



How a Lockbox (or other) Service Can Benefit Accounts Receivable

For decades, businesses have used bank lockbox services to speed up collections and reduce administrative work involved in processing customer checks. Today, the basic idea remains the same, but modern lockbox services can automate your accounts receivable processes. Automated clearing house (ACH), credit card and instant-payment services can also provide efficient collections. So the question is: With multiple tools available, which service will best save your employees time, improve cash flow and strengthen payment controls?

Traditional vs. contemporary

With a traditional lockbox arrangement, customers send payments to a designated address controlled by a business's bank or another service provider. The provider collects payments, deposits checks and sends payment information electronically to the business.

Contemporary systems can capture information from checks and accompanying remittance documents, including customer and invoice numbers. That data generally is transmitted to your accounting or enterprise resource planning system to help automate the process of matching payments with outstanding invoices. The result can be faster processing and less manual work for your workers. Instead of opening envelopes, recording payments and depositing checks, your staff can focus on exceptions and other higher-value tasks.

Don't overlook fraud risk

Security, particularly of paper checks, is another factor that favors lockbox services. According to the Association for Financial Professionals' 2025 Payments Fraud and Control Survey, 63% of organizations experienced attempted or actual check fraud the previous year. Although lockboxes don't eliminate check fraud, moving receipt and check processing away from your workplace can reduce payment handling and allow for more controlled procedures.

ACH and other electronic payment methods typically offer lower processing costs and also eliminate some of the fraud risks associated with paper checks. Instant payments are another option. Participating financial institutions can provide payments that settle within seconds, 24 hours a day, seven days a week.

Checking the math

Lockbox pricing varies by financial institution and service level and may include recurring and transaction-based charges. To determine whether the service makes financial sense, compare those fees with what you're spending internally to process payments. Weigh factors such as:

- The number of paper checks you receive,
- Time spent processing and reconciling payments,
- How quickly payments are currently deposited,
- The value of accelerating access to cash,
- Ease of integration with your accounting system, and
- Fraud prevention benefits.

If your business receives a large volume of checks, a lockbox may make sense. But if your volume is relatively low, you may reap greater benefits by encouraging customers to use electronic payment methods.

Discuss your options

Talk to your bank about available lockbox and electronic receivables services and their costs.