

A close-up photograph of a person's hand holding a bubble wand, blowing a stream of colorful bubbles. The background is a soft-focus outdoor setting with green grass and trees. The overall mood is light and airy.

# THE LITTLE BACS GUIDE TO **BACS DIRECT CREDIT**

The essential guide for users or potential users  
of Bacs Direct Credit

## INTRODUCTION

Bacs Direct Credit allows both small and large organisations to make payments by electronic transfer directly into payment services provider (PSP) accounts. It's a simple, secure and reliable way to make and receive payments and it reduces the time and costs associated with traditional methods of payment processing.

Bacs Direct Credit is used for all types of business payments, most commonly for paying salaries and wages to employees, benefits, as well as for settling business-to-business invoices. However there are a variety of other payment areas where Bacs Direct Credit is the most cost effective option. Some are specific to a particular industry sector, for example, pensions, employee expenses, insurance settlements, dividends and refunds.



## THE BENEFITS OF BACS DIRECT CREDIT

---

**Saves time and administration costs**

Preparing and checking payments can be time consuming. With Bacs Direct Credit the creation and authorisation of a payment file is simple and inexpensive

---

**Improved cashflow management**

Know exactly when funds will leave your account

---

**Direct cost savings**

Reduce postage costs and remove security risks and costs associated with collection / delivery / storage of cash

---

**Cut down on reconciliation**

Bacs Direct Credit generates just a single debit from your account on a specified date, eliminating the need to track individual payments

---

**Better payment terms**

Negotiate more favourable terms by paying more efficiently

---

## THE BENEFITS OF BACS DIRECT CREDIT

Many organisations use Bacs Direct Credit to pay salaries and wages. In fact over 90% of the UK workforce is paid this way.

Using this method benefits not only your organisation but also your employees because cleared funds are guaranteed to be available on pay day even if an employee is off sick, on holiday or carrying out shift work outside normal hours. It's also beneficial because the loss or theft of funds is negated.

Bacs Direct Credit is also ideal as a payment method for settling the essential costs of running your business as well as your regular supplier payments.

To make payments using Bacs Direct Credit you submit your payment data to the Bacs Payment System using your chosen access option. This can be either:

1. Direct access (submitting the data yourself)
2. Indirect access (via a Bacs approved bureau).

Your payment data will be made up of the same elements whichever access route you choose and will include the amount of each payment to be made, the PSP account numbers and sort codes of where payments are to be made to, and the dates on which they need to be made.

Once submitted the payment data is sorted into payments for different PSPs and then transmitted to each one. This data is downloaded into their computer systems and applied to the relevant customers' accounts and debited to yours.

The entire process is simple and efficient - and it takes less than three days from start to finish.

### Two easy steps to start using Bacs Direct Credit

---

**Step 1**    Contact your PSP    The first thing to do is consult your PSP who will advise you what you need to do to access Bacs Direct Credit. They will also provide you with a copy of the Bacs Direct Credit rules and any other procedural information necessary

**Step 2**    Decide how you will access Bacs Direct Credit    There are different methods for submitting your payment data to the Bacs Payment System. The most suitable one for your organisation will depend on your needs and resources

#### Access options:

Direct access – this may be faster and cheaper than using a bureau if you will be processing a high volume of payments

Indirect access – this is via a PSP or a bureau and is often the most suitable method for smaller organisations or those with small numbers of payments

---

## THE BACS PROCESSING CYCLE

### DAY 1 INPUT

Input day is the latest day a business user / bureau may submit a payment file to the Bacs Payment System for a processing cycle. Payment files must be transmitted between 07.00 and 22.30.

### DAY 2 PROCESSING

Files are delivered to the recipient PSPs so they can then process each payment.

### DAY 3 ENTRY

Payments are simultaneously credited to the recipients' accounts and debited to your account.

You remain in control of the process at all times. You can submit your payment instructions up to 30 days in advance of the payment date. You can also recall payments after the payment information has been submitted, provided your PSP is notified prior to a specific cut off time.



## RECEIVING PAYMENTS BY BACS DIRECT CREDIT

You might wish to think about actively encouraging your customers to pay you by Bacs Direct Credit.

Payments are easy to arrange.

Contact the organisation making the payment to check they are able to initiate direct payments and supply them with the following information about where payments should be directed:

---

- name(s) on the account

---

- account number \*

---

- branch sort code \*

---

\*Payments are processed only using these numbers so it is vital that you double check the information you are giving is correct.

---

Consider putting your sort code and account number on all your invoices to make it easier for your customers to pay you this way.

