



Check & ACH Fraud:

A Brief Guide to Positive Pay
and Reverse Positive Pay

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Introduction

Positive pay and reverse positive pay are effective tools community banks can use to help prevent, detect, and mitigate check and ACH fraud. This document describes positive pay and reverse positive pay, summarizes the benefits, and provides a checklist of operational considerations for community banks. It is intended to be brief and serve as a reference for community banks to begin initial discussions, evaluate tools, and leverage best practices to identify and prevent fraud.

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Positive pay and reverse positive pay are similar but rely on distinct processes to help banks prevent, detect, and mitigate check and ACH fraud.

Positive pay

Positive pay is a cash management service offered by financial institutions to help prevent check or ACH fraud. With positive pay, a customer provides their financial institution with a list of checks or ACH transactions they issued, including the check number (if applicable), amount, and payee name. When a check or ACH transaction is presented for payment, positive pay compares it against the list provided. If the transaction does not match the submitted details, it is flagged for review by the customer to either approve or reject. If the customer does not respond within a defined timeframe, the item is typically returned as unauthorized.

For ACH transactions specifically, positive pay often involves filters or blocks that evaluate incoming debits based on criteria such as originator name (Company ID), transaction type, dollar thresholds, or frequency. Unauthorized or unexpected transactions can either be flagged for manual review or automatically rejected based on the customer's pre-defined rules. This additional control is especially important for preventing unauthorized ACH debits—an increasingly common form of fraud that traditional check positive pay cannot address on its own.

Reverse positive pay

Reverse positive pay offers a similar fraud mitigation benefit but relies on a different workflow. Unlike standard positive pay, where the bank automatically compares the presented checks or ACH transactions against a pre-approved list, reverse positive pay requires customers to actively review and approve checks or ACH transactions before the bank processes them. The bank provides a listing to the customer of all items, allowing them to review those items to determine what to pay and what to reject.

This approach gives the customer more control and an additional layer of security in detecting fraudulent checks or ACH transactions, but it also requires more time and attention from the customer. Reverse positive pay is most commonly used for check transactions, though some products may offer similar review mechanisms for ACH debits.

Comparison

Both positive pay and reverse positive pay reduce the risk of financial loss by detecting suspicious check or ACH activity, minimizing disruptions to business operations, reducing the need to close affected accounts and open new ones, and providing peace of mind to customers that their account is protected. However, positive pay is more automated than reverse positive pay: it stops fraud before a check or ACH transaction is posted to an account. Reverse positive pay, on the other hand, detects fraud after checks or ACH transactions are presented.



Benefits

Positive pay and reverse positive pay offer a series of benefits to community banks, including enhanced fraud detection and mitigation, increased customer involvement, an opportunity for positive messaging and competitive differentiation, and alignment with risk appetite and expectations.

Fraud detection and mitigation

Positive pay helps prevent losses and reduces the burden on customers to recover funds by identifying unauthorized or altered items before they post. It also allows fraudulent items to be returned quickly through the standard banking channels, often avoiding the need for affidavits or formal dispute processes.

Increased automation and customer involvement

Positive pay helps limit manual processes for a bank when an item needs to be returned on behalf of the customer. Positive pay will return a rejected item through the bank's core software, bypassing the need for an employee to manually credit and debit accounts or general ledgers. The customer can then review the check/ACH information and/or check image and proactively inform the bank which transactions should proceed.

Positive messaging and competitive differentiation

Community banks that are proactively working to combat fraud may have a competitive advantage over financial institutions that have taken a more passive approach. Community banks can use positive pay and reverse positive pay to demonstrate their commitment to limiting their customers' fraud losses. While the availability of positive pay and reverse positive pay are becoming increasingly common, many institutions have not yet adopted one or both of these services.

Alignment with risk appetite and customer expectations

Community banks that use positive pay or reverse positive pay can reduce their risk of fraud exposure, which is often consistent with banks' broader risk appetites and risk mitigation approaches. The products also align well with customers' expectations that their community banks work to protect them from fraud.



Operational Considerations

Community banks can consider a variety of questions as they determine whether and/or how to implement positive pay or reverse positive pay. The following checklist provides a starting point:

Develop a plan and budget

- What has your experience with check and ACH fraud been to date? Have you suffered losses?
- What is your risk appetite? How does it relate to your account agreement and disclosures?
- Have positive pay and/or reverse positive pay been integrated into your broader fraud strategy?
- Have positive pay and/or reverse positive pay been integrated into a treasury or cash management services agreement, if applicable?
- Does the benefit of the product(s) outweigh the cost? Should there be a fee or should the product(s) be offered for free?

Work with your core provider and/or a third-party provider

- Is positive pay or reverse positive pay an included feature with your core and digital banking application?
- Does your imaging product assist with positive pay or offer payee verification?

Market to and educate customers

- Are you educating your customers on these tools? Are you offering flyers, webinars, or lunch-and-learn sessions?
 - Are you including positive pay and/or reverse pay information in your business marketing package?
 - Are you creating buy in with both your business customers and their office staff?
 - Do customers understand their responsibilities and any liability?
 - Do you have or need a dedicated Treasury Management Specialist?
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