

CHAPTER 7

MEANS OF PAYMENT THROUGH THE POST OFFICE

The post office is of immense use as a means of payment to many people. Post office facilities are available to all, irrespective of whether one has a post office bank account or not. The variety of post office facilities differ from one country to another, depending on the level of economic development. Generally, however, the facilities assume the following proportions in West African countries.

7.1 Unused Stamps

Unused stamps are not legal tender in Nigeria. That is, they are not recognized as means of payment. The post office authority would not buy back postage stamps (as it is the practice in other countries), neither would it accept postage stamps in payment for any transactions between itself and her customers. However, a few individual sellers might, on their own volition, accept the use of postage stamps in settlement of some debts. This depends, however, on how useful such unused postage stamps are to the sellers.

In addition, unused postage stamps might be affixed to postal orders in order to make up payments in a required amount. In this regard, unused postage stamps are acceptable to the creditor as a means of payment, since the post office would pay the creditor the value of the postal order plus the value of the stamps affixed to it. For instance, if an unused eighteen kobo postage stamp is affixed to a postal order of twelve naira fifty kobo (₦12.50), the post office will pay the creditors in all twelve naira and sixty-eight kobo ₦12.68k).

7.2 The Postal Order

This is by far the most common means of payment through the post office. The Nigerian Postal Orders for instance, while not legal tenders as such, are recognized throughout Nigerian post offices - main or sub-offices, as means of payment.

Procedure

- (i) A person who wants to make payment by means of postal order would buy one from the postal clerk in the post office across the counter. He pays a commission of, for example, 25 kobo on ₦8.00 postal order. The post office is remunerated for its services through the payment of such commissions called "poundage".
- (ii) The buyer fills in the name of the payee, the person to be paid in the column "pay.....", and if known, the name of the post office to be paid. But if not, it could be left to the payee to fill in at the other end.

- (iii) The postal clerk signs in the right column for the postmaster and impresses the branch post-office stamp at the appropriate column on both the counterfoil and the postal order.
- (iv) The buyer sends it to the payee; while detaching and keeping the counterfoil which would be commented upon below.
- (v) The payee in turn presents it to the paying post office.
- (vi) The paying post office might ask for an identification of the payee, if not well known in the paying office, before payment is effected.
- (vii) The payee must sign the receiver's column before presenting the postal order for payment. The counterfoil is kept as evidence to enable the payer reclaim should the postal order get lost. This explains why most of the information on the postal order is repeated on the counterfoil.
- (viii) If the payee has a bank account, the postal order could be crossed by putting two transverse lines across. This is to make it safer because crossed postal orders like crossed cheques, are payable only through the banks.

Not Negotiable™ are words written on postal orders to make them less liable to being claimed by those who may come by them through foul means. The phrase *Not Negotiable*™ does not mean that the document cannot be passed from hand to hand in settlement of debts but it simply means that the last receiver or holder of a crossed postal order does not have a better claim to it than the unlawful giver. The original owner from whom it was stolen or lost is still the rightful owner. Postal orders, like cheques, are valid for only a period of six months from the date stamped on its face, after which they are regarded as *stale*. Stale postal orders are payable again by making a special application to the Director of Finance and Accounts in Abuja. A charge equal to the original poundage is made and paid for.

The Advantages of Postal Orders

- (i) Since postal orders do not represent value in themselves like the bank notes, they cannot be stolen and used easily.
- (ii) When postal orders are crossed, they constitute a double foolproof against easy stealing and cashmere since crossed postal orders are payable only through bank accounts.
- (iii) Since postal orders are designed in different denominations, several combinations of them can be used to settle debts of varying amounts.
- (iv) That the payees have to be identified is another insurance against possible fraud or impersonification.
- (v) The use of counterfoils helps to trace lost postal orders.
- (vi) In cases of loss of postal orders, there are procedures for reclaim.

The Limitations of Postal Orders

- (i) Although postal orders are safer than payments by cash, they are not as safe as money orders or other bank payment facilities like bank drafts and certified cheques.
- (ii) There are still reported cases of lost postal orders in spite of the procedures designed for safe transactions.
- (iii) Reclaim procedures might prove difficult and unsuccessful at times.
- (iv) Postal orders do not possess the psychological satisfaction of real money since they are not legal tender but only representatives of money in which business people have the option of expressing or withdrawing their confidence.

Counterfoil	NOT NEGOTIABLE	AB406820
To be detached and kept by sender	NIGERIAN POSTAL ORDER	
To whom payable	Pay	
.....	the sum of ₦100 One Hundred naira	
₦100 Postal order	at	post office
At what office	Post Master	
.....	Paying office's Stamp Date	Signature of Receiver
Whether crossed		Issuing office stamp with date
Date		

Fig. 7.1: A Specimen of Nigerian Postal Order

7.3 Money Orders

Money order is an order or instruction issued by one post office to the other asking that an amount of money be paid to the party mentioned on the order.

Procedures

- (i) One who requests for payment to be made through the use of money order would fill in a form to this end.
- (ii) Particulars to be filled in on the form are:-
 - (a) Amount to be paid.
 - (b) Name and address of payee.
 - (c) Post office where payment is to be effected.
- (iii) A commission is paid in respect of the amount to be sent to the payee.
- (iv) Two copies of the form are produced - one copy is sent directly to the post office making the payment and the second is handed over to the customer who then sends it to the payee.

