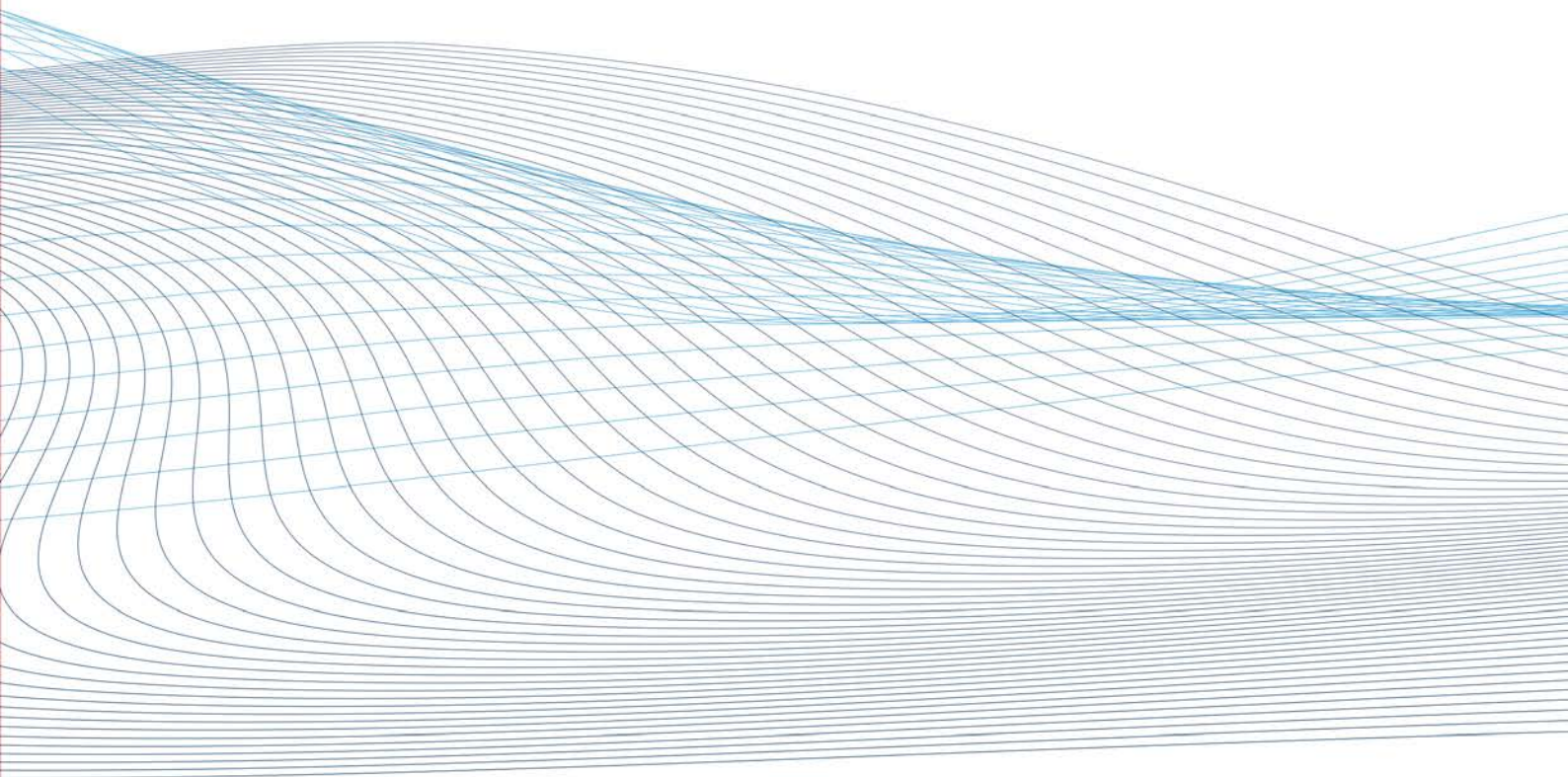


DIRECT DEBIT

Facilities Management

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FACILITIES MANAGEMENT AND BACS

Facilities management (FM) is a service whereby an organisation will take responsibility for the collection or administration of Direct Debits on behalf of another organisation, not necessarily being a service user in its own right (FM client). 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 bank.

This guide provides an overview of the current Direct Debit Scheme 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 bank (called the sponsoring bank); the bank will advise on the steps involved in becoming a service user and, between them, they will agree the model that will be adopted. Each bank 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 the Bacs' schemes' 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

The FM provider will be clearly defined as the service user both within the Scheme and to the payers i.e. the FM provider will have its own Service User Number (SUN) for each client, or may process Direct Debits through a single, SUN in the name of the FM provider. They 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 bank will ensure the appropriate information is recorded in Bacs systems. This registration will be FM provider re FM client when using a separate SUN for a new client.

