



# Direct Debit – Day-to-Day Guide for Originators

## Direct Debit Scheme

### Using this Guide

This guide is intended for day-to-day use as a summary of the main operational elements of the Direct Debit Scheme.

It does not purport to be a comprehensive guide.

The comprehensive Direct Debit Rules are contained in the Direct Debit Scheme (including Direct Debit Plus) Scheme Rules issued by IRECC and updated from time to time, and are available on the following website:- [www.ipso.ie](http://www.ipso.ie)

The Direct Debit Scheme provides the framework under which Banks enable Originators to collect amounts due from Payers in an efficient and cost effective manner. Typical Originators include insurance companies, local authorities, utilities, finance companies, mortgage companies, suppliers, and any other organisations which receive regular recurring payments. Payers may be consumers, businesses, or any other legal entity.

The Direct Debit is a means of payment, and has no direct bearing on the underlying contract between the Payer and the Originator. The member banks of the Direct Debit Scheme therefore have no involvement in, or responsibility in relation to, the underlying commercial contract.

To participate in the Direct Debit Scheme, an Originator must be sponsored by a Bank which is a member of IRECC and must be issued with their own Originator Identification Number (OIN). Additionally, each Sponsoring Bank may apply its own prudential criteria for assessment of the suitability of the Originator for inclusion in the Direct Debit Scheme. There are four main parties to a Direct Debit:-

- ◆ **Payers** sign Direct Debit Instructions (DDI) (see appendix 1 attached) to authorise payments to be charged to their accounts.
- ◆ **Originators** submit electronic files of Direct Debits to their sponsoring banks for collection.
- ◆ **Sponsoring Banks** arrange collection of Direct Debits through the clearing system.
- ◆ **Paying Banks** hold the accounts of payers and arrange payment in accordance with the Direct Debit Instruction.

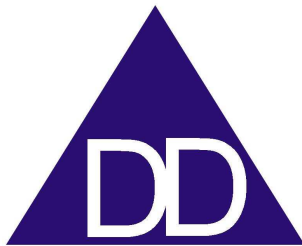
*The Direct Debit Scheme is governed and administered by the Irish Retail Electronic Payments Clearing Co. Ltd. (IRECC)*

## Trust and the Direct Debit

**The essence of the Direct Debit Scheme is that of the total integrity of and trust in the Scheme. All Participants must work together to ensure that such integrity and trust is maintained. For such purposes Participants assume certain responsibilities as listed below:**

- ◆ **Originators** must put in place reliable systems which will ensure:
  - ◆ the issuance of correct advance notification as appropriate of amounts and date to be debited;
  - ◆ that Direct Debits as issued conform to Payer instructions and the Rules of the Scheme;
  - ◆ that disputed amounts are not debited;
  - ◆ that procedures for terminating the Direct Debit instruction are put in place;
  - ◆ that all indemnity claims are settled within 10 working days.
- ◆ **Sponsoring Banks** must adhere to the Rules of the Scheme;
  - ◆ must ensure that Originators adhere to the Rules of the Scheme;
  - ◆ must ensure that Direct Debit files are processed in accordance with agreed procedures and timeframes;
  - ◆ must ensure that indemnity claims under or pursuant to the Scheme are promptly resolved;
  - ◆ must ensure that, subject to the Rules of the Scheme, Paying Banks are reimbursed for unresolved indemnity claims;
  - ◆ on advice received from the Paying Bank that an Originator is not adhering to the Rules of the Scheme, must promptly seek the required adherence by the Originator.
- ◆ **Paying Banks:**
  - ◆ must adhere to the Rules of the Scheme;
  - ◆ must put in place processes which will ensure that unauthorised and/or cancelled Direct Debits are intercepted and returned immediately on presentation;
  - ◆ must promptly present indemnity claims;
  - ◆ must assist its customer, to the extent practicable, in the resolution of disputes;
  - ◆ must inform the Sponsoring Bank if an Originator is not adhering to the Rules of the Scheme.

