

# Reconciliation 101 guide

What is it, and how does it work – everything you need to know.

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Between August 2024 and August 2025, about £101 trillion in payments were made in the UK across BACS, CHAPS, Faster Payments, and Image clearing (cheques and credit).

At this scale, and with the troubling rise of fraud (over £1 billion stolen in 2024), financial companies must strengthen payment reconciliation systems to identify discrepancies that may signal fraud and maintain compliance with UK regulations.

# TL;DR: Key takeaways on payment reconciliation

- Payment reconciliation aligns company records with real-world payments to maintain accuracy and meet regulations.
- Common types: bank, accounts payable/receivable, payroll, credit card, FX, crypto, and settlement.
- Manual processes create errors, fraud risk, and compliance issues. Automation solves these.
- Benefits of payment reconciliation are reliable reporting, improved cashflow visibility, fewer errors, faster audits, stronger compliance.
- Best practices in payment reconciliation are centralise data, automate exception handling, reconcile daily, and use dashboards.
- Automation is essential for firms with high transaction volume, multiple payment channels, or regulatory pressure.
- Regulation trend: daily reconciliation, monthly client fund reports, multiple safeguarding providers.
- Actions: use audit checklist, schedule daily runs, hold liquidity buffer, and train teams on FCA compliance.

# What is payment reconciliation?

Payment reconciliation is the process of matching transaction records to verify that payment records are consistent with actual payments. This process ensures compliance, reduces the risk of fraud or discrepancies, and boosts accuracy and the integrity of your financial records.

As companies handle growing transaction volumes across several payment channels, locations, currencies, and time zones, reconciliation ensures that these transactions are accurately accounted for.

“With a growing share of company revenue now flowing through non-bank payment methods such as digital wallets, payment gateways, and online marketplaces, the complexity and importance of accurate reconciliation have increased significantly. At the same time, a greater proportion of costs is now tied to these channels, from processing and platform fees to chargebacks and refunds, all of which scale with transaction volume. As a result, staying on top of reconciliation is no longer just about accounting accuracy but about protecting margins and ensuring financial control in an increasingly digital economy.”



**Dylan Bird, Head of Professional Services** at Aurum Solutions

# Types of payment reconciliation

The types of transactions a company handles determine what type of payment reconciliation it needs. From bank reconciliation to payroll reconciliation, here's a comprehensive list of payment reconciliation options companies can implement:

## Bank reconciliation

Bank reconciliation refers to the process of matching your records with bank statements. This process lets you spot errors like missing transactions, identify fraud, maintain tax compliance, and know your true cash position.

Depending on the frequency of your company's transactions, you can reconcile bank statements monthly, biweekly, weekly, or even better, daily.

## Accounts payable and accounts receivable reconciliation

Accounts Payable (A/P) reconciliation is comparing a company's internal payment records, such as payment logs, purchase orders, and accounts payable ledger, with vendor invoices and statements. This prevents fraud, improves cash flow management, and eliminates duplicate transactions.

Accounts Receivable (A/R) reconciliation compares the company's accounts receivable balance to the total number of unpaid invoices to ensure accurate tax reporting and strategic decision-making.

### Credit card reconciliation

Credit card reconciliation involves matching transactions reflected on credit card statements to internal accounting books to investigate mismatches, ensure your records are accurate, and audit-ready.

### Payroll reconciliation

This is the process of verifying that your company's staff compensation records (payments and deductions) agree with general ledger entries and bank statements. Payroll reconciliation ensures employees are paid correctly and related financial transactions are accounted for.

### Balance sheet reconciliation

Balance sheet reconciliation is the process of matching your company's general ledger balances (assets, liabilities, and equity) to corresponding financial documentation to supporting documents. This helps companies understand their financial health, address discrepancies, and make informed decisions.

### POS reconciliation

Point of Sale (POS) reconciliation ensures that a company's POS transaction data aligns with actual payments received by comparing them against cash payments, bank statements, credit or debit card transactions, and other types of payments. POS reconciliation identifies unauthorized transactions, ensures inventory management accuracy, and compliance.

### Crypto reconciliation

Crypto reconciliation is the process of verifying that your internal financial records match the blockchain ledger, including centralised and decentralised exchanges, DeFi platforms, and self-custody wallets.

### Automated Clearing House (ACH)/Direct Debit reconciliation

ACH reconciliation involves matching ACH payments logged in your core banking system (CBS) to the corresponding real transactions data processed via the ACH network.

### Subscription reconciliation

Subscription reconciliation evolves matching internal user records, with billing records, and external payment or accounting systems.

