



Direct Debit

An introduction to the service



Contents

The benefits	1
Direct Debit makes you more competitive and more profitable	1
What is Direct Debit?	1
Why organisations prefer Direct Debit	1
Giving your customers the Direct Debit advantage	2
How to get Direct Debit working for you	3
Setting up Direct Debits couldn't be easier	3
More information	6
How to start	6
And don't forget Bacs Direct Credit	6

The benefits **Direct Debit makes you more competitive and more profitable**

There's no doubt about it, Direct Debit can make your organisation's payment collection more efficient, manageable and more cost effective.

That's why UK organisations of all sizes choose it as the preferred method for collecting regular payments from both businesses and individuals.

- It's cheaper than cheque, safer than cash
- You control the date of receipt into your account
- You get cleared funds in your account on a known date
- You can collect variable amounts on regular or irregular dates
- It can eliminate time-consuming reconciliation
- When used in promotions, it can improve the conversion rate from enquiry to sales.

This brochure sets out the benefits of Direct Debit and explains how the service works. More importantly, it shows how easy it is for you to become a Direct Debit service user.

What is Direct Debit?

Direct Debit is an efficient way for organisations to collect regular payments from customers – both businesses and individuals.

A Direct Debit is an instruction from a customer to their bank or building society. It authorises you (the service user) to collect varying amounts from their bank account, as long as the customer has been given advance notice of the collection details and is advised of any future changes.

Why organisations prefer Direct Debit

Cost savings

Direct Debit can cut costs in many ways – especially when compared to cheques.

When you're paid by cheque – even if the cheque arrives on time – you can wait for up to four days for it to clear and for the funds to be available in your account. Then you need to reconcile each of these collections manually.

All the costs associated with these repetitive tasks are dramatically reduced or even eliminated simply by switching to Direct Debit.

Greater control

With Direct Debit, you know precisely when your account will be credited with cleared funds. So you can forecast your cash flow more accurately – something which is difficult with cheques or standing orders where the control of the payment date and amount rests with the customer.

Simple to set up

Getting your customers to pay by Direct Debit is easy and involves just a few simple steps.

Certainty of payment

One of the major attractions of Direct Debit is certainty of payment and knowing that the amounts due from your customers will be credited to your account on a certain date. Only errors and non-payments will be notified to you. So you can carry out reconciliation by exception.

Increased customer loyalty

The experience of many Direct Debit service users shows that when customers choose to pay by Direct Debit, there can be an increase in customer loyalty. Instead of looking for new suppliers, many people find it easier to simply continue paying by Direct Debit.

In fact, some service users have reported a doubling in customer loyalty as a result of offering Direct Debit as a payment option.

A valuable marketing tool

Since Direct Debit is now recognised as a way of spreading costs and budgeting, many consumers and businesses welcome these benefits as incentives to 'sign up'.

Furthermore, as a result of cost savings when collecting payments by Direct Debit, many service users are able to offer discounts to customers who choose to pay that way.

Security and reliability

Built-in security safeguards protect both you and your customers. Each time you collect payments from your customers a report will be available to download via the payment services website or via your Bacstel-IP software package. This report details the total number and value of all the Direct Debits processed and if applicable any amended or rejected records.

Giving your customers the Direct Debit advantage

Not only is Direct Debit good for you, but it is the preferred payment method for 75% of the bill paying population because it offers them so many advantages.

Budgeting their bills

If you offer a monthly payment plan, your customers can budget their bills more effectively by spreading the cost across the year.

This is a major selling proposition for many businesses who incorporate it in their promotion.

Once a Direct Debit has been signed, they can forget about it

Your customers have the peace of mind of knowing their bills are being paid automatically on their behalf and they will not miss a payment.

Direct Debit is convenient and saves time. Your customers can forget about writing and posting cheques. And there are no more trips to the high street and queuing up to pay bills, it's all done automatically for them. Customers paying by Direct Debit can be given a choice of payment dates, giving them the convenience of choosing the date that suits them best.

Naturally, Direct Debit is safer than paying by cash and it is the only payment method that protects your customer with a guarantee.

The Direct Debit Guarantee

The Direct Debit Guarantee gives your customers the complete reassurance of knowing they are protected by a number of safeguards. These include an immediate money back guarantee from their bank or building society if monies are debited from their accounts in error. They also know they will receive advance notice from you if the date, amount or frequency of the Direct Debit changes. And of course the customer has the right to cancel a Direct Debit at any time.

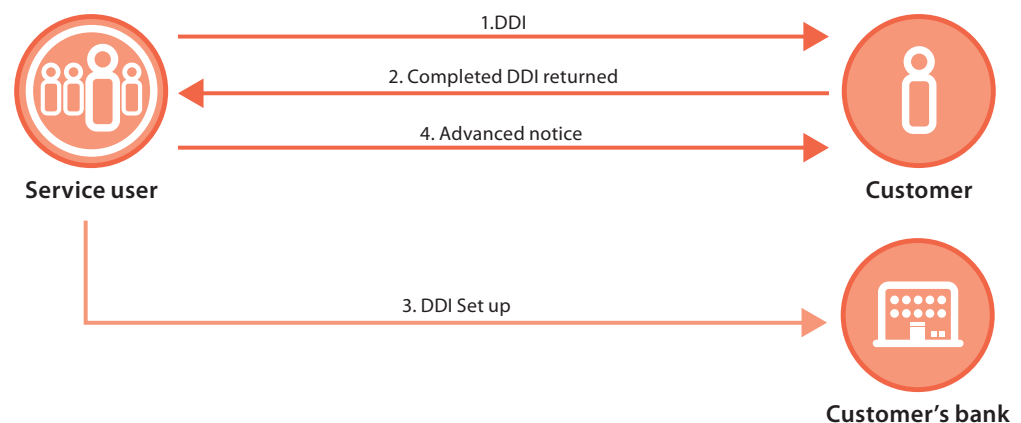
How to get Direct Debit working for you

Setting up Direct Debits couldn't be easier

Once you become a Direct Debit service user, there are three ways of setting up Direct Debit Instructions (DDIs) to collect payments from their customers.

