

# Briefing: the European Direct Debit System (SDD)

## What is the SDD?

The SEPA Direct Debit (SDD) is the new euro direct debit system that the authorities have approved for the Single Euro Payments Area (SEPA). It will be effective in France and Monaco from 1/11/2010.

The SDD comprises a set of common rules and procedures that enable euro direct debits throughout the SEPA, whether regular (a series of payments) or one-off in nature.

The system is based on the principle of a double authorisation identified with a Unique Mandate Reference (RUM), signed by the client on a standard form remitted to the creditor. Under the RUM:

- the client authorises the creditor to send instructions to the client's Bank to debit his or her (or its) account,
- the client authorises the Bank to debit his or her (or its) account in accordance with the SDD submitted by the creditor.

The RUM's main features are the use of an International Bank Account Number (IBAN) and a Bank Identifier Code (BIC) to identify the account to be debited, guaranteed transaction cut-off times and standard rules covering disputes, rejections and reimbursements.

## Accepting a payment by SDD

If you accept the SDD as a means of payment, you must:

- fill in and sign the authorisation sent to you by your creditor,
- return this authorisation to your creditor, along with your account identification details as supplied by your Bank. These details should indicate your IBAN and the Bank's BIC.

The creditor keeps the authorisation and the associated documentation in either paper or electronic form, and for as long as the law requires.

The creditor has to advise you 14 days in advance of a payment on a new SDD. This advice takes the form of an invoice or a payment schedule that enables you to check that the debit is consistent with the agreement signed with the creditor.

## What happens in the event of a disagreement with your creditor?

In the event of a disagreement concerning a SDD (date, amount, absence of authorisation, etc.), you should contact your creditor immediately and seek an amicable solution.

This could, for example, involve the creditor postponing one or more SDD payments or issuing an instruction to return the payment, or a request to cancel the initial SDD order.

If no amicable solution is found, you may require your Bank to oppose the SDD payment(s). You need to communicate the **RUM as well as the SEPA Creditor Identifier (ICS)** so that the Bank can automatically reject the transaction request when it appears.

This procedure is recommended even where there has been an amicable settlement. It must be carried out via a letter addressed to the Bank.

## Where the Bank refuses an SDD payment

If the technical or financial conditions for SDD execution are not met, the Bank may reject payment requests before the payment date or may return them no later than five business days after the payment date to the creditor's Bank.

In all cases, as for national direct debits and under the same terms and conditions, the Bank has to advise you of its actions.

## Where you disagree with an SDD payment

Following a SDD payment from your account:

- **you have 8 weeks** in which you may contest an authorised transaction (for which you have signed an authorisation). You will be reimbursed immediately, without the Bank needing to judge whether your disagreement is justified or not.
- **after 8 weeks and until 13 months** after the SDD payment, you may challenge only those transactions presumed unauthorised (i.e. to which you have not consented). The Bank will ensure your disagreement is justified before it reimburses you.

## Authorisation expiry

Any authorisation that has not given rise to a payment for 36 months is considered to have expired. Accordingly, it may no longer be used. If necessary, a new authorisation should be signed between you and the creditor.

## Switching a national direct debit to an SDD

National direct debits will disappear. This means that creditors will be obliged to migrate their payments to SDDs. To ensure the continuity of its services, the Banking industry has decided (see the Bank's General Terms and Conditions) to assume that existing direct debit authorisations remain in force for creditors. They will therefore not be required to ask you to sign a new authorisation when they switch to the new payment system. That said, they do have to inform you of the change and of the two key pieces of information on the SDD:

- The unique mandate reference (RUM),
- The SEPA creditor identifier (ICS) in the new system.

If they so wish, some creditors may ask you to sign forms before the first SDD payments are made.

## What will CFM Monaco do when it receives a payment request that concerns your account?

When it receives an SDD request, CFM Monaco checks the validity of your Bank details (your IBAN) and ensures that you have not signalled any non-payment instruction (stop-payment order, cancellation of authorisation, etc.).

The Bank receives only electronic data on the authorisation from the creditor. It is not obliged to verify the authorisation details contained in the SDD.

## Professionals at your service

Apart from reading this Fact Sheet, we suggest that you study the Bank's General Terms and Conditions. If you need any help, do not hesitate to consult your account manager.