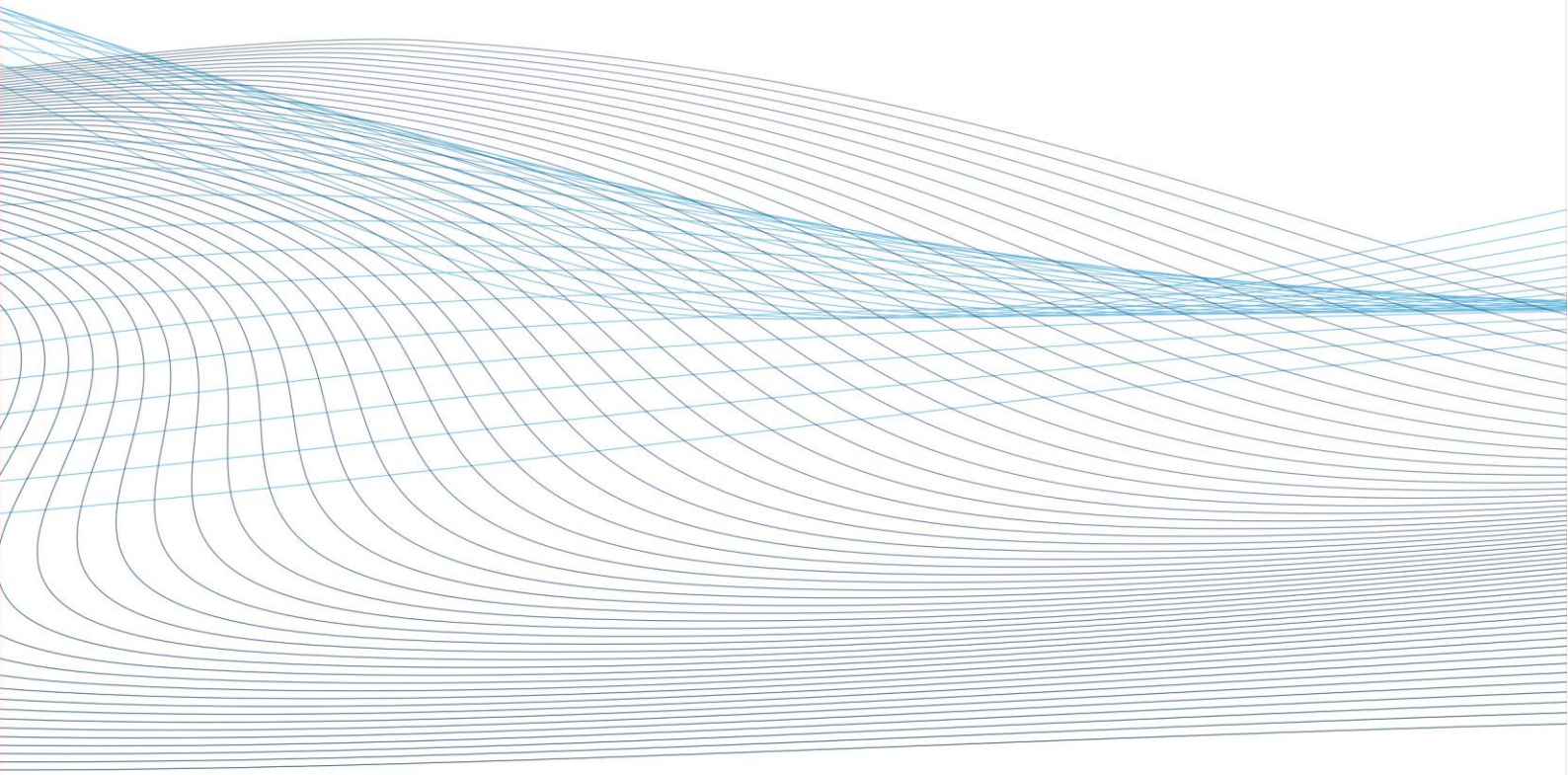
THE SERVICE USER'S GUIDE AND RULES TO THE BACS DIRECT CREDIT SCHEME

VERSION 2.3| DECEMBER 2020



bacs
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Amendments

An outline of the main changes to The Service User's Guide and Rules to the ***Bacs Direct Credit Scheme*** version 2.3 is given below. Please refer to the particular section for full details of the changes.

SECTION	BRIEF DESCRIPTION OF CHANGE
7.2.4	CLARIFICATION- BUREAU STAFF CANNOT BE A PSC FOR THE SUN

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THE ESSENTIALS OF USING BACS

Bacs is the company which runs ***Bacs Direct Credit*** in the UK. We also run the ***Direct Debit Scheme***, which is used to collect payments. In order to make payments or collections using our electronic schemes you will have a relationship with your payment service provider (PSP) which 'sponsors' you to use our services, possibly with a ***Software Supplier*** or a third party ***Bureau*** – a combination of one or more of these organisations is needed to enable you to use our schemes.

There are ***Rules*** which all of the organisations using our schemes – both ***Bacs Direct Credit*** and ***Direct Debit*** – must adhere to. Your sponsoring PSP will be able to advise you if you are uncertain about how to comply with any of these.

