

DIRECT DEBIT Facilities Management

VERSION 3 | February 2021

CONTENTS

FACILITIES MANAGEMENT AND BACS	3
GETTING PAST GO	3
SETTING UP FACILITIES MANAGEMENT	3
THE PAYER'S AUTHORITY	4
COLLECTING DIRECT DEBITS	5
AFTER COLLECTION	5
MAINTAINING CUSTOMER AUTHORITIES	6
REGULAR REVIEW AND MAINTENANCE	6
CHANGING FM PROVIDER	7
EXITING FROM DIRECT DEBIT	8
GLOSSARY OF TERMS	8
APPENDIX 1	9
FM PARTICIPANTS – A SUMMARY	9
THE FM CLIENT	9
THE FM PROVIDER	9
APPENDIX 2	10
EXAMPLES OF FM SET-UP IN THE DIRECT DEBIT SYSTEM	10
FACILITIES MANAGEMENT WITHOUT TRADING NAMES	10
FACILITIES MANAGEMENT WITH TRADING NAMES	10

COPYRIGHT STATEMENT

All rights reserved.

The copyright in this document is owned by Pay.UK Limited. All material, concepts and ideas detailed in this document are confidential to Pay.UK. This document shall not be used, disclosed or copied in whole or in part for any purposes unless specifically approved by Pay.UK.

FACILITIES MANAGEMENT AND BACS

Facilities Management (FM) is a service whereby an organisation will collect and / or administer Direct Debits on behalf of its clients. This organisation or 'FM provider' will act as a service user for those businesses that do not have their own Service User Number (SUN) – in simple terms, this enables businesses to access the popular payment method without requiring sponsorship into the Direct Debit scheme by their Payment Services Provider (PSP).

This guide provides an overview of the current Direct Debit Rules as they apply to organisations offering FM, so that they can ensure both they and their clients are fully compliant; some of these rules have been specifically designed to protect and support both the FM provider and their client.

FM providers must also read The Service User's Guide & Rules to the Direct Debit Scheme, which can be found at www.bacs.co.uk. This document is available in the password protected area of the website and will require a log in and password.

GETTING PAST GO

An organisation that wants to offer FM should first contact its sponsoring PSP; the sponsoring PSP will advise on the steps involved in becoming a service user and, between them, they will agree the model that will be adopted. Each sponsoring PSP will use its own criteria to assess an application before agreeing to sponsor the organisation as a Direct Debit service user in the first instance, and then to sponsor it to offer FM.

Requirements are similar to those expected of any service user collecting Direct Debits for itself. More information on how to become a service user is available on our website

<https://www.bacs.co.uk/directsubmitter>

While outside of Bacs/Pay.UK remit, prospective FM providers may want to consider whether they need or have the necessary authority from the Financial Conduct Authority (FCA) to operate FM. Please refer to the FCA's website for further information: <https://www.the-fca.org.uk/firms-sectors/payment-services-institution>

SETTING UP FACILITIES MANAGEMENT

It is a requirement of the Direct Debit Rules that an organisation looking to operate as an FM provider commercially is accredited by Bacs/Pay.UK. There is a clearly defined process for achieving accreditation which will commence once the sponsoring PSP has agreed to sponsor the organisation as a Direct Debit service user.

Once accredited the organisation will be listed as an accredited facilities management provider on the Bacs website and be eligible to use the Bacs accredited facilities management logo on its collateral and website.

The FM provider must be clearly defined as the service user both within the Bacs systems and to the payers i.e. the FM provider will have its own SUN for each client, or process Direct Debits through a

single SUN in the name of the FM provider. The FM provider will be responsible for signing the indemnity, and will collect Direct Debits on behalf of a third party - the FM client - to whom the money is ultimately due.

Before an organisation is able to provide FM facilities, its sponsoring PSP will ensure the appropriate information is recorded in Bacs systems. When using a separate SUN for a new client the registered name will be FM provider re FM client.