### Refund and chargeback reconciliation

Refunds and chargeback reconciliation involve aligning or updating your accounting records to reflect the deductions from a refund or chargeback. It also involves investigating the validity of chargebacks to avoid bearing the brunt of fraudulent chargebacks.

### FX reconciliation

FX reconciliation is the process of comparing internal financial records of currency exchange transactions with external data such as trading platforms, bank statements, and clearing houses. This helps companies maintain financial integrity and compliance with government policies.

### Cross-border reconciliation

Cross-border reconciliation is the process of verifying financial transactions involving multiple countries, ensuring that amounts recorded in domestic and foreign

accounts align after currency conversion, taxes, and international fees are applied. Plus, posting journal files on the right currency with the right FX rates.

### Tax reconciliation

Tax reconciliation involves comparing recorded tax amounts (like Value Added Tax (VAT), Goods and Services Tax (GST), or corporate tax) in accounting records with tax returns or filings submitted to authorities, ensuring accuracy and compliance.

### Settlement reconciliation

Settlement reconciliation is the matching of settlement data from payment processors, banks, or clearing houses with internal transaction records to confirm that all payments, refunds, and fees have been properly settled.

### Insurance premiums and claims reconciliation

Insurance premiums and claims reconciliation is the process of matching premiums received and claims paid with external records from insurers, brokers, and banks. It ensures all transactions are accurate, properly allocated, and compliant with financial and regulatory standards.



# Examples of automated reconciliation

DOO Clearing, a liquidity provider for Forex and Contract for Difference (CFDs), had to meet Client Money and Assets Sourcebook (CASS) compliance requirements. CASS requirements are one of the Financial Conduct Authority's (FCA) regulations in the UK. This wasn't sustainable with manual reconciliation, especially given that the FCA prefers liquidity providers to use automated reconciliation.

DOO clearing had to balance its operational accounts against those that are held in its client money trading accounts. This required reconciling transaction data from trading platforms. They partnered with Aurum, an automated reconciliation tool that handles this complex three-way reconciliation and generates detailed reports.

[Read Doo Clearing case study](#)



# Breaking down the payment reconciliation process

Payment reconciliation is a multi-step process that differs across companies, depending on their activities. If done manually, it requires a lot of time and resources. Here are some general steps payment reconciliation includes:

## 1. Collect transaction data

Gather all related financial records, including internal records like payment receipts, invoices, and accounting software entries, and external records like bank statements, reports from payment processors, credit notes, and supplier statements. With Automation, APIs can automatically pull in data from banks and accounting systems in real time or on a scheduled basis.

## 2. Data integrity check

Validate the accuracy and consistency of all imported records before reconciliation. Use automated rules to identify missing fields, duplicate entries, and mismatched figures across systems. Real-time validation tools flag errors instantly, reducing manual review and ensuring reliable data flows into the next reconciliation stage.

## 3. Match transactions

Go through the company's financial records. Ensure that every internal transaction in your accounting system has a corresponding external record. Compare details like transaction date, description, amount, currency, transaction ID, and payment method. Reconciliation automation software can match these details using machine learning algorithms.

### 4. Investigate and resolve exceptions

List and thoroughly examine all discrepancies. For instance, bank records might reflect bank fees, but these might be omitted from your internal records. In such cases, promptly record these fees in the accounting system. Rule-based systems in software can flag exceptions using pre-defined criteria.

### 5. Document and report findings

Keep a detailed record of discrepancies spotted during reconciliation with time logs and actions taken to resolve them. Escalate any 'sensitive' discrepancies. For example, the FCA stipulates that mismatches that could

“When an internal safeguarding reconciliation reveals a difference between the safeguarding resource and the safeguarding requirement, a safeguarding institution must determine the reason for the discrepancy and, subject to CASS 15.12.51R, ensure that: (1) any shortfall is paid into a relevant funds bank account as soon as possible and in any case by the end of the business day on which the reconciliation is performed; or (2) any excess is withdrawn from an account holding relevant funds within the same reconciliation period.”



**FCA Consultation Paper CP24/20 – Changes to the safeguarding regime for payments and e-money firms**

As FCA regulations require daily and accurate reporting, Electronic Money institutions (EMIs), PSPs, and other financial institutions need automated payment reconciliation workflows to quickly reconcile payments and stay compliant without increasing headcount.