Set out below are the essentials for understanding the key ***Rules*** that affect you, and how you can make sure you are compliant:

1. Register for access to the secure section of www.bacs.co.uk where the complete ***Guide & Rules*** documents are available. You can then check that your processes and procedures comply.
2. Keep up to date with any changes to the ***Guide & Rules***, and amend your processes and procedures in accordance with those. We send updates and important notices to you by email. Ensure ***Bacs*** is on email "safe" lists so that important communications we send to you are not rejected or sent to a junk mail folder.
3. Make sure you have at least two Primary Security Contacts (PSCs) registered (indirect submitters need at least one PSC) and that your contact details are kept up to date. Any changes must be notified to your sponsor. See also section 7.2.4.
   Bureau contacts cannot be set up as PSCs for indirect submitters.
4. Smartcards are used by your organisation's approved personnel to carry out actions associated with the ***Bacs services***, such as setting up payments or changing account details. These Smartcards are non-transferable between people and a new card must be applied for through your sponsor for new personnel.
5. Access, and take action on reports, within the documented timescales in this guide, which you can find on our Payment Services Website (PSW) – you will have received address and log in details for this secure site from your sponsoring PSP. The reports are also available via your ***Bacstel-IP*** software. They contain messages which are generated by the PSP which holds the account to which you are either making or collecting a payment; for example, you may receive an advice saying that the customer account you are trying to collect from has been closed.
6. Check your submissions have been successful. There are reports available on the PSW or via your ***Bacstel-IP*** software which can confirm a payment file has been successfully submitted or can alert you if there is an error.
7. Make sure you update any databases or applications that use sorting code information at least monthly (weekly is recommended) to ensure that up to date information is used. Updated copies of sort code information (the ***ISCD*** or ***EISCD***) is made available by your Bacs approved software ***Solution Supplier***
8. All customer facing documentation whether printed or online, for example where customers can sign up to pay by ***Direct Debit***, must be approved by your sponsoring PSP, including when any changes to documents / web pages are made.

If at any stage you are unclear on actions you should take regarding the ***Guide & Rules***, you can contact either your sponsoring PSP, or ***Bacs*** for help. ***Bacs*** provides online training and also supports

an accredited training scheme to help you successfully use and comply with our payment schemes. You can find a supplier of ***Bacs*** accredited training at www.bacs.co.uk/training

INTRODUCTION

This ***Guide and Rules*** replaces all previous ***Rules*** and agreements, including the ***Bacs Direct Credit*** Standards, available to ***Service Users***.

The ***Rules*** will evolve over time and will be revised and updated as necessary. It is the ***Service User's*** responsibility to ensure that it complies with the latest version of the ***Rules*** and all other rules and guidance applicable to the ***Scheme***. For the latest versions, visit: www.bacs.co.uk/documentlibrary

No departure from the ***Rules*** is allowed. If in doubt as to the interpretation or application of the ***Rules***, a ***Service User*** should contact its ***Sponsor***.

Purpose

The document is intended for ***Service Users*** who are required to apply the ***Rules*** of the ***Scheme*** and operate within the set procedures as defined.

Where the responsibilities and obligations in this document are mandatory the words 'must' or 'shall' are used and the information will be prefaced by 'Rule'. Otherwise the words 'may' or 'should' indicate that it should be regarded as industry best practice and the information will be prefaced by 'Guidance'.

Reference to a PSP's procedures and responsibilities are for the ***Service User's*** information. Account charges, if applicable, fall within the banker-customer terms and conditions of each PSP and as such are outside the scope of the ***Scheme***.

The ***Scheme*** may be used only to pay amounts in pound sterling within the ***United Kingdom*** (for this purpose this includes the Channel Islands and the Isle of Man).

Out of scope

This document provides ***Rules*** for the ***Service User's*** involvement with the ***Scheme***. It is not the purpose of this document to cover a ***Service User's*** wider legal and regulatory obligations in respect of or relating to ***Bacs Direct Credits***, such as the application of the Data Protection Act 2018 or the Payment Services Regulations 2017, however ***Service Users*** should be aware of their responsibilities in respect of these and any other legal and regulatory requirements.

Conventions

- In this document the term payment service provider ("PSP") is generally used to include banks, building societies and other credit institutions participating in the Scheme on behalf of customers. Not all such PSP's are banks for the purposes of applicable laws, statutes, statutory instruments, orders, regulations and rules in force from time to time.
- Payers may not be familiar with the term 'payment service provider' therefore where text relates to a payer's involvement in the Scheme the term bank / building society has been left.

How to find your way around the Scheme Rules (and Guidance)

- The ***Rules*** are divided into discrete sections which cover a specific aspect of the ***Scheme***. These sections are listed on the contents page at the beginning of the document. It starts with an overview of the ***Scheme*** and also covers the process of becoming a ***Service User*** and submitting payments, as well as dealing with amendments and returns.
- **Glossary of terms**. Bold italicised text denotes that a brief explanation of the word emboldened can be found in the online Glossary of terms which is available from www.bacs.co.uk/Glossary
- **Cross referencing**. An item or topic in one section may also appear in another section or later in the same section. Where this is considered to be significant, the cross reference has been included in the text. Where further information is contained within another document the title of the document and reference number for that document, where applicable, has also been included in bold text.
- **Bacs Website**. ***Bacs*** documentation referred to within this document is available in a password protected area of the ***Bacs*** website and therefore an individual password is required. Anyone requiring access should go to the 'login' screen at www.bacs.co.uk and follow the instructions.

1 BACS DIRECT CREDIT RULES – AN OVERVIEW

1.1 WHAT IS THE BACS DIRECT CREDIT SCHEME

The ***Scheme*** enables businesses, large and small, to make payments, up to a maximum individual payment transaction limit of £20m, by electronic transfer via the ***Bacs Service*** directly into PSP accounts.

The ***Scheme*** is used by insurance companies, charities, local authorities, public utilities, hire purchase companies, PSPs, manufacturers, suppliers and a wide range of other organisations to effect a large volume of payments for a wide range of purposes including the payment of salaries and bills.

Bacs, a part of Pay.UK Limited ('Pay.UK') is the institution responsible for the administration and management of the Direct Debit and Bacs Direct Credit Schemes. Pay.UK became the responsible operator of the Direct Debit and Bacs Direct Credit payment systems on 1 March 2019. References to "Bacs" and "Pay.UK" are used interchangeably.