## PAYMENT REFERENCE INFORMATION AND WHY IT'S IMPORTANT FOR ALL PARTIES

Each year UK businesses spend millions of pounds resolving problems caused when their customers make electronic payments to them without the right payment reference information.

It is important the correct payment reference information is included with all electronic payments as you use this information to connect the payments you receive to your customers' accounts.

Payment reference information can normally be found in the payment details of a bill.

### **You can help both your business and your customers by:**

- Reminding your customers to include accurate reference information when making payments
- Educating your customers so they are clear why including the correct reference information benefits them
- Advising your customers how many digits make up the reference to help them easily identify a mistake
- Displaying reference information clearly and unambiguously at the top of your bills.

## WHAT TO DO IF THINGS GO WRONG

Most people never experience an issue with a Bacs Direct Credit payment however, on rare occasions a problem can arise. If an expected payment has not been received, you should first find out how the organisation sent it to you, for example, via the Bacs Payment System. Ask them for the sort code and account number they quoted on the payment, and the date they requested it to be credited to your account.

Next contact your PSP to ensure that they haven't received the payment. They may require additional information, including details of the remitting organisation and their sort code and account number.

If your PSP is still unable to locate the payment you should contact the remitting organisation as soon as possible so they can initiate an investigation.

For advice on how to complain about a missed payment visit the complaint procedure for Bacs Direct Credits which can be found on [www.bacs.co.uk](http://www.bacs.co.uk).

## MAKING THE MOST OF BACS DIRECT CREDIT

Ensure your business is making the most of Bacs Direct Credit – consider these additional services that can help make your processes more efficient:

**AWACS (Advice of Wrong Account for Credits Service)** – a fast and efficient service for notification of incorrect account details

AWACS is an electronic messaging service allowing PSPs to notify service users of any changes to a Bacs Direct Credit payment, providing them with the information needed to help maintain their payments database. For example:

- When the incorrect beneficiary account details are supplied with a payment and the receiving PSP is able to identify the correct account
- When an account has been transferred to a new PSP using the Current Account Switch Service or the Bulk Payment Redirection Service

**ARUCS (Automated Return of Unapplied Credits Service)** – vital in helping organisations keep an up-to-date database

With billions of Bacs Direct Credits made annually there are occasions when the data sent by an organisation contains incorrect information.

PSPs try to ensure that Bacs Direct Credits received with incorrect details are applied to the appropriate accounts. Additionally, manual intervention may be used to ensure an accurate account match.

If it is not possible to apply a Bacs Direct Credit to an account due to, for example, the beneficiary being deceased or if the account has been transferred, the item must be returned to the account of the organisation which sent the payment.

ARUCS allows the receiving PSP to return the Bacs Direct Credit automatically to the organisation via the Bacs Payment System and to give appropriate information by way of reason codes as to why the payment was unapplied.

The ARUCS service helps organisations keep their databases up-to-date to ensure further invalid Bacs Direct Credits are not sent to the wrong PSP account.

## BEST PRACTICE GUIDANCE

1

### Ensure your customers use accurate reference information

Help your customers and your organisation by trying to ensure accurate reference information is included when payments are made. Educate your customers so they understand why the correct information benefits them, help them spot mistakes by making them aware of how many digits make up the reference and make identification of reference information easy by ensuring it's shown clearly at the top of bills.

2

### Make your processes more efficient

Make your organisations processes more efficient by using the Bacs Direct Credit additional services AWACS and ARUCS.

3

### Access and action your AWACS reports

As well as being a requirement of Bacs Direct Credit to access and take action on AWACS reports, they also provide you with information about the validity of the account information you have for the recipients of payments. By taking action on the information in AWACS reports you will be keeping contact details up-to-date, identifying where contact with a payee might be needed and avoiding potential future processing errors.

4

### Review your ARUCS reports

ARUCS reports identify why a Bacs Direct Credit has been returned to you and give details of the original payee. They identify the actions you may need to take to ensure the payment reaches the correct beneficiary account.

### Further information

[www.bacs.co.uk](http://www.bacs.co.uk) ➡

[www.bacs.co.uk/bdc-sugr](http://www.bacs.co.uk/bdc-sugr) ➡

For the Service User's Guide and Rules to the Bacs Direct Credit Scheme



Bacs is owned and operated by leading retail payments authority Pay.UK, the company responsible for Faster Payments and cheques, as well as related services such as mobile app Paym, the Current Account Switch Service, and many others.

For further information visit [www.wearepay.uk](http://www.wearepay.uk)

2 Thomas More Square,  
London E1W 1YN