# Why payment reconciliation matters for your business

Maintaining accurate, up-to-date financial records is crucial for company growth and compliance with local laws. Here are some of the reasons payment reconciliation is crucial for businesses:

- **Financial accuracy:** Consistent payment reconciliation ensures that your financial records are error-free and a true reflection of your company's transactions.
- **Operational integrity:** Confirm every transaction aligns with delivery or service fulfilment. Payments are verified before goods are shipped or services rendered, reducing disputes, delays, and revenue leakage.
- **Cashflow visibility:** Companies that observe thorough payment reconciliation practices have a clear and accurate picture of their cash position. This helps the leadership forecast strategically and make informed decisions.
- **Lower fraud risks:** Payment reconciliation minimises fraud risks and spots them before they escalate. This also stops financial leakages and boosts a company's financial health and growth.
- **Improved compliance:** By verifying the integrity of your financial records, your books remain tax compliant, ensuring you avoid heavy fines and reputational damage.
- **Improved stakeholder relationships:** Maintaining accurate and transparent financial records through payment reconciliation builds trust among key stakeholders like shareholders, company directors, vendors, and customers.

# Most frequent challenges in payment reconciliation

Companies that still consider reconciliation as a back-office task neglect payment reconciliation systems. In reality, payment reconciliation is a strategic financial defence that protects companies from major financial challenges.

**Some challenges caused by a poor reconciliation process include:**

- **Inaccurate reporting:** Without payment reconciliation, a company's financial records might be inaccurate. There might be duplicate or missing transactions, making the company's cash balance appear higher than it actually is.
- **Fraud:** Fraudulent practices go unchecked without payment reconciliation. An employee may divert customer payments to personal accounts for months, leading to significant revenue losses.

“Fraud continues to blight this country, with over £1 billion stolen by criminals in 2024...To deal with this threat, we need a more proactive approach with the public and private sectors working more closely together and using data and intelligence more effectively.”



**Ben Donaldson, Managing Director of  
Economic Crime at UK Finance**

- **Compliance risks:** Discrepancies in financial records breach a company's audit and tax compliance, attracting fines and penalties from financial regulators. For instance, a financial services company that does not reconcile incoming payments to customer accounts might discover mismatches between reported income and bank statements during an audit.
- **High-volume online payments:** Companies handling thousands or millions of daily online transactions face challenges like settlement timing differences between payment processors as some payments settle in one day while others take 2-3 business days. This leads to mismatches between transaction records and actual settlement.
- **Loss of stakeholder trust:** Inaccurate financial data and poor financial reporting might lead to distrust and strained stakeholder relationships. Say investors find differences between quarterly financial reports and actual bank balances. This will lead to a loss of confidence in the company's leadership, potentially stopping future funding.
- **Cashflow challenges:** Businesses with poor payment reconciliation practices may suffer cash crunches as they might have an exaggerated picture of their cash flow. For instance, a company that has unrecorded refunds and chargebacks might overcommit to vendors and payroll, leading to cash shortages and strained relationships.

"Inconsistent or incomplete statement data from multiple payment providers makes it difficult to align records accurately. This issue is compounded by the lack of seamless integration between payment platforms, banks, and accounting systems, leading to significant manual work, delays, and a higher risk of error.

These flow inefficiencies mean finance teams spend more time collecting and preparing data, often manually in spreadsheets, to feed into ERP or accounting systems, leaving less time to investigate, resolve, and prevent issues. Ultimately, too much effort goes into getting the data right, and not enough into using that data to drive business decisions and improvements."



Dylan Bird, Head of Professional Services at Aurum Solutions

# Best practices for your payment reconciliation

Here are best practices to maintain a smooth payment reconciliation process.

- **Centralised data sources:** Collate all payment information from banks, payment processors, and systems to a single database. This prevents working in silos and information being spread across different departments and accounting systems. Centralising payment data also lets finance teams access real-time payment information, minimises mismatches caused by using conflicting information, and speeds up the overall workflow.
- **Automated exception handling:** Automated exception handling means using software to flag discrepancies between your accounting system records and records from external sources like banks, payment processors, and trading platforms. When a reconciliation software's algorithm picks up issues like duplicate entries, missing transactions, it automatically identifies it. This saves time, minimises errors, and lets the finance team focus on more complex reconciliation issues. Since UK financial institutions process approximately 275 billion daily, businesses need automation to reconcile payments effectively.
- **Strong reporting dashboards:** Effective reporting dashboards provide finance teams with visibility into the real-time payment data using analytics and metrics. From high-level summaries that may be suited to the C-suite to specific transaction details for finance teams, these dashboards help companies easily generate and analyse reports showing exceptions and trends over time.
- **Conduct regular payment reconciliation:** Depending on the volume and frequency of your company's transactions, have a fixed schedule to reconcile payments weekly or monthly. This helps you spot discrepancies early on.
- **Fraud detection integration:** Connect your reconciliation system to a specialised fraud detection system that spots unusual transactions like unusually large transfers, off-hours transactions, and payments to blacklisted suppliers.