1.2 BENEFITS

The ***Scheme*** has benefits for all parties concerned in the payment cycle. It is simple, secure and reliable and has therefore grown in popularity with ***Service Users*** and their customers. It can be used to effect regular or more occasional payments to large numbers of ***Beneficiaries***. It is solely a method of effecting payments and the PSPs are not responsible for any underlying contracts between the ***Service User*** and the ***Beneficiary***.

2 BECOMING A BACS DIRECT CREDIT SERVICE USER

Introduction

An organisation wishing to join the ***Scheme*** should contact its ***PSP*** who, will consider the request to sponsor the organisation as a ***Bacs Direct Credit Service User*** and if approved, will advise the organisation of the relevant steps involved.

2.1 APPLICATION FOR SPONSORSHIP

The application of a prospective ***Service User*** must stand on its own merits.

The ***Sponsor*** will assess the suitability of an organisation wishing to act as a ***Service User***. The ***Sponsor*** may consider (amongst other factors) the following in relation to the prospective ***Service User***:

- its contractual capacity;
- its financial standing; and
- the quality of its administrative control.

Rule: A ***Service User*** must have a UK sterling PSP account.

2.2 SERVICE USER SET-UP

This is the process by which ***Service Users*** are registered to take part in the ***Scheme*** and are enabled to submit payments using the ***Bacs Service***.

Rule: BEFORE being allowed to access the Bacs service 2 members of the service user's staff must successfully complete the mandatory training course (eLearning) 'The Essentials of using Bacs'. Further details will be provided to the service user by its sponsor.

Once the ***Sponsor*** accepts the application for sponsorship, a unique ***Service User Number (SUN)*** will be allocated to the ***Service User***:

Rule: The allocated ***SUN*** must be quoted on all ***Bacs Direct Credit*** payment records sent via ***Bacs***.

Rule: ***Service Users*** shall only use software approved under the ***Bacs*** Approved Software Service (BASS) for ***Bacstel-IP***. The ***Sponsor*** will link the software package to the ***SUN*** and a "qualification plan" must be completed. The qualification plan involves a series of tests that must be carried out prior to the ***Service User*** being allowed to submit files. The ***Sponsor*** will notify the ***Service User*** when the ***SUN*** is set-up and live on the ***Bacs*** database. See **PN3763 Bacstel-IP Service User Guide**, Part lll, for further information regarding software and testing.

Guidelines for completion of set-up

The timescale for set-up of a ***Service User*** will vary depending on the individual organisation and ***Sponsor's*** requirements.

2.2.1 VARIATIONS TO SERVICE USER SET-UP

Trading names –

- Rule: ***Service Users*** must have a separate ***SUN*** for each ***Trading Name***. Each ***Trading Name*** must be registered at ***Bacs***. ***Service Names*** cannot be registered.
- Rule: The ***Registered Trading Name*** must be used on the ***Bacs Direct Credit*** record (***Field 9*** of the ***Bacs*** data record). The use of a ***Service Name*** is not permissible unless accompanied by a ***Trading Name***.
- Rule: Funds shall be debited to an account owned by the ***Service User*** either in its ***Registered Name*** or ***Trading Name*** and held with its ***Sponsor***.

2.3 ACCESSING THE SERVICE

There are two different methods for submitting payment data to the ***Bacs service***. The most suitable one for any given ***Remitter*** will depend on the needs and resources of its business.

Direct access

Access is via ***Bacstel-IP***, based on internet protocol and using the latest ***PKI*** technologies.

Rule: ***Service Users*** shall only use software approved under the ***Bacs*** Approved Software Service (BASS) for ***Bacstel-IP***.

Your ***Bacs*** approved **software supplier** will provide details of the available options for you. A list of ***Bacs*** approved **software suppliers** is available from www.bacs.co.uk/softwaresuppliers

Indirect access

This is via a ***Bacs*** approved ***Bureau*** or PSP and is often the most suitable method for smaller businesses or those with a limited number of payments to make. PSPs and ***Bureaux*** may accept data by fax, telephone, post, or electronically. Additional services such as preparation of payrolls and payslips may also be provided. A list of ***Bacs*** approved ***Bureaux*** is available from www.bacs.co.uk/bureaux

2.4 SERVICE USER TRAINING

Guidance: In addition to the mandatory training outlined in section 2.2 ***Bacs*** offers a variety of materials, including external accredited training courses, to help organisations train their staff. For further information visit: www.bacs.co.uk/training

3 THE PAYMENT PROCESS

Introduction

Rule: Individual Customer Grade Direct Credits over £20million cannot be processed in ***Bacs***. Any Customer Grade Direct Credit over £20million must be sent via an alternative payment mechanism, and must not be broken down into a number of lower value (below £20million) payments.

Rule: ***Service Users*** must maintain up-to-date records and processes designed to ensure that payments are made accurately and in a timely manner.

3.1 FACILITIES FOR MAINTAINING CURRENT RECORDS

Bacs Direct Credits may be directed to any sorting code permitted to receive credit transactions. Institutions with such sorting codes are deemed to be ***Receiving PSPs*** in the ***Scheme***.

Rule: Use of ***Modulus Checking*** and the ***Industry Sorting Code Directory*** is mandatory prior to the creation of the ***Service User's*** file submission to ***Bacs*** (these are available as part of the ***Bacstel-IP*** package from the ***Service User's Bacs*** approved **software supplier**)

Guidance: It is strongly recommended that ***Service Users*** apply ***Modulus Checking*** and the ***Industry Sorting Code Directory*** when applying the payments to their own system. This will highlight erroneous details and enable the ***Service User*** to correct any invalid information prior to the creation of each file for submission to ***Bacs***.

Service Users can obtain the following direct from https://www.vocalink.com/customer-support/modulus-checking/ and https://www.vocalink.com/customer-support/eiscd/ respectively.

