

COMMERCIAL BANKING



SEPA DIRECT DEBIT

A simple, efficient way to make and receive Direct Debit payments in Euro

Introducing SEPA Direct Debit

SEPA Direct Debit (SDD) is a simple, convenient and efficient way to accept and make Direct Debit payments in Euro throughout the SEPA (Single Euro Payment Area) community which is made up of the EU member states plus Iceland, Liechtenstein, Monaco, Norway, San Marino and Switzerland.



Transparent prices, faster settlement and simplified processes help you do business overseas.



By introducing a common set of rules and data formats across the community, SDD facilitates national and cross-border Direct Debit collections in Euro.

It can help reduce operational costs, simplify processing and strengthen cash management forecasting as well as help improve access for UK businesses to European markets, by removing barriers to collections.

The basis of SDD

Like any other Direct Debit scheme, SDD is based on the following concept: "I (the creditor) request money from someone else (the debtor), with their pre-approval, and credit it to myself." This is formalised by the establishment of a mandate.

- **Creditor** – you wish to collect funds via an SDD Scheme.
- **Debtor** – you wish to make payments via an SDD Scheme.



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A choice of schemes

There are two SDD Schemes to choose from:

- **Core SEPA Direct Debit Scheme** – for transactions between businesses and their consumer or business customers.
- **B2B SEPA Direct Debit Scheme** – only available for transactions between businesses, which are non-micro-enterprises*.

Both the debtor and creditor must hold an account with a participating bank located within the SEPA community.

Key SDD features

- Either scheme may be used for single (one-off) or recurrent Direct Debit collections.
- BIC and IBAN replace national sort codes and account numbers.
- SDD facilitates domestic and cross-border Direct Debits in Euro (including the UK).
- SDD is a collections process based on a mandate signed by the debtor, which authorises the creditor to collect payments due from the debtor to the creditor by Direct Debit in Euro.
- The mandate is standardised in content and must be issued in the language of the debtor's country of residence (or English).
- The mandate is stored and maintained by the creditor but a copy/mandate information must be provided to the debtor's bank under the B2B scheme.
- Mandates can be amended for a variety of reasons and amendments must firstly be agreed between the creditor and debtor.
- The mandate expires through dormancy 36 months after the last direct debit collection.

Core SDD Scheme

- Debtor may be either a consumer or a business.
- Signed mandates are held by the creditor.
- All banks participating in SDD will support the Core SDD Scheme.

B2B SDD Scheme

- Debtor must be a business and not a consumer or micro-enterprise.
- Signed paper mandates are held by the creditor.
- The creditor must ensure that their debtor is eligible to participate in the B2B SDD Scheme.
- Debtor banks are required to check the first and subsequent collections against the stored B2B mandate information.
- It is optional for banks to support the B2B SDD Scheme.

SDD payment time cycles

- The debit date – when the payment will be collected from the debtor's bank account – will be agreed between the creditor and the debtor.
- The creditor must advise the debtor of a collection at least 14 calendar days beforehand, unless otherwise agreed.
- With the Core Scheme first collections or one-off Direct Debits must be sent through the scheme no later than five business days prior to the debit date.
- Subsequent Core Scheme collections must be sent through the Scheme no later than two business days prior to the debit date.
- With the B2B Scheme first collections or one-off Direct Debits must be sent through the scheme no later than one business day prior to the debit date.
- Any returns by the debtor bank (for instance, if the account has been closed) must be effected no later than five business days after the debit date.

Core Scheme refund timelines

- A debtor can bring a claim for a refund of an authorised transaction up to eight weeks from the debit date.
- A debtor can bring a claim for a refund of an unauthorised transaction up to 13 months from the debit date.

B2B Scheme refund timelines

- A debtor can bring a claim for a refund of an unauthorised transaction up to 13 months from debit date.
- The B2B Scheme does not provide for claims for refunds of authorised transactions.

*Micro-enterprise means an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed two million Euros, including self-employed persons, family businesses engaged in craft or other activities and partnerships or associations regularly engaged in an economic activity. Where the enterprise forms part of a larger group the structure of the group may impact on whether the Account holder(s) will be deemed to be a Micro-enterprise (as defined in the Annex to Recommendation 2003/361/EC (EU Official Journal No. L124, dated 20 May 2003)).

Benefits for the creditor

Direct Debits from anywhere in SEPA

Businesses usually prefer to collect regular bills by Direct Debit as it is more efficient and allows payment automation, which saves money overall. Prior to SDD it was not possible to set up cross border Direct Debits. SDD allows you to initiate payments in Euro between any two bank accounts (where both banks must be participants of the SDD scheme) anywhere in SEPA enabling you to bill customers regularly on a cross-border basis with the certainty of no deduction from the principal payment amount.

Handle all Euro payments from a single bank account

In the past, it may have been necessary for businesses with regular cross-border dealings to have multiple bank accounts in various countries leading to extra costs, payment delays and general inefficiency. For the first time businesses are able to collect funds from debtors using a consistent Europe-wide system and through a single bank account, improving cash management through greater efficiency, faster cash flow and control.

Key benefits

- Businesses can now organise all Euro payments from a single bank account.
- Ability to receive Euro collections in a UK-based bank account.
- Improves cash management through greater control.
- Has the potential to reduce operational costs.
- Allows collection of funds from multiple customers across multiple countries.
- Single standardised set of reason codes for unsuccessful transactions.

Advantages for debtors

- Provides an uncomplicated way of paying bills in Euro with comfort that the creditor will receive the full amount due to them.
- No proactive payment initiation necessary.
- Protection for Core debtor: even an authorised transaction has an 8 week refund timeline.
- Protection for B2B debtor: the debtor bank must check each collection is authorised.

Key points for creditors to consider

Before signing up for SEPA Direct Debit, creditors should consider the following points:

- Review the SEPA Direct Debit rule books, as there are many potential impacts. The rule books are available on the European Payments Council website (see Useful Links).
- Decide which SDD Scheme is appropriate for your business. Both can be used simultaneously by a creditor.
- Review the SEPA Direct Debit Creditor Terms and Conditions to understand your rights and obligations.
- Discuss any anticipated Euro funding changes with your relationship manager.
- SDD can act as a catalyst to further centralisation. Review payment processes and procedures to identify and remove hidden inefficiencies.
- Review account structures throughout Europe as these can be centralised.
- Ensure that your systems support the use of BIC and IBAN and the standard payment message type ISO 20022 XML.

Lloyds Bank SEPA Direct Debit Service

Lloyds Bank participate in both SDD Schemes as a creditor bank and debtor bank.

- Online portal access provided and available 24/7.
- The system offers security through PKI smartcards.
- Multiple collection accounts can be supported.
- The interface provides creditors with access to a number of functions:
 - Mandate Management (create/amend/cancel).
 - Collection submission.
 - Management of unsuccessful transactions (reversals/revocations & unpaids).

Useful links

European Payments Council:
www.epc-cep.eu

IBAN checker:
www.ukpayments.org.uk/payments_industry/ibans/iban_checker

Our service promise

If you experience a problem, we will always try to resolve it as quickly as possible. Please bring it to the attention of any member of staff. Our complaints procedures are published at lloydsbank.com/commercialbanking/contactus

 Contact your relationship manager

 Visit lloydsbank.com/business

Please contact us if you would like this information in an alternative format such as Braille, large print or audio.

If you have a hearing or speech impairment you can use Text Relay (previously Typetalk).

Important information

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