Any contract between an FM provider and its client is outside the scope of the Direct Debit Rules however that contract is likely to include details about how the Direct Debit collections will be managed, such as when and how the proceeds of Direct Debit collections will be forwarded to the FM client, as well as how any unpaid Direct Debits and/or Indemnity Claims will be handled.

THE PAYER'S AUTHORITY

FM providers can obtain authorities (Direct Debit Instructions (DDIs)) to collect Direct Debits from payers in the same way as other service users, and these will be submitted to the payer's PSP via AUDDIS.

The authority must quote both the FM provider's name and the name of the FM client where a separate SUN is being used for each FM client (see examples in Appendix 2) or the name of the FM provider only where a single SUN for multiple FM clients is being used. Outside of this, the content and design of the authority will need to meet requirements applicable to all service users. Details are available on our website <https://www.bacs.co.uk/DDI>

FM providers must ensure they are both familiar and compliant with the Direct Debit Rules governing their approved payer sign-up channel – e.g. on-line, paper authorities, telephone sign-up. In addition, there are specific responsibilities that apply to FM providers when obtaining the payer's authority:

- Corresponding with the payer, receipt of completed DDIs, and lodgement with paying PSPs
- Undertaking the required validation and verification checks in accordance with the Direct Debit rules
- Corresponding with the payer to issue confirmation and/or advance notice
- Agreeing the arrangements for retaining/storing copies of the authority with the FM client
- Management of Bacs files and collection of Direct Debits on the due dates including reconciliation of processed, rejected and returned items
- Management of returned, amended and cancelled DDIs
- Management of Indemnity Claims
- Complying with the Direct Debit Rules

These are similar to the rules applying to all service users but it is important to understand that these responsibilities sit with the FM provider not the FM client.

COLLECTING DIRECT DEBITS

When submitting the Direct Debit collections on behalf of a FM client, i.e. when using a separate SUN for each client, either the name of the FM provider or FM client (or both) must be used with the Direct Debit payment record, in the appropriate field (for reference, this is field 9 of the Bacs data record). Where a single SUN solution is being used the name of the FM provider must be used with the Direct Debit payment record, in the appropriate field (for reference, this is field 9 of the Bacs data record) – see Appendix 2.

Rule: Regardless of the business model used i.e. using a separate SUN for each FM client or a single SUN, proceeds from the collection of Direct Debits under the “facilities management” agreement must be segregated and no funds should be paid directly into a client’s own account.

Notwithstanding the FCA guidance in relation to the Payment Services Regulation 2017, Bacs regards that best practice indicates that proceeds are directed in the first instance to an account in the name of the service user, specifically designated as a “Client account”. All such accounts must be held at the same PSP i.e. the service user’s sponsoring PSP.

The FM provider must:

- Ensure that the payer’s authority (ON) is lodged with the payer’s PSP in good time
- Be able to establish when payments fall due for collection
- Make sure that the payer’s authority remains valid, i.e. it hasn’t been cancelled or amended, or fallen dormant
- Ensure that advance notice has been issued to the payer
- Submit the payment file on, or in advance of, the due date (directly or via the chosen bureau), ensuring that the correct processing date has been used, and that account has been taken of any Bacs non-processing dates – these dates are available from <https://www.bacs.co.uk/ProcessingCalendar>
- Collect the reports produced by Bacs, e.g. Submission and Input reports (note: this may be a task undertaken by the FM provider’s chosen bureau where appropriate)
- Know what to do if an error occurs, i.e. get immediate advice from the sponsoring PSP should an error be discovered.

AFTER COLLECTION

The FM provider must:

- Ensure settlement occurs on the debiting date, i.e., that funds collected are applied to the designated ‘clients’ account
- Collect any unpaid (ARUDD) reports
- Update the Direct Debit management system to reflect funds collected, as well as any ARUDD items and ADDACS advices

- Have a process for dealing with unpaids, e.g., engage with the payer, re-present the collection where appropriate. Update the underlying records and take any further action as necessary
- Monitor for any Indemnity Claims raised by collecting any DDIC reports, and have a process for dealing with them, e.g., review the information received, challenge or counter-claim as appropriate, engage with the payer.

