

What is a Bank Draft?

If you have to make a large purchase, and do not carry [credit cards](#) or cash with you, a private or public seller may ask you to pay by bank draft. This term is more commonly used in the UK than it is in the US, where it is roughly equivalent to the word cashier's check. Essentially, up to a certain amount of money, a genuine bank draft or cashier's check is guaranteed.

When you withdraw funds from your account to get a cashier's check, you are essentially purchasing the bank draft. Once you've purchased the cashier's check, or [money order](#), the money in your account is gone and can't be spent on other things. This can add extra security to the person selling you something, because it can guarantee that your check will not bounce. The same cannot be said of personal checks, which offer no guarantee that money exists in the account to cover the check.

The face of the bank draft, cashier's check or money order is changing with so many people now banking with ATM cards. Further, software currently exists that can automatically deduct funds from your bank account. This is increasingly in use in retail locations, and chances are it may become standard at some future point. There are thus only a few reasons why you might need to use a bank draft instead of a standard check or an ATM or [credit card](#). If you're purchasing or renting something from an individual, instead of from a store or a large company, that individual is not likely to have the means of determining whether a personal check is valid, and probably doesn't have the ability to take credit card or ATM transactions.

For example, you might need a bank draft as part of a deposit to hold a house you plan to rent, or you might need cash or a cashier's check to pay for a car you plan to purchase from a private seller. While some people might prefer to pay with cash, this is not always a good idea. Getting a bank draft at the least provides you with a record of a transaction, whereas cash does not. The draft is usually made out to the individual to whom you are making the payment, and this is also recorded. You can show you withdrew cash from your account, but you may not be able to prove that you then gave it to a third party. It can cost a little money to purchase a cashier's check, usually a couple of dollars per hundred US Dollars (USD) withdrawn. Many find the security of researchable records is well worth the cost.

In recent years there have been some unfortunate scams involving bank drafts that are phony. Since printers are now so capable of creating very realistic appearing checks, people have been fooled into taking bank drafts that don't truly have any value. To avoid this, you might want to accompany the buyer to his or her bank to see the bank draft written out, or you might ask for a cash payment instead. Another way of checking is to call the bank from which the draft originates and verify that the draft is indeed real. If you've never heard of the bank before, get the phone number independently from your telephone operator or phone book, instead of using the number on the check.