- **Industry Sorting Code Directory / Extended Industry Sorting Code Directory (ISCD / EISCD)** – Data files of valid PSP sorting codes which are regularly updated and can be incorporated into payment systems.
- **Account number validation tables (modulus checking)** – ***Modulus checking*** confirms whether the sorting code and account number combination is compatible.

Guidance: - Use of ***Modulus Checking*** does not verify that the account is correct for the named ***Beneficiary***.

Guidance: It is also recommended that ***Service Users*** use **PN4721 Crediting and debiting building society accounts** – This guide helps address ***Bacs Direct Credit*** and ***Direct Debit*** payments to PSP accounts with non-standard account details.

3.2 PREPARATION AND SUBMISSION OF BACS FILES

Full details of the ***Bacs*** input requirements are specified in **PN3763 Bacstel-IP Service user guide** and **PN5011 Electronic funds transfer – File structures**.

The ***Service User*** will extract all the payments due from its computer records and generate an input file which is submitted to ***Bacs*** for processing.

Rule: The file must be submitted at least two working days before the funds are due to be credited, see ***Bacs cycle***, section 3.2.1.

There are two different methods for submitting payment files to the ***Bacs Service*** i.e. direct or indirect. The most suitable one for an organisation will depend on the needs and resources of its business; see section 2.3.

3.2.1 THE BACS CYCLE

The function of the ***Bacs Service*** is to process automated data containing records of ***Bacs Direct Credits*** and ***Direct Debits*** written to a standard format, for onward transmission to destination PSP accounts.

DAY 1 - INPUT	DAY 2 – PROCESSING	DAY 3 - ENTRY
Service User transmits automated data in accordance with the timetable laid down in **PN3763 Service user guide – Bacstel-IP**	All data accepted is processed (the working day before ***entry day***).	***Bacs Direct Credits*** and ***Direct Debits*** and associated contra entries are credited / debited to destination PSP accounts on this day.

Most banks apply all correctly addressed transactions received from ***Bacs*** on ***Day 3 (Entry Day)*** of the ***Bacs Processing Cycle***, unless that day is a public holiday, in which case the transactions may be applied on the next available working day. Information on which PSPs do not apply credits on ***Day 3*** can be found in **PN4721 Crediting and debiting building society accounts**.

3.2.2 TRANSACTION CODES

Rule: ***Bacs Direct Credit*** payments must be sent to the ***Beneficiary's*** sorting code and account number and each payment record must be submitted with the appropriate transaction code.

The transaction code indicates the type of credit being submitted

99 – ***Bacs Direct Credits***

17 – Credit contra (a debit record to balance credit records)

Z4 – Interest payments

Z5 – Dividend payments

E2 – Credit card refund

RA – Automated return of unapplied credits (code cannot be used by ***Service Users*** however it will appear on ***ARUCS*** reports).

3.2.3 SERVICE USER'S SHORT NAME

Rule: The description in ***Field 9*** of the ***Bacs Direct Credit*** payment record, provided for the ***Service User's*** name, must be in uppercase and is restricted to 18 characters.

It should be structured so that it is recognisable by the payee, and can be easily matched with the amount. Receiving financial institutions must also be capable of identifying the ***Remitter***, to ensure they can comply with their regulatory obligations, and be able to respond to customer enquiries. If in doubt, the ***Service User*** should receive appropriate guidance from its sponsor.

3.2.4 REFERENCE

Rule: The ***Reference***, in ***Field 10*** of the ***Bacs*** payment record, must be in upper case.

The inclusion of a meaningful ***Reference*** will help the ***Beneficiary*** recognise the payment and deal with it appropriately. This is particularly important where the payment relates to an invoice or where lack of a ***Reference*** would result in the ***Receiving PSP*** being unable to apply the payment, for example to a credit card account to reduce or clear a balance or to a PSP account where the payment is allocated by use of a roll number. The information in Field 10 will also be included on an AWACS thus allowing identification of the payment and updates to be made to the destination account details. See section 7 for further information regarding AWACS.

3.2.5 BACS REPORTS ARISING FROM A SUBMISSION

Reports generated following a submission are accessed via the payment services website or via your ***Bacstel-IP*** software package. The ***Service User*** is responsible for reconciliation of rejected, returned or amended ***Bacs Direct Credit*** items. See section 5 for further information regarding ***Bacs*** reports and the documented timescales for actioning.

3.2.6 EXAMPLE OF PROHIBITED PRACTICES

Rule: The following practice is prohibited

- Payments over £20million cannot be sent via ***Bacs*** and must not be broken down into a number of lower value (below £20million) payments

4 ERROR RECOVERY

Introduction

Once funds are credited to the ***Beneficiary's*** account, they can generally only be removed with the ***Beneficiary's*** consent. This is outside of the scope of the ***Scheme***.

Rule: Every effort must therefore be made by ***Service Users*** to address errors before payments are applied to the ***Beneficiary's*** account. This can be achieved:-

- if a complete file is in error;
- if a proportion of a file is in error; or
- at the individual payment level (single item).

Details for each of these instances are provided below with timescales for available actions.

4.1 MAJORITY OF SUBMISSION IN ERROR

File extractions

Rule: Where a proportion or complete file of ***Bacs Direct Credits*** is in error, the ***Service User*** must contact its ***Sponsor*** (on or before ***Day 1*** of the ***Processing Cycle***) to request the extraction of the credits from the clearing process.

File reversals

Rule: Where a complete file of ***Bacs Direct Credits*** is in error, and it is too late to extract it because the file is being or has been processed by ***Bacs*** (on or after ***Day 2*** of the ***Processing Cycle***), the ***Service User*** must contact its ***Sponsor*** immediately to discuss the possibility of reversing the complete file.

Guidance: The decision to request a reversal should not be taken lightly. This is an emergency procedure that does not guarantee the return of funds. ***Bacs*** has no responsibility, and shall not be liable to any ***Service User***, ***Beneficiary*** or any other party, for any failure to return funds. All other avenues should be explored; for example, if the values of items should have been higher, then a second file could be submitted.