MAINTAINING CUSTOMER AUTHORITIES

The FM provider is responsible for:

- Having a process for dealing with communications from payers
- Collecting and actioning ADDACS reports – amendments and/or cancellations from the payer's bank. Note: this may be a task undertaken by the chosen bureau (where appropriate) but the FM provider must ensure that the Direct Debit management system is correctly updated
- Take any further action as required, e.g., communicate with the payer, send the ON to the new bank in the event of a payer changing banking provider
- Monitor for authorities becoming dormant through inactivity (i.e., the absence of Direct Debit collections).

REGULAR REVIEW AND MAINTENANCE

It is important that the FM provider and its staff are compliant with Direct Debit Rules and up-to-date with any changes:

- Consider further training, assessing the skills and needs of staff – details of online training and/or courses can be found on the Bacs website www.bacs.co.uk
- Make sure relevant staff register for access to the password protected section of www.bacs.co.uk e.g., to enable them to access the Guide & Rules, operational documents, best practice guidance
- Review its own documentation and processes – get sign-off from its sponsoring PSP should anything change
- Ensure it can receive communications from Bacs about Direct Debit and changes, which means it need to make sure its Primary Security Contact's details are kept up to date
- Review the Guide & Rules document regularly, particularly when advised of updates
- Replace smartcards if staff leave - smartcards are NOT-transferable, e.g. if someone who has a smartcard leaves the organisation, their replacement must have their own smartcard
- Access and take action on reports available to the SUN(s) from Payment Services Website or from the software solution provider

- Make sure they update any databases or applications that use sorting code information at least monthly (weekly is recommended)
- Know who to contact when problems or queries arise, e.g., sponsoring PSP, or the Bacs helpdesk: +44 (0) 370 165 0018

The FM provider must ensure that it complies with the terms of the Bacs Commercial Facilities Management Provider Accreditation Agreement (**Accreditation Agreement**) which it completed prior to becoming accredited by Bacs/Pay.UK.

CHANGING FM PROVIDER

Should an FM client want to move to an alternative FM provider or switch to using their own SUN Bacs/Pay.UK expects the existing provider to support the FM client as they make this change subject to any contractual obligations:

- Bacs has a mechanism for effecting such changes – the Bulk Change Process (BCP) – this allows the transfer of DDIs from the existing to the new FM provider (or to a SUN in the name of the FM client where appropriate) without the need to obtain new DDIs. Further details of the options within the BCP can be found in the document ‘Bulk Change Process for Facilities Management (FM) Providers – Direct Debit’, available to FM providers in the password protected area of the Bacs website, www.bacs.co.uk
- Certain criteria and strict safeguards apply when using the BCP which can only be undertaken with the approval of the sponsoring PSPs concerned
- The existing FM provider is required to agree to use the BCP when requested to do so by the new FM provider or the FM client. Refusal to use the BCP may result in possible sanctions and loss of accreditation.
- FM Providers must fulfil all statutory, legal and/or regulatory obligations in relation to both the BCP or the underlying contract for goods or services. Having transferred DDIs from the existing to the new FM provider, the responsibility for the settlement of Indemnity Claims rests with the new FM provider (this applies from the date of transfer, and covers all past, present, and future Indemnity Claims). Similarly, if the switch is to the FM clients own SUN the responsibility for the settlement of Indemnity Claims switches as well. The sponsoring PSP will be able to provide further information regarding this liability shift.
- Bacs is unable to intervene in any disputes between FM Providers relating to either the BCP or the underlying contracts for goods or services.
- Any dispute between FM Providers must be resolved between the two parties themselves, acting reasonably.
- FM Providers must notify Bacs of the existence of a BCP dispute within seven (7) days of the BCP dispute arising.

EXITING FROM DIRECT DEBIT

Should an FM provider decide that it no longer wants to continue to collect Direct Debits, it should notify its sponsoring PSP which will advise on what further action will need to be taken.

