



Bacs efficiency guide

ADDACS reason code 3

– account transferred to a new bank/building society

Introduction – what’s it all about?

ADDACS, (the Automated Direct Debit Amendment and Cancellation Service), enables paying banks to inform you (organisations collecting by Direct Debit) of changes to DDIs.

ADDACS advices reason code 3 contain one or two sets of payer (customer) account details.

- Where only **one set** of payer account details are included in the advice, it will have been generated by your customers **existing bank/building society** to inform you the customer has closed their account. You must contact the customer to obtain a new authority (a Direct Debit Instruction), **before** submitting any further collections.
- Where **two sets** of payer account details are included in the advice, it will have been generated by your customers **new bank/building society** to inform you the customer has moved their account to that bank or building society. What you need to do on receipt of this advice will depend on, in part, whether or not you use AUDDIS, (see the information below for further details).

Importantly, in either scenario, you must firstly update your records.

The following section explains more about situations in which the reason code 3 ADDACS advice contains two sets of payer account details and introduces you to the ToDDaSO service.

What can you do to reduce the number of collections returned?

Step 1 – Keep interbank transfer data flowing swiftly

What is the Transfer of Direct Debits and Standing Orders (ToDDaSO) service and how does it work?

The Transfer of Direct Debits and Standing Orders service saves your customers time and effort when moving their account from one bank to another.

Where Direct Debits are to be transferred, the new bank will use ADDACS to advise organisations with whom the customer has a Direct Debit to amend their records and to collect payments from the new bank account.

This service is beneficial not only to your customers but also to you. It helps to ensure your Direct Debit collections continue uninterrupted and saves you the time, cost and hassle of having to get new Direct Debit Instructions (DDIs) from your customer.

Your role in making the service work

In order for the service to work smoothly it is vital you play your part. You need to carefully check your ADDACS reports to determine whether an item is an advice of a new bank account or one to cancel a DDI. If there is information in the new bank details and the old bank details it is a transfer account advice and not a cancellation. It must be actioned immediately.

This service is beneficial not only to your customers but also to you

Ensure you –

- Check your ADDACS advices and action them immediately
- Update your customer records with the customer's new account details
- Send a 0N transaction using the new bank details within 10 working days if you are an AUDDIS service user
- Collect the first Direct Debit following transfer using transaction code 01
- Inform the customer of the collection date if the actions above result in the Direct Debit collection being delayed by more than three working days from that specified in the advance notice.

Don't –

- Sit on ADDACS code 3 advices – act on them immediately
- Assume a cancellation advice is just that, the DDI may be subject to a recent transfer advice, check it out first
- Send out a new paper DDI to your customer.

Don't be indiscrete

There may be occasions when, following the generation of an ADDACS advice, you need to speak to your customer's bank, or they may wish to speak to you, to check the details on the advice.

In these instances it is important neither party volunteers or divulges any personal information about the customer or their circumstances. Discussions must be limited to only information known to both parties – for example, the Direct Debit reference, date of the last amount claimed, the ADDACS reason code.

Do not divulge any personal information about the customer or their circumstances

Step 2 – Leverage ADDACS to improve your processes

ADDACS automates the process of paying banks informing organisations of changes to DDIs.

The majority of banks use ADDACS to electronically send DDI amendments and cancellations via the Bacs service to you. Some of the smaller banks however may provide their amendment /cancellation details using a manual advice form which is posted directly to you. From the end of 2009 the use of paper advices will cease.

The benefits of automated advices:

- Improved cashflow through faster receipt and application of advices which helps reduce unpaid collections and indemnity claims
- Improvements in the speed of processing
- No postal or handling delays. Details of your amendments and cancellations are accessible from 8.00 on the working day after they have been input by the bank
- If you integrate ADDACS into your IT system there are no additional administrative costs to key in the details. You can simply feed the information directly into your database
- Improved customer service, as your systems can be adapted to generate standard letters in accordance with reason codes to keep your customers informed.

Make sure you action your ADDACS reports promptly

Your ADDACS reports are available for you to collect online from the Bacs payment services website.

It is important you access the reports as soon as they are available. They may contain time critical information either about collections you have submitted or your customers. Prompt action may be required to change information on your database. Failure to act swiftly could result in a further payment being taken from a customer's old bank account.

Take the initiative to receive your reports

Ensure you never forget to collect your reports – elect to receive email notification from the payment services website whenever they become available.

When processing ADDACS reports ensure they go directly to the right person in your organisation

ADDACS advices don't necessarily need to be actioned by the same person who processes input and unpaid reports.

Ensure the relevant person is set up as a contact on the payment services website so they can access the reports online – and elect to have them notified by email when the reports become available.

Integrate ADDACS into your IT system

Not all organisations fully automate their processes. Some print out the electronic advices and re-key the information manually into their system.

There are a number of potential issues with this:

- It takes extra time
- It takes extra resources
- Time and resources cost money
- There is more opportunity for errors to be made.

ADDACS reports can be fed directly into your payment applications so your database can be automatically updated with any changes to your customer's details.

Your IT system can also be adapted to generate standard letters for each of the reason codes. This ensures your customers are kept fully informed of anything relevant to their account and maintains the clarity, consistency and completeness of information they are given.

Speak to your Bacs approved software supplier for assistance with getting the most out of integrating your payment applications and your IT system.

Remember: wrongly entered information leads to incorrect collections which leads to dissatisfied customers, or worse still, lost customers (and the possibility of an indemnity claim).

Step 3 – Respond swiftly to information from your customers

If you receive notification from a customer that they have moved their account to another bank it is crucial you act on it straightaway and check whether any payments are in progress.

Cross reference this with information received via your ADDACS reports and ensure your records are updated with the new account details.

Paying banks use ADDACS to inform you of changes to DDIs via the Transfer of Direct Debits and Standing Orders service. This allows you to automatically change the bank details without having to request a new DDI from the customer. If you fail to act promptly then the collection could be returned unpaid because the collection was directed to the customer's old bank. This would adversely affect your cashflow and result in a dissatisfied customer.

Equipping your staff

Don't neglect the Direct Debit training needs of your staff; both those who work in customer services and represent the front line between the public and your organisation, and also the operational staff working behind the scenes processing payments.

Staff training should be viewed as a continuous process, not only as staff leave and others join, but also as people develop, get promoted, change their roles and take on more responsibilities.

Bacs offers a wide range of training solutions to meet your Direct Debit training requirements:

- A suite of online training materials available from the Bacs e-learning site: www.bacslearning.com
- Accredited external training courses provided by third party companies: www.bacs.co.uk/accreditedtrainers
- Simple reference guides: www.bacs.co.uk/trainingtools

Bringing it all together – the Bacs mix

Check you are using all available services and products to help you offer a quality collection service, and ensure they are integrated into your billing system to give you maximum benefit. For further details of the full range of automated services offered by Bacs visit www.bacs.co.uk/directdebitservices