In addition aspects of the proposition from FM providers are, with effect from 2018, accredited by Bacs.

Any contract between an FM provider and its client is outside the scope of Scheme 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) to collect Direct Debits from payers in the same way as other service users, and these will be submitted to the payer's bank via AUDDIS.

The authority must quote both the FM provider's name and the name of the FM client. Outside of that, 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 scheme 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 Direct Debit Instructions (DDIs), and lodgement with paying banks
- Undertaking the required validation and verification checks in accordance with the Direct Debit Scheme 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 Scheme 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 client, i.e., when using a separate SUN for a new 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.

Collected funds must be applied to an account in the name of the FM provider; this MUST be designated 'clients' / 'trust' account.

All of these accounts must be held at the FM provider's sponsoring bank. No funds should be paid directly into an FM client's own account.

The FM provider must:

- Ensure that the payer's authority (ON) is lodged with the payer's bank in good time
- Be able to establish when payments fall due for collection
- Make sure that the payer's authority remains valid, ie. 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 chosen sponsor bank 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' / 'trust' 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 Scheme 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 your own documentation and processes – get sign-off from your chosen sponsoring bank should anything change
- Ensure you can receive communications from Bacs about the Direct Debit Scheme and changes, which means you need to make sure your 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 you 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 bank, or the Bacs helpdesk: +44 (0) 370 165 0018

CHANGING FM PROVIDER

Should an FM client want to move to an alternative FM provider or switch to using their own SUN Bacs would encourage the existing provider to support the client as they make this change:

- Bacs has made available a mechanism for effecting such changes – the Bulk Change Process – this allows the transfer of DDIs from the old to the new FM provider (or to a SUN in the name of the client) without the need to obtain new DDIs
 - Certain criteria and strict safeguards apply when using the Bulk Change Process which can only be undertaken with the approval of the sponsoring bank(s) concerned

- Use of the Bulk Change Process is dependent on both the new and the old FM provider agreeing to the transfer. Contractual arrangements between the two FM providers are outside the scope of the Direct Debit Scheme
- Having transferred DDIs from one FM provider to another, 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). The sponsoring bank will be able to provide further information regarding this liability shift.

EXIT FROM THE SCHEME

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

Any 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 provider.

APPENDIX 1

FM PARTICIPANTS – A SUMMARY

THE FM CLIENT

- Is not a service user
- Does not have a Service User Number
- Does not sign the indemnity required by the Scheme
- 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 ongoing 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
- 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
- The money collected is applied to an account, held at the FM providers sponsor in the name of the FM provider and designated 'clients' / 'trust' account.

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

FACILITIES MANAGEMENT	FACILITIES MANAGEMENT WITH FM CLIENT WITHOUT TRADING NAME	FIELD LENGTH
FM provider name registered on payment services	FM provider re FM client	33
Account short name from FM provider account details on payment services	FM provider re FM client	18
Name on Direct Debit Instruction	FM provider re FM client	No limit
Name in field 9 of Bacs data record	Either FM provider re FM client or FM provider or FM client	18
Contra record	FM provider re FM client	18

FACILITIES MANAGEMENT WITH TRADING NAMES

FACILITIES MANAGEMENT	FM CLIENT WITH TRADING NAMES	FIELD LENGTH
FM provider name registered on payment services	FM provider re FM client trading as Knights*	33
Account short name from FM provider account details on payment services	FM provider re FM client trading as Knights*	18
Name on Direct Debit Instruction	FM provider re FM client trading as Knights	No limit
Name in field 9 of Bacs data record	Either FM provider re FM client or FM provider or FM client or Knights	18
Contra record	FM provider 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.

APPENDIX 3

GLOSSARY OF TERMS

ON	The code given to an AUDDIS message to create a new Direct Debit Instruction on the payer's account
ADDACS	Automated Direct Debit Amendment and Cancellation Service
ARUDD	Automated Return of Unpaid Direct Debits
AUDDIS	Automated Direct Debit Instruction Service
DDI	Direct Debit Instruction
DDIC	Direct Debit Indemnity Claim
FM	Facilities Management
Payment Services Website (PSW)	The secure website used to access Bacs
Primary Security Contact (PSC)	The nominated individual who liaises with the sponsoring bank on all matters relating to Bacs
SUN	Service User Number