Any FM provider withdrawing FM services will need to ensure that its contractual obligations to its FM clients are completed and, where appropriate, assist its FM clients in finding a new FM provider.

Where an FM provider has its accreditation removed it is expected to assist its FM clients in finding a new FM provider.

GLOSSARY OF TERMS

To view the glossary of terms please go to

<https://www.bacs.co.uk/resources/pages/glossary.aspx#All>

APPENDIX 1

FM PARTICIPANTS – A SUMMARY

THE FM CLIENT

- Is not a service user
- Does not have a SUN
- Does not sign the indemnity required by the Direct Debit Rules
- The payer relationship is established i.e. a contract exists between the payer and the FM client
- The money is due to the FM client from their customers (the payers)
- The FM client is able to choose the FM provider it wishes to deal with. Subject to any on-going contractual arrangements the FM client is able to change the FM provider that it uses and the possible options available are referenced in the section headed 'Changing FM Provider' above.

THE FM PROVIDER

- The SUN is registered as FM provider re FM client (when using a separate SUN for a new client)
OR
- The SUN is registered as FM provider where the same SUN is used for multiple FM clients
- The indemnity and liability lies solely with the FM provider
- The FM provider is responsible for the operation of all the Direct Debit processes and procedures
- Regardless of the business model used i.e. using a separate SUN for each FM client or a single SUN, proceeds from the collection of Direct Debits under the “facilities management” agreement must be segregated and no funds should be paid directly into a client’s own account.
Notwithstanding the FCA guidance in relation to the Payment Services Regulation 2017, Bacs regards that best practice indicates that proceeds are directed in the first instance to an account in the name of the service user, specifically designated as a “Client account”. All such accounts must be held at the same PSP i.e. the service user’s sponsoring PSP.

APPENDIX 2

EXAMPLES OF FM SET-UP IN THE DIRECT DEBIT SYSTEM

This section provides examples of how an FM provider would need to reflect the names of the FM provider and FM client when using Direct Debit.

FACILITIES MANAGEMENT WITHOUT TRADING NAMES

Example

FACILITIES MANAGEMENT – USING INDIVIDUAL SUN FOR EACH FM CLIENT	FM CLIENT WITHOUT TRADING NAMES	FIELD LENGTH
FM provider (service user) name registered on payment services	FM provider (service user) re FM client	33
Account short name from FM provider (service user) account details on payment	FM provider (service user) re FM client	18
Name on Direct Debit Instruction	FM provider (service user) re FM client	No limit
Name in field 9 of data record	Either FM provider (service user) re FM client or FM provider (service user) or FM client	18
Contra record	FM provider (service user) re FM client	18
FACILITIES MANAGEMENT – USING SINGLE SUN		
		FIELD LENGTH
FM provider (service user) name registered on payment services	FM provider (service user)	33
Account short name from FM provider (service user) account details on payment	FM provider (service user)	18
Name on Direct Debit Instruction	FM provider (service user)	No limit
Name in field 9 of data record	FM provider (service user)	18
Contra record	FM provider (service user)	18

FACILITIES MANAGEMENT WITH TRADING NAMES

FACILITIES MANAGEMENT – using individual SUN for each FM client	FM CLIENT WITH TRADING NAMES	FIELD LENGTH
FM provider (service user) name registered on payment services	FM provider (service user) re FM client trading as Knights*	33
Account short name from FM provider (service user) account details on payment services	FM provider (service user) re FM client trading as Knights*	18

DIRECT DEBIT
Facilities Management

Name on Direct Debit Instruction	FM provider (service user) re FM client trading as Knights	No limit
Name in field 9 of Bacs data record	Either FM provider (service user) re FM client or FM provider (service user) or FM client or Knights	18
Contra record	FM provider (service user) re FM client	18

* When an FM client wishes to use a trading name, due to restriction in field lengths this may be recorded as FM provider re FM client's trading name. The example of this given above is – FM provider re Knights.