Guidance: When deciding to run a reversal the ***Sponsor*** will give consideration to who the reversal is likely to impact.

Rule: Each ***Beneficiary*** affected by the reversal must be notified by the ***Service User***, preferably in writing.

Guidance: It may also be appropriate for the ***Service User*** to draft, in conjunction with the ***Sponsor***, a press statement to be held in reserve if needed.

4.2 SINGLE ITEM ERROR

Rule: A ***Remitter*** wanting to recall an individual payment must request to do so on or before ***Day 2*** of the ***Processing Cycle***, however time constraints apply if doing so on ***Day 2*** and ***Service Users*** should contact their ***Sponsor*** for further information.

The recall will be carried out using the manual process described in section 4.2.1.

4.2.1 MANUAL RECALL OF BACS DIRECT CREDIT PAYMENTS

Recalls are normally undertaken by the ***Sponsor*** however they may in turn authorise the ***Service User*** to initiate the recall. The ***Sponsor*** may request the ***Service User*** to contact them each time a recall is required in order to authorise the ***Service User*** to make direct contact with the ***Receiving PSP***, or the ***Service User*** may be given blanket authority to undertake all recalls directly. The ***Sponsor*** will provide ***Service Users*** authorised to use the service with further details of the service, including timescales, as such this section provides only an outline of the manual recall process.

Rule: In all recall situations the ***Service User*** must abide by the terms of the manual recall process, as advised to them by its ***Sponsor***.

The ***Sponsor*** will ensure that the ***Service User*** is aware of and follows the ***Rules*** of the service.

A recall is "of right" only when the actions undertaken and information given by all parties to the recall fall within the ***Rules*** and guidelines for manual recalls.

Responsibilities of service users

Rule: ***Service Users*** shall notify their ***Account Holding PSP***, within the timescales agreed between them and their ***Sponsor***, that a ***Bacs Direct Credit*** has been made in error and that a recall is required.

4.2.2 SERVICE USER SYSTEMS ERROR

Guidance: ***Service Users*** should have contingency arrangements available to ensure their ***Bacs Direct Credit*** payments are unaffected or that there is minimum disruption to the payment process should a system error occur. It is the ***Service User's*** responsibility to ensure that payments are made on time.

Rule: If the system problem is not corrected in time to allow the ***Service User*** to submit its ***Bacs*** file on the required ***Input Day***, it must contact its ***Sponsor***, as soon as possible, who will advise on the appropriate options available.

Notification to the beneficiary

Guidance: If, on account of a system error, the ***Service User*** is unable to submit the payment file, the ***Service User*** may be required to inform the ***Beneficiary***, detailing what action has been taken and confirming when the payment will be made.

5 BACS REPORTS

Introduction

The ***Bacs Service*** provides ***Service Users / Remitters*** with information, in the form of reports, relating to their use of the ***Bacs Service***. Separate reports are generated for each service and are available for ***Service Users*** to download via the payment services website or via their ***Bacstel-IP*** software package.

There are two types of report available;

- Processing reports – provide details of accepted, rejected and processed submissions to ***Bacs***: and
- Messaging reports – the mechanism by which ***Receiving*** / ***Beneficiary Banks*** advise ***Service Users / Remitters*** that they are required to update their records to ensure any future payments are correctly processed and / or to provide advice of returned payments that the ***Receiving / Beneficiary PSPs*** are unable to apply.

The ***Service User*** is responsible for the reconciliation of rejected, returned and amended ***Bacs Direct Credit*** items.

An overview of three of the reports is provided below however a full list of reports available, together with further information, can be found in **PN3763 Bacstel-IP Service User Guide**, Part V.

5.1 INPUT REPORT

Produced on ***Day 1*** of the ***Bacs Cycle*** the input report is ***Bacs'*** formal acknowledgement to the ***Service User*** that its payment file has been processed. The report will detail the total number and value of credits processed and will list any amended or rejected items which have failed the ***Bacs*** validation process e.g. because of an invalid destination sorting code.

Rule: ***Service Users*** must check this report and action any items returned or rejected as appropriate.

This process may require contact with the ***Beneficiary*** to establish the correct account details.

5.2 ARUCS - AUTOMATED RETURN OF UNAPPLIED CREDIT SERVICE REPORT

If the correct account cannot be identified or the payment cannot be applied for any reason, the funds will be returned by the ***Receiving PSP*** to the remitting organisation's account no later than Day 5 of the ***Bacs Processing Cycle*** (***Day 1*** being ***Input Day***). A report, advising that the payment has not been applied and providing reasons why, will be made available to the ***Service User*** to download via the payment services website or via their ***Bacstel-IP*** software package. The report will include the ***Beneficiary Reference*** included in the original payment.

Rule: Recipients of ***ARUCS*** advices must action them within 3 working days of the date the advice is available.

Service users should advise the ***Beneficiary*** of the failure, and obtain correct details where appropriate.

Failure to do so may result in:

- future payments being returned unapplied;
- additional work for the ***Remitter*** in handling returned payments; and/or
- complaints from the ***Beneficiary***.

See Appendix 2 for a list of ***ARUCS*** reason codes and their meanings.

An example ***ARUCS*** report is available in section 5.4.