# Tools powering modern payment reconciliation

Manual payment reconciliation is a time-consuming, arduous, and repetitive process. As payments grow in complexity across various payment platforms, currencies, and banks, manual payment reconciliation also bears increased risks of human errors, strained relationships, and penalties for noncompliance.

However, this can be avoided by automating payment reconciliation. Payment reconciliation software is empowering teams to complete financial closes faster and accurately by flagging discrepancies, minimising human errors, spotting unusual or possibly fraudulent transactions, simplifying reporting, and maintaining detailed audit trails.

**Automated payment reconciliation platforms like Aurum solutions take payment reconciliation a step further by:**

- pulling in bank transaction data via APIs with a single click
- automatically matching 99% of transaction data in seconds
- multi-currency support
- automatically reporting chargebacks and updating internal accounting records

Financial institutions need to automate reconciliation to meet the more stringent compliance demands of the FCA amid rising customer expectations. Here's what Kerri Bersella, Lead Consultant and Delivery Manager at Aurum Solutions, has to say about automated payment reconciliation:

“Automated reconciliation enables businesses to shift focus from time-consuming manual processing to managing exceptions that generate valuable insights. As the number of payment providers grows, each with its own data complexities, automation creates efficiencies by integrating directly with source systems and applying provider-specific rules to handle increasingly complex data.”



**Kerri Bersella, Lead Consultant and Delivery Manager at Aurum Solutions**



# Test: Do you need to automate your payment reconciliation?

We created this checklist to help you easily figure out whether you need to automate your payment reconciliation process. If you experience five or more of these, you need to automate payment reconciliation in your business.

- High transaction volume
- Multiple payment channels (POS, online, subscriptions)
- Frequent errors or exceptions
- Regulatory pressure
- Cross-border or FX payments
- Refunds/chargebacks
- Legacy systems with poor integration
- Delayed reporting
- Growing compliance audits
- Limited staff capacity
- Costly or time consuming audits

# Regulatory considerations for UK and EU firms

**The FCA has proposed stronger safeguarding rules on EMIs, including:**

- Monthly reports of client fund balances and financial service providers to detect shortfalls.
- Diversification of providers to minimise concentration risk
- More frequent and accurate safeguarding of client funds

Also, financial institutions are required to:

- Carry out daily reconciliation of customer funds separately from firm funds, “reconciliation days and business days.”
- Ensure daily and periodic due diligence and monitoring of safeguarding account providers.
- Maintain CASS resolution packs
- Share monthly safeguarding reports with the FCA
- Diversify providers that hold client assets

“Timely, accurate reconciliation helps identify risks early to detect and prevent fraud and maintain smooth cash flow to avoid payment disruptions. Beyond safeguarding operations, reconciliation provides leaders with an important tool to inform broader business decisions and strategy.”



**Kerri Bersella, Lead Consultant and Delivery Manager at Aurum Solutions**

## Practical tips to comply with EU and UK regulations

Here are some practical tips to maintain your company's compliance with EU and UK regulations.

- Keep complete and up-to-date records of financial flows, including client payment receipts, safeguarding account deposits, and payouts.
- Use a reconciliation software that can automatically match internal data with external financial records like bank balances.
- Maintain internal liquidity to make up for any client fund shortfalls.
- Create discrepancy guidelines, including:
  - What is considered a discrepancy
  - Which team member should investigate it, and by what deadline
  - At what point should it be escalated
- Build a calendar of reconciliation days, excluding weekends and public holidays. Schedule daily automated reconciliation on these days.
- Run quarterly internal audits before May 2026
- Train your finance team on the relevant themes like the FCA requirements, identifying discrepancies about automated payment reconciliation:

# Evaluate your reconciliation process (downloadable checklist)

It covers:

- Safeguarding Client Funds
- Reconciliation and Recordkeeping
- Governance and Oversight
- Wind-Down Planning and Resolution
- Prudential Risk and Financial Resilience
- Audit and Regulatory Reporting
- Preparing for Regulatory Changes

[Download the Audit Readiness Checklist](#)

# Aurum: The right payment reconciliation automation partner

Payment reconciliation can become a strategic advantage with the right reconciliation automation software. If you're looking for a solution that scales with your business, provides human support in minutes, and reconciles millions of transactions in seconds, [Aurum Solutions](#) is for you.