year, NatWest Group still sometimes processes as many as 300,000 checks per day and needs to do so as quickly, accurately and cost-effectively as possible.

The new system 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.

In 2019, UK introduced legislation requiring that all banks switch to image exchange of checks. The new legislation means that banks capture images of checks and exchange these instead of physical paper checks.

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

Reduce fraud, mitigate risk and boost compliance

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

During the transition period, DXC managed both paper and digital image-based processes simultaneously and successfully adhered to the migration schedule. DXC also rationalized systems for out-clearing and in-clearing of checks so the same platforms are used for each process. Shrinking the processing real estate allowed for closure of redundant sites while 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 delivered a 50 percent reduction in check-clearing costs and a 66 percent reduction in the clearance cycle time of a check. A full day's worth of checks — on average about 200,000 — is processed in a 2-hour window with an accuracy level of 99.9 percent.

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.

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The new system also enables NatWest Group to do a better job of responding to check-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 check at a lower level than would have been experienced with the old paper processing model while volumes continue to decline.

NatWest Group understands that check-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 digitize and optimize check-clearing processes to cut costs and improve customer service.

50%

Reduction in check-clearing costs

66%

Reduction in the clearance cycle time of a check

2 hours

Time window for processing 200,000 checks with an accuracy level of 99.9%

Continuous improvement at NatWest Group

In 2021, the bank implemented mobile capture, allowing selected customers to use a check deposit option via their mobile banking application, rather than having to go to a branch to deposit a check. The bank is also in the process of implementing a corporate capture option that would enable business and charity customers to deposit large numbers of checks via desktop scanners linked to their online bank accounts.

The bank is planning to introduce check image capture at branches, which would assist in significantly reducing the expense and time associated with couriers transporting checks from branches back to the central DXC check processing facilities — complementing the bank's desire to improve its carbon footprint. DXC is continuing to work with the Bank to implement these customer and branch check capture initiatives.

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