IRECC will seek to ensure that maintaining the integrity of and trust in the Direct Debit Scheme will be a foremost guiding principle in all deliberations in relation to the Scheme. In this regard, it is an intrinsic and fundamental element of the Scheme that each Payer will have an assurance that when they provide a Direct Debit Instruction procedures are in place to protect their interests. This assurance is provided in the form of the Direct Debit Guarantee, which must be included on all DDIs



**The Direct Debit Logo (above) is intended to indicate the nature of the scheme in which three parties co-operate to provide an efficient payment scheme.**

**The fullest co-operation of banks, originators and payers is necessary to ensure the smooth operation of the scheme.**

## How the Direct Debit Works

- 1.** The Originator agrees sponsorship with a Sponsoring Bank & all relevant documentation is completed, including the Direct Debit indemnity.
- 2.** The Originator invites Payers to make payment through DD.
- 3.** The Payer completes & signs a Direct Debit Instruction (DDI), thereby agreeing to payment by DD, which he/she returns to the Originator.
- 4.** The Originator sends the completed DDI to the Payer’s Bank.
- 5.** The Originator issues advance notice of the amount and debiting date to Payers.
- 6.** At least 14 days must elapse before the Payer’s account may be debited.
- 7.** The DDs are processed through the IRECC Clearing system & presented to the Payer’s banks for payment.
- 8.** The process is repeated periodically in accordance with the terms of the DDI, for so long as it remains valid.

## How Direct Debits are Processed

**The table below shows the normal clearing timetable for Direct Debits. Variations may occur in the event of system failure. The timetable is likely to be reviewed from time to time.**

<b>Day 1</b> – Transmission	The Originator transmits the payment file electronically to the Sponsoring Bank.
<b>Day 2</b> – Clearing	The file is processed by the Sponsoring Bank, and the individual Direct Debits are delivered to the Payers Bank under the auspices of the IRECC clearing system in the daily exchange files.
<b>Day 3</b> – Presentment	Each individual Direct Debit is presented for payment on the Payer’s account not later than this day, or close of business the next business day. Some banks may return direct debits on this day.
<b>Day 4</b> – Decision	Latest day on which the Payer’s Bank can return an unpaid Direct Debit by reason of “Refer to Payer”.
<b>Day 5</b> – Unpaid Process	Unpaid Direct Debits are processed by the Sponsoring Bank.
<b>Day 6</b> – Unpaid Debited	Electronic unpaid items are assembled into an automated listing for Originators by their Sponsoring Banks. The Originator’s account is debited by the Sponsoring Bank.

## Direct Debit Transaction Codes

Transaction codes are used to control the operation of the Direct Debit System. The following transaction codes are strictly mandatory and must be applied to each Direct Debit transaction as appropriate.

<b>Transaction Code</b>	<b>Description</b>
<b>01</b>	The first payment presented on a DDI. This code must also be used for the first DD following a transfer of the Payers account from one Bank to another.
<b>17</b>	For normal presentations – this is the most commonly used code.
<b>18</b>	For re-presentations – that is, for payments that were returned unpaid in the first instance and are now being represented.
<b>19</b>	For the final payment presented on a DDI

## Originator Reference Numbers

The Direct Debit Scheme provides for an alphanumeric reference to be placed on each DD and the use of this field is mandatory for the life of the direct debit. The purpose of the reference is as follows:

1. It provides an opportunity for the Originator to link the payments to his/her accounting system.
2. It provides the Paying Bank with a facility to link the payment to the DDI, and/or to identify specific direct debits for any other purposes.

The minimum requirement is that the first 6 characters of a customer's reference must remain unchanged for the life of the debit. These 6 characters must be identical in all of the direct debits of a series for a particular customer. At the Originator's discretion, the remaining 12 characters in this field can change on presentation of each debit for example to indicate payment number.

## Amendments

The Payer's Bank branch must inform the Originator of any amendments that the Payer makes to the Original DDI or any amendments that arise from changes in the Payer's account. From time to time, Banks will advise Originators of amendments to DDIs. Typically, amendments arise in circumstances such as the following:

- Cancellation of the DDI by the Payer
- Transfer of the Payer's account to another branch in the same Bank. In this instance Transaction code 17 must be used on the next presentation with the new details
- Transfer of the Payer's account to another Bank. In this instance Transaction code 01 must be used on the first presentation with the new details.

## Re-Presentation

Only Direct Debits returned with reason code 0 "*Refer to Payer*" may be re-presented. Clearly, the item should only be re-presented if the item is likely to be paid. Accordingly, the Originator should as a matter of course make contact with the Payer before re-presentation.

The following conditions apply to re-presentation:

- Re-presentation to the Paying Bank must take place within one month of the date of presentation of the original Direct Debit.
- The amount of the re-presented Direct Debit can only be made once and must be the same as that on the corresponding unpaid Direct Debit.
- The transaction code 18 must be used for the re-presentation

**Unpaid Direct Debits**

The Payers Bank may refuse to pay a Direct Debit for a variety of reasons. In this case the Direct Debit is returned to the Originator unpaid. The following table shows the codes used to indicate the reason for refusal to pay. Unpaid Direct Debits are normally assembled into an unpaids report by the Originator's bank, but in exceptional cases, manual direct debit forms may be returned by Paying Banks.