5.2.1 SERVICE USER RECEIPT OF UNAPPLIED CREDIT

Guidance: ***Service Users*** that receive a credit into their own account that they cannot recognise can request their PSP to return the item to the remitting organisation's account using ***ARUCS***. The PSP will only accept such requests up to day 5 of the ***Bacs Processing Cycle*** (***Day 1*** being ***Input Day***). Unapplied credits received after this deadline should be returned to the recipient via ***Bacs Direct Credit or the Faster Payments Service.***

5.3 AWACS - ADVICE OF WRONG ACCOUNT FOR CREDITS SERVICE REPORT

Where the ***Beneficiary's*** sorting code and / or account number has not been correctly detailed on the ***Bacs Direct Credit*** payment record, the ***Receiving PSP*** may apply the payment and provide advice of the correct details to the ***Service User*** via ***AWACS***. There are three different ***AWACS*** related services (see section 6 for further details) all of which result in information being provided in a report that the ***Remitter*** of ***Bacs Direct Credits*** is required to action. Receipt of an ***AWACS*** advice is authority to the ***Service User*** to amend their data file and no other communication with the ***Beneficiary*** is required.

Rule: These changes must be applied to the data file no later than 3 working days from the date the advice is available.
Guidance: It is strongly recommended that the changes are applied immediately to avoid the risk of misdirected payments.

Failure to do so may result in:

- future payments being delayed in reaching the ***Beneficiary*** or being returned unapplied;
- additional work for the ***Remitter*** in handling returned payments; and/or
- complaints from the ***Beneficiary***.

In the unlikely event that the details quoted in the ***AWACS*** advice are incorrect and a payment is made, which is not recoverable, liability will rest with the PSP submitting the advice.

Rule: ***Services Users*** must contact their sponsor should such an instance occur.

AWACS advices may show as being returned from a different sorting code to that which was quoted in the original payment record. This could be due to the payment being redirected by ***Bacs*** under ***AWACS*** service B or C. See section 6.

See appendix 2 for a list of ***AWACS*** reason codes and their meanings.

An example ***AWACS*** report is available in section 5.5.

5.4 EXAMPLE ARUCS REPORT

bacs

PROCESSING DATE 30/06/2011

BACS Payment Schemes Limited

UAC USER COPY (ARUCS)

LIST OF UNAPPLIED AUTOMATED CREDITS RECEIVED FOR: BANK PLC MNGMT SERV

SERVICE USER NUMBER : 999999

BANK PLC : BANK PLC
BRANCH NAME : CITY
SORT CODE : 01-02-03 ACCOUNT NUMBER : 11112222

----------RETURNED FROM ----------

REFERENCE	AMOUNT	NAME	SORT CODE	ACCOUNT	UAC ACCOUNT NAME	TRANSACTION CODE	REASON CODE	REASON FOR RETURN
ABC12345	GBP 148.75	STORE	11-22-33	12345678	SUPPLIES	RA	5	No account
CBA54321	GBP 7.20	SHOP	33-22-11	98765432	SUPPLIES	RA	B	Account closed

TOTAL 2 ITEMS FOR GBP 155.95

5.5 EXAMPLE AWACS REPORT

bacs

REPORT TYPE MESS7007

BACS PAYMENT SCHEMES LIMITED

AWACS REPORT OF MANDATORY CHANGES TO PAYMENT DETAILS FOR 29/06/2011.

PRODUCED ON 29-06-2011

PAGE 1 OF 5

The advices shown on the following pages refer to Direct Credits originated by your organisation and indicate changes that must be made to your payee details.

These amendments have been authorised by your payee's bank or building society and there is no requirement for further confirmation from the payee.

For each payment listed, please update your records with the information underlined. This will ensure future payments to this payee are not subject to delay or rejection, due to invalid account details.

AOSN RANGE	00501010 - 00501047
TOTAL NO ADVICES	38
USER NO	123456
REPORT SEQ NO	00016277

USER NUMBER: 123456 BANK OF UK PLC MNGMT SERV

	REFERENCE	REASON CODE	PAYEE'S NAME	SORT CODE	ACCOUNT NUMBER	A/C TYPE	ORIG PROC OF CREDIT	TRAN CODE	ORIGINATOR SORT CODE NAME	DETAILS ACCOUNT NO	MESSAGE SEQUENCE
Original Details Quoted	1234567890	3	AN Other	12-34-56	11112222	0	29/06/2011	99	11-22-33	11111111	00501010
Please amend to				12-34-56	22223333				OTHER/JACK & JILL		
Original Details Quoted	111111111	3	Council	23-45-67	33334444	0	29/06/2011	99	22-33-44	22222222	00501011
Please amend to				23-45-67	44445555				HEALTHCARE		
Original Details Quoted	222-AA	0	A Nother	34-56-78	55556666	0	28/06/2011	99	33-44-55	33333333	00501012
Please amend to				34-56-78	66667777				RESTAURANT C		
Original Details Quoted	Insurance	0	Insurance	45-67-89	77778888	0	28/06/2011	99	44-55-66	44444444	00501013
Please amend to				45-67-89	88889999				INS BROKERS		
Original Details Quoted	123	0	A Another	56-78-90	99990000	0	28/06/2011	99	55-66-77	55555555	00501014
Please amend to				56-78-90	00001111				GARAGE SER		
Original Details Quoted	WAGES	0	AB Other	67-89-01	11221122	0	28/06/2011	99	66-77-88	66666666	00501015
Please amend to				67-89-01	22332233				WAGES		
Original Details Quoted	AB11111	0	A Customer	78-90-12	33443344	0	28/06/2011	99	77-88-99	77777777	00501016
Please amend to				78-90-12	44554455				COMPANY LIMITED CLI		

RANGE OF ADVICES 00501010 - 00501047 COMPLETE TOTAL NUMBER OF ADVICES 38

REASON CODE MEANINGS: 0 = Invalid Details 3 = Account Transferred

6 AWACS (ADVICE OF WRONG ACCOUNT FOR CREDITS SERVICE)

Introduction

AWACS advices are accessible to ***Service Users*** in the form of a report available to download via the payment services website or via their ***Bacstel-IP*** software package. See section 5.3 for further information relating to the ***AWACS*** report.

Rule: ***AWACS*** advices must be collected by the ***Service User*** and actioned within 3 working days of the date the advice is available

Guidance: It is strongly recommended that the changes are applied immediately to avoid the risk of misdirected payments.