1. Paper-based Direct Debit Instructions

You simply supply your customer with a printed DDI. Once your customer has completed, signed and returned this and you have checked and recorded the details, you forward it to the customer's bank or building society.



2. AUDDIS – automating the process

All new service users that submit direct to Bacs must use AUDDIS.

With AUDDIS (Automated Direct Debit Instruction Service) setting up a new DDI is even quicker and simpler.

AUDDIS is an enhancement to the Direct Debit service which improves the processing of DDIs, resulting in time and cost savings for you. Instead of posting the paper DDI to the customer's bank, it can now be sent electronically, which means:

- Reduced set up costs
- Faster identification of invalid account information and hence a reduction in unpaids
- Reduced time between the bank receiving and accepting of the DDI and the collection of the first payment
- Better quality of service due to reduced processing delays and fewer manual steps
- Reduction in re-keying errors, further improving the quality of service.

3. Paperless Direct Debit

AUDDIS can also lead to another major enhancement of the Direct Debit service – Paperless Direct Debit – which in turn leads to increased efficiency and economy in collecting payments from your customers.

By enabling your customers to sign up at the point of sale, over a telephone or on the internet, Paperless Direct Debit gives you further clear advantages:

- Customer bank details are taken much more accurately, eliminating later administration problems
- You can eliminate much of the paperwork and postage associated with setting up Direct Debits
- You can begin the collections process earlier.

For full details on AUDDIS or the Paperless Direct Debit service contact your bank.

Collecting payments

All you do is create an electronic file to claim payments from your customers in accordance with their Instructions. Each file contains details of all customers from which you wish to collect money, along with their account details, the amount to be collected from each account, the date on which you wish the file to be processed, plus details of your account to be credited.

This file is sent via a telecommunication link (direct access*) or a computer bureau (indirect access**) to the Bacs service, owned by the major banks and building societies. The Bacs service makes a number of security and validation checks to confirm that the data is correct before distribution to the banks and building societies.

A report will be available to download via the payment services website or via your Bacstel-IP software package confirming your file has been processed. The report will detail the total number and value of Direct Debits processed and will list any amended or rejected records which have failed the validation process and cannot be processed e.g. invalid destination sort code.

***Direct Access** – For service users submitting large volumes of Direct Debits, direct access is from your office via Bacstel-IP, based on internet protocol and using the latest PKI technologies. You will need a PC with internet access and a USB or serial port, plus Bacs Approved Software (see www.bacs.co.uk or speak to your bank). As well as sending your submissions via Bacstel-IP, you will be able to view submission history, access reports and maintain details of your service users and contacts.

****Indirect Access** – This is a method of collecting Direct Debits through your bank or via a computer bureau. They can normally accept data by a variety of methods – fax, telephone, post and PC input. Indirect access is often the most suitable method for smaller organisations or those with a limited number of collections. Your bank will be able to provide details of its bureaux services which best suit your needs.

The payment process

The Direct Debit payment process operates on a three day cycle. Payment instructions are received on day 1 (input day). All items are processed overnight for distribution to the banks and building societies on day 2 (processing day), resulting in your customers' accounts being debited and your account being simultaneously credited on day 3 (entry day).

Day 1 input	Day 2 processing		Day 3 entry
Receipt of service users payment file	22.30 Bacs processing	06.00 Bank or building society processing	09.30 Payments simultaneously debited from the customer and credited to the service user

Should any of the Direct Debits be returned to you unpaid by the customer's bank, the amount will be debited from your account either two or three working days after it has been credited. You will be given details of the reason for non payment for you to resolve. If appropriate, you may re-present the unpaid Direct Debit provided it is within one month of the date on which it was first presented and it is for the same amount.

Amendments and cancellations

Your customers may amend or cancel a DDI at any time simply by advising you or their bank. When you receive notification of amendments and cancellations they must be applied immediately, failure to do so may result in you or the bank being liable for any errors.

Refunding errors

In the event of an error the customer's bank will refund the customer. If the error is caused by you, the bank will reclaim the amount from you.

How to start

Switching to Direct Debit will transform your organisation.

Once you have decided to introduce Direct Debit, the first thing to do is consult your bank or building society. Provided you meet the required criteria, which involves checks for integrity, financial standing and administrative capability, you will be accepted into the Scheme. Your bank will advise you on the most appropriate and cost-effective method for your organisation. They will advise you on the facilities you may need and provide you with the Scheme Rules and procedural information necessary before you can offer Direct Debit to your customers.

The sooner you switch to Direct Debit, the sooner you'll be on-line to all the benefits.

And don't forget Bacs Direct Credit

Direct Debit has long been recognised as the simplest and most cost-effective way to collect payments from your customers.

However, Bacs Direct Credit can also save your business time and money. It is a service which enables you to make electronic payments directly into bank and building society accounts. It can be used to pay both companies and individuals – suppliers and employees.

- It's quick, simple and easily administered
- It provides cost savings and administrative improvements that are unmatched by any other payment method
- It can be up to six times cheaper than paying by cheque or cash
- It improves cash flow management
- It reduces the risk of fraud
- It provides the potential for enhanced trading relationships and customer service
- As the payer, you remain in control of the process at all times.

More information

To find out more about Direct Debit and these additional services, simply contact your bank or visit www.bacs.co.uk/businesses

www.bacs.co.uk/usingdirectdebit

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