<b>Reason Code</b>	<b>Reason for return</b>	<b>Explanation</b>	<b>Action to be taken by the Originator</b>
<b>0</b>	<i>Refer to Payer</i>	The Payer's Bank branch is not in a position to pay the Direct Debit	Contact the Payer
<b>1</b>	<i>Instruction Cancelled</i>	The Payer or the Payer's Bank branch has cancelled the DDI	No further presentations allowed – contact the Payer
<b>2</b>	<i>Payer Deceased</i>	The death of the Payer	No further presentations allowed
<b>3</b>	<i>Account Transferred</i>	The account of the Payer has been transferred to another Bank .	No further presentations allowed on this account – contact the Payer
<b>4</b>	<i>Advance Notice Disputed</i>	The Payer has disputed the date or amount of the advance notice	Contact the Payer
<b>5</b>	<i>No/invalid Account</i>	The identity of the Payer differs from that known to the Paying Bank branch; or insufficient or inconsistent customer details have been received; or the account has not been traced; or the account is unsuitable for Direct Debits (e.g. the account is a savings or deposit account on which the Paying Bank does not permit Direct Debits)	Contact the Payer
<b>6</b>	<i>No Instruction</i>	An appropriate DDI has not been lodged with the Payer's Bank branch	Contact the Payer
<b>7</b>	<i>Amount Differs*</i>	The amount of the Direct Debit differs from the amount specified in the advance notice	Originator may only submit Direct Debits for the agreed amount
<b>8</b>	<i>Amount not yet due*</i>	The date of debiting is in advance of the due date specified in the DDI	Delay re-input until the due date
<b>9</b>	<i>Payment Refused</i>	The Payer has instructed the Paying Bank to refuse the Direct Debit payment.	Contact the Payer
<b>A</b>	<i>Originator Differs</i>	The identity of the Originator differs from that specified in the DDI	Ensure that the Payer completes a valid DDI
<b>B</b>	<i>Account Closed</i>	The Payer's account is closed	Contact the Payer

**Appendix 1. Direct Debit Instruction/Mandate (DDI)**

*Insert Company's Name & Logo here*

**Instruction to your Bank to pay Direct Debits**

*(insert DD/DD+ logo here)*

Originators Identification No.(OIN)							
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Please complete parts 1 to 4 to instruct your Bank to make payments directly from your account. Then return the form to:-

**ORIGINATOR'S NAME & ADDRESS TO BE INSERTED HERE**

Originators Reference (Max 18 chars)	
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**1** To the Manager of (Bank/Building Society Name & Address)

Bank Branch
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**2** Name of account holder

**3** Sort Code & Account Number

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**4** Your instructions to the Bank, and your Signature

- I instruct and authorise you to pay Direct Debits from my account at the request of *insert company name here*.
- I confirm that the amounts to be debited are variable and may be debited on various dates.
- I shall duly notify the Bank in writing if I wish to cancel this instruction. I shall also so notify *insert company name here* of such cancellation.

Signature (s).....

Date .....

<p align="center"><b>The Direct Debit Guarantee – (must not be amended or moved)</b></p> <ul style="list-style-type: none"> <li>▪ This is a guarantee provided by your own Bank as a Member of the Direct Debit Scheme, in which Banks and Originators of Direct Debits participate.</li> <li>▪ If you authorise payment by Direct Debit, then                     <ul style="list-style-type: none"> <li>○ Your Direct Debit Originator will notify you in advance of the amounts to be debited to your account</li> <li>○ Your Bank will accept and pay such debits, provided that your account has sufficient available funds</li> </ul> </li> <li>▪ If it is established that an unauthorised Direct Debit was charged to your account, you are guaranteed an immediate refund by your Bank of the amount so charged where you notify your bank without undue delay on becoming aware of the unauthorised Direct Debit, and in any event no later than 13 months after the date of debiting of such Direct Debit to your account.</li> <li>▪ You are entitled to request a refund of any Variable Direct Debit the amount of which exceeded what you could have reasonably expected, subject to you so requesting your Bank within a period of 8 weeks from the date of debiting of such Direct Debit to your account.</li> <li>▪ You can instruct your Bank to refuse a Direct Debit payment by writing in good time to your Bank.</li> <li>▪ You can cancel the Direct Debit Instruction by writing in good time to your Bank.</li> </ul>
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