See Appendix 2 for a list of ***AWACS*** reason codes and their meanings.

An example ***AWACS*** report is available in section 5.5.

There are three different ***AWACS*** services, A, B & C. The following provides a brief description of the three services, how they work and when they can be used.

6.1 SERVICE A

Distribution service for PSP generated advice

Where the ***Beneficiary's*** sorting code and / or account number has not been correctly detailed on the ***Bacs Direct Credit*** payment record and the ***Receiving PSP*** has corrected and applied the payment to the correct account, the ***AWACS*** advice to the ***Service User*** enables them to update their records with the correct destination account details.

6.2 SERVICE B

Bacs generation / distribution of advices for transferable account numbers

This service can only be used by PSPs with transferable account numbers and is generally used when a ***Sponsor*** is moving all the accounts from one sorting code to another. The items are redirected by ***Bacs***, after substituting the correct account details, and an ***AWACS*** advice is sent to the ***Service User*** informing them of the change.

6.3 SERVICE C

Bacs generation / distribution of advices for major account (e.g. corporate account) redirection

This service can be used to redirect credits when

a. a major corporate entity moves its accounts held with one ***Sponsor*** to another

b. an account has been transferred to another PSP using the Current Account Switch Service

The items are redirected by ***Bacs***, after substituting the new account details, and an ***AWACS*** advice is sent to the ***Service User*** informing them of the change.

7 MONITORING OF THE SCHEME

Introduction

The ***Sponsor*** shall monitor its ***Service User's*** operations within the ***Scheme*** to ensure the ***Rules*** and guidelines of the ***Scheme*** are achieved and maintained by its ***Service User***.

The ***Sponsor*** reserves the right to withdraw its sponsorship of a ***Service User***, limit the amount submitted by a ***Service User*** or refuse to accept a specific file of ***Bacs Direct Credits*** from a ***Service User***.

7.1 SPONSOR'S ROLE

The ***Sponsor*** shall take all steps reasonably necessary to satisfy itself, and to confirm to ***Bacs*** and other participants when called upon, that the ***Service User*** is adhering to the requirements of the ***Scheme***.

Where the ***Sponsor*** has been advised of an instance where a ***Service User*** it has sponsored is operating outside of the required standards, the ***Sponsor*** must liaise with the ***Service User*** to clarify the requirements of the ***Scheme***, set an appropriate time frame for the ***Service User*** to apply changes and monitor the progress of the ***Service User*** in applying those changes, see Section 7.2 Non-conformance.

Where a ***Service User's*** documentation / procedures impact the integrity of the ***Scheme***, its ***Sponsor*** must progress the issue in accordance with the ***Rules*** of the ***Scheme***.

7.2 SERVICE USER'S RESPONSIBILITIES

7.2.1 CHANGE OF STATUS

Rule: It is the ***Service User's*** responsibility to ensure it advises its ***Sponsor*** of any changes to its status. When this involves the ***Service User's*** business being carried on by a different ***Legal Entity*** (for instance by a company in place of a partnership) the new entity must itself become a ***Service User***. See Section 2.

7.2.2 SECURITY AGAINST CYBER THREATS

Rule: ***Service Users*** must ensure that the mandatory security measures listed below are complied with.

Whilst the advisory measures are guidance only it is highly recommended that ***Service Users*** incorporate these into their procedures.

Mandatory measures

- Smartcards must be removed from the smart card reader immediately upon completion of the submission of payment files and collection of reports. This also applies to the use of tokens.
- The operating systems and browsers of machines used to submit files must be appropriately patched and supported.

- Machines submitting files must have anti-virus software installed and configured so that it updates whenever the manufacturer provides an update, either automatically or in accordance with corporate or local IT security procedures. Perimeter and logical controls must also be implemented to prevent unauthorised access to the submitting machine.

Advisory measures

Guidance: To help reduce the risk of Malware infection the following measures should be considered.

- Terminals used for the submission of payment files should not be used to access any other web services. Ideally, these devices should be standalone machines or should be segregated from the rest of the corporate network.
- A full anti-virus scan of the machine submitting files should be carried out immediately prior to making a payment run.

7.2.3 COLLECTING AND ACTING ON BACS REPORTS

Rule: ***Service Users*** must ensure that ***Bacs*** reports are downloaded via the ***Bacs*** payment services website or via their ***Bacstel-IP*** software package and actioned within 3 working days of the date the advice is available
.
Guidance: It is strongly recommended that the changes are applied immediately to avoid the risk of misdirected payments.

Bacs will provide Management Information (MI) to ***Sponsors*** on a monthly basis regarding the accessing of reports by ***Service Users***. This will help the ***Sponsor*** to monitor those ***Service Users*** who fail to access reports or who fail to act on the information contained within them. See section 5 for further information regarding reports.

7.2.4 KEEPING CONTACT DETAILS UP TO DATE

Communication details e.g. email addresses and telephone numbers are recorded for each ***Primary Security Contact*** and additional contact registered to use ***Bacstel-IP***.

Rule: To ensure receipt of communications regarding ***Bacs Direct Credit*** the information recorded must be kept up to date by each contact. Refer to 'The Essentials of using Bacs' at the beginning of this document.

Further information can be obtained from the **PN3763 Service user guide – Bacstel-IP**.

7.2.5 KEEPING BACSTEL-IP SOFTWARE UP TO DATE

Rule: ***Service Users*** must ensure that ***Bacstel-IP*** related software and other payment related databases and applications are kept up to date when provided with updates by their ***Bacs*** approved software ***Solution Supplier***.

An updated copy of the ***ISCD*** or ***EISCD*** is made available to ***Service Users*** by their ***Bacs*** approved software ***Solution Supplier*** at a minimum frequency of monthly.

Rule: ***Service Users*** must update any databases or applications that use sorting code information at least monthly (best practice recommendation is weekly) to ensure that up to date information is used.