- (v) The payee, on receiving it, approaches the paying post office with his copy for payment. Payment is made after posing a few questions to the payee on self identification, e.g. the amount involved, the name of payer, etc.
- (vi) The customer could be informed about the payment, once made, on paying a small extra service charge. Money order, like postal order, can be crossed, making it payable only into a bank account.

7.4 Mail or Telegraphic Money Orders

The mail money order is in respect of payment for domestic transactions. The mode of transmitting the message through one post office to the other, is by mail - hence it is known as *mail money order*. But where payment is in respect of overseas transactions, to make the transmission of a message fast and prompt, the instruction about payment from the home post office to the overseas post office is done through telegraphic services. Consequently, it is known as *telegraphic order*. The procedures for buying such telegraphic orders are the same as described above for domestic payment.

The major differences are:

- (i) Telegraphic orders could be in larger amounts than the mail order.
- (ii) The commission on a telegraphic order is heavier, taking into account the cost of sending messages abroad.
- (iii) Transmission of payment instruction is prompt and payment is effected at the overseas office within hours.

Advantages of payment of Money Order over that of Postal Order

Payment by money order is safer than payment by postal order because of the double system of passing notice of payment to the payee as described above. Also, payment is delayed until it is certain that the right person to be paid has got the message. Above all, a money order is cheaper to buy than a postal order.

The Giro System: This has not been introduced to West Africa but it could become one of the payment systems in a few years' time. Like opening an account with a bank, a Giro account is opened with the post office. Payment could be made into a Giro account in form of cash, cheque, postal order or money order. All the payer does is to fill a Giro form quoting for the payee his Giro account number, his name and the amount to be paid.

If the payer is paying through his Giro account, payment is effected by mere transfer from one Giro account to the other. If cash or any other money representative is paid in respect of the payee account holder, payment is effected by crediting his Giro account. In this way, salaries and wages could be paid to Giro account holders. Agents of account holders could make payments into the accounts of their principals. When both payer and payee are holding Giro accounts, the transaction is free of charge. But if only the payee is holding a Giro account, a little commission is payable.

Giro accounts are held in one big computer centre and transfer payments from one account to the other are carried out easily by mere debit and credit transactions to the respective accounts. It is a cheap and simple system. It is particularly handy for settling regular accounts like bank loans, instalmental payment of hire purchases, telephone bills, water and electricity bills, etc. In Great Britain where the Giro system is very popular, cash payments of up to £50.00 could be received at a chosen post office. Thus, it makes withdrawal from personal accounts easy.

Summary

The post office through unused postage stamps, postal orders, money orders, or the banks, creates cheques. Generally, means of payments could be through the post office, the banks and in person.

Different means of payment are by coins, postage stamps (to a limited extent), postal orders, money orders and telegraphic money orders. Each of such means has its own advantages and disadvantages. The Giro system is also a means of payment through the post office which is has not yet been introduced in Nigeria (as at 2004).

Revision Questions

A. *Essay Questions*

1. What are the advantages and the limitations of making payments by postal order.
2. Compare and contrast the use of postal orders and money orders as means of payment.
3. Explain the terms "mail money order" and "telegraphic money order" as means of payment.
4. (a) Classify means of payment under the following headings
 - (i) Legal Tender (2 marks)
 - (ii) Banking system (5 marks)
 - (iii) Post Office (3 marks)
(b) Explain any five of the following means of payment identified in (a) above (10 marks)
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B. *Objective Questions*

1. Which of the following is a method of payment through the post office?
 - A. Bill of exchange
 - B. Promissory note
 - C. Standing order
 - D. Money order

2. Which of the following facilities is not provided by the post office as a means of payment?
 - A. Post Office Box
 - B. Postal Order
 - C. Unused Stamps
 - D. Money Order
3. Cheques or postal order becomes stale after
 - A. two months
 - B. three months
 - C. five months
 - D. six months
4. Poundage as a term refers to
 - A. Commission paid when postal order is purchased.
 - B. Commission paid when a cheque is cashed
 - C. Commission paid when a cheque is issued.
 - D. Commission paid when a postal order is negotiated.
5. Which of the following is the safest means of sending a postal order from Lagos to a friend in Jos?
 - A. Special delivery
 - B. Recorded delivery
 - C. Registered letter
 - D. First class mail
 - E. Express letter

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6. "Not Negotiable" written on postal order means
 - A. less liable to being stolen
 - B. more liable to getting lost
 - C. more likely to lose value
 - D. of no effect
7. One means of payment through NIPOST is the
 - A. Cheque
 - B. Money order
 - C. Standing order
 - D. Promissory note
 - E. Counterfoil

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Use the following information to answer question 8-10.

- A. The post office document that is not acceptable as a legal document.

- B. The post office document that is most commonly used as a means of document.
 - C. The amount paid to the post office when postal order is used as a means of payment.
 - D. The person who wants to make payments using postal order.
8. Commission
- A
 - B
 - C
 - D
9. Postage Stamps
- A
 - B
 - C
 - D
10. Postal order
- A
 - B
 - C
 - D

Project

- 1. As a member of your household, compile a list of how most of the goods and services in the home are usually paid for, e.g., newspapers, house-help, any exchange or video cassettes.
- 2. Make a drawing of a postal order.