7.3 NON CONFORMANCE

Rule: Where the ***Sponsor*** has highlighted an instance where the ***Service User*** is not conforming to the requirements of the ***Scheme***, the ***Service User*** must ensure it applies any changes requested by its ***Sponsor*** within the time frame set and provide evidence to demonstrate that such changes have been made.

If PSP monitoring reveals an unacceptable level of error or substantial deviations from the ***Rules***, the ***Service User*** will be advised accordingly by its ***Sponsor***. If no subsequent improvement is made, the ***Service User*** may be required to withdraw from the ***Scheme***. See section 8.2 Compulsory termination.

7.4 COMPLAINT HANDLING AND TIMESCALES

When a complaint or query is received at ***Bacs***, the following action will be taken.

Within 48 hours of receiving a complaint, ***Bacs*** will acknowledge receipt with a holding letter detailing timescales for a response.
Within the same 48 hours, ***Bacs*** will forward details of the complaint to the ***Service User's Sponsor***.
Alternatively ***Bacs*** may forward the complaint direct to the ***Service User*** with a copy to the ***Sponsor***.

Rule: Within 10 working days of receiving the complaint, the ***Service User*** must forward a written response to ***Bacs***, either direct or via its ***Sponsor***, detailing the findings of the investigation into the complaint and the steps taken to resolve it. If the ***Service User*** has not resolved the complaint within that timeframe, then it must advise ***Bacs*** of the timescales for final resolution.

Within 48 hours of receiving a response from the ***Service User***, ***Bacs*** will advise the complainant.

8 EXIT FROM THE SCHEME

Introduction

There are three circumstances in which a ***Service User*** may withdraw, or may be required to withdraw from the ***Scheme***:

- Voluntary termination;
- Compulsory termination; or
- If the contractual capacity of the ***Service User*** is terminated by legal process, for example, by bankruptcy or winding up or a merger or acquisition of or by another company.

When a ***Service User*** withdraws or is withdrawn from the ***Scheme***, the ***Service User's Sponsor*** will withdraw the ***Service User's SUN*** from the ***Scheme*** and advise all ***Scheme*** participants and ***Bacs*** of the termination of the ***Service User's*** participation.

8.1 VOLUNTARY TERMINATION

Rule: A ***Service User*** must plan any withdrawal from the ***Scheme*** very carefully in close consultation with its ***Sponsor***.

Rule: In relation to any such withdrawal the following will apply:

- The ***Service User*** must give its ***Sponsor*** written notice, on or after the ***Processing Day*** of the last ***Bacs Direct Credit*** file, of its intention to cease operating within the ***Scheme***.
  - The period of written notice shall be defined within the terms and conditions between the two parties however the period should not be less than 1 month

The sponsor will co-ordinate and process the necessary documentation required to delete the ***SUN*** from the ***Bacs*** reference data and advise all ***Scheme*** participants of the relevant ***Service User's*** withdrawal from the ***Scheme***.

8.2 COMPULSORY TERMINATION

The ***Rules*** include a process, which is separate from any contractual arrangements between a ***Service User*** and its ***Sponsor***, for the compulsory termination of a ***Service User*** that causes significant problems for the industry as a whole. It should be noted that a ***Service User*** will be removed from the ***Scheme*** if the ***Bacs*** board of directors reasonably believes that:

- ***Bacs Direct Crediting*** operations are being carried out in a manner which constitutes an abuse of the ***Scheme*** or affects the integrity of the ***Scheme***; or
- there is evidence that ***Rules***, guidelines and procedures detailed in this ***Guide*** are being deliberately ignored.

In extreme cases, the ***Bacs*** board of directors and the ***Sponsor*** each reserve the right to terminate a ***Service User's*** participation in the ***Scheme*** at short notice, notwithstanding any disruption which may occur. The ***Bacs*** board of directors and the ***Sponsor*** accept no liability for any loss which a ***Service User*** may suffer as a result of termination from the ***Scheme***.

8.3 CONTRACTUAL CAPACITY OF THE SERVICE USER IS TERMINATED BY LEGAL PROCESS

Rule: A ***Service User*** will be withdrawn from the ***Scheme*** if its contractual capacity is terminated by legal process, for example, by bankruptcy or liquidation.

Further information of the ***Scheme's*** requirements, which are separate from any contractual arrangements between a ***Service User*** and its ***Sponsor***, is available from ***Sponsors*** on request.

APPENDIX 1: GLOSSARY OF TERMS

- To view the glossary of terms please go to www.bacs.co.uk/Glossary

APPENDIX 2: BACS DIRECT CREDIT REASON CODES AND THEIR MEANING

The following tables for ***ARUCS*** and ***AWACS*** have been expanded to give additional information as to how individual codes should be dealt with:

ARUCS reason codes

REASON CODE	REASON	CIRCUMSTANCES	SPECIAL INSTRUCTION / INFORMATION
0	Invalid details	Account details not recognised	The service user should contact the beneficiary for new details
2	Beneficiary deceased		
3	Account transferred	Account transferred to a new PSP	The ***Service User*** should first check it has not been notified of the new PSP details. If not contact the beneficiary for correct details
5	No account	Account number is not recognised at the ***Receiving PSP***	The ***Service User*** should check information provided and if necessary liaise with beneficiary
B	Account closed	Beneficiary has closed their account for an unknown reason	The ***Service User*** should contact the beneficiary for new details
C	Requested by remitter	***Remitter*** has requested payment is not applied	

AWACS reason codes

REASON CODE	REASON	CIRCUMSTANCES	SPECIAL INSTRUCTION / INFORMATION
0	Invalid details	Correct account details supplied to the ***Service User***.	***Service User*** must apply change to data file
3	Account transferred	New account details supplied to the ***Service User***	***Service User*** must apply change to data file