

Direct Debits



Streamlining Direct Debits with AUDDIS & Paperless Direct Debits

Introduction

With the introduction of the AUDDIS service the Direct Debit collection process will be made more efficient, by streamlining the lodgement of the Direct Debit Instruction (DDI). It should be noted that the process and costs for payment file sent through the BACS system are unaffected.

Once AUDDIS is in place you will be able to move on to Paperless Direct Debits (PDD) which will enable you to accept customer's instructions to set up and amend Direct Debits through a range of methods including: -

- 1 Telephone
- 2 Internet
- 3 Telephone key pad
- 4 Face to face

The Current Process

Let's review the current process for Direct Debits, and look at the issues with this process

a) New customer

- 1 Application form received in post including DDI.
- 2 DDI information – sort code, account number entered onto system
- 3 Paper DDI sent to Paying Bank for lodgement.
- 4 Delay mechanism placed on system to ensure payments cannot be collected until Banks have processed the DDI (currently 10-calendar days)

Issues

- 1 Significant delay before the first payment can be collected by DD.
- 2 No audit trail exists. (i.e. there is not any confirmation that the paying Bank has received and successfully input the instruction).
- 3 A significant cost in enveloping and posting the instruction.
- 4 No comprehensive 'on line' validation of the Bank details at point of entry
- 5 High rejections by Banks with the reasons 'no instruction' and 'no account'

b) Existing customer amendment where change of Bank is involved and advice not received through the ADDACS service

- 1 Customer advises of new bank details.
- 2 New DDI sent out to customer in the post.
- 3 Customer returns DDI to Management Company, and then
- 4 As new customer – outlined above.

In addition to the issues mentioned above there is

A minimum definite delay of 18 calendar days to cover;

- 1 Two way postage
- 2 The 14-calendar day lodgement period.

The AUDDIS Process

Now if we review the new AUDDIS process, we can see how much the process is an improvement

a) New customer

- 1 Application form received in post including DDI
- 2 DDI information – sort code, account number entered into system
- 3 DDI information sent electronically to bank through the AUDDIS service
- 4 Paper DDI retained and not sent to the Bank
- 5 Delay mechanism of a minimum of 2 working days placed on system to ensure payments cannot be collected until Banks have processed the AUDDIS DDI

Benefits

- 1 An audit trail exists, with confirmation that the DDI has been set up in line with originator's transmission details.
- 2 Assurance that an advice will be received by working day 4/5 in the process if the Banks cannot set up the instruction or the details are incorrect.
- 3 A significant reduction in the collection process. Effectively the first payment can be collected in a minimum of 5 working days (the 2 day AUDDIS processing + the normal 3 day BACS payment clearance cycle.)
- 4 A significant reduction in costs replacing stamps, enveloping and time replaced by a 'one off' BACS item charge which will be significantly less. There will be an initial 'one off cost levied by your sponsoring bank based on the number of Direct Debit clients being transferred to the AUDDIS service. This will be collected within your normal quarterly bank charges.

Additionally under PDD

- 1 A deal can be undertaken over the telephone, in one call, which will incorporate 'signing up' the client for Direct Debit.
- 2 The bank details will be validated immediately whilst the customer is 'on the line'.
- 3 A confirmation will be sent to the customer within 3 working days and copy archived.

Existing customer amendment where change of Bank is involved

Process is basically as for a new customer.

Additionally under PDD the process would be

- 1 Customer advises new bank details.
- 2 DDI information – sort code, account number entered into system
- 3 DDI information sent electronically through the AUDDIS service
- 4 Delay mechanism placed on system to ensure payments cannot be collected until Banks have processed the AUDDIS DDI (minimum 2 working days)

A further benefit for existing customer amendments is

- 1 A reduction in the lodgment time from 10 down to 2 working days

The combined benefits in implementing AUDDIS/PDD

- 1 A reduction in DDI set up costs.
- 2 Quicker set up of the Direct Debit
- 3 Set up and completion of the 'sale' over the telephone.
- 4 Reduced numbers of rejections due to enhanced validation of data
- 5 Reduced level of unpaids
- 6 Reduced queries and customer involvement
- 7 Less paperwork for both Company and the customer.
- 8 An ability to make 'one off' DD's which had previously not been allowed.
- 9 An ability to use latest technology in internet and telephone key pad offerings

Outline actions and tests required to achieve the implementation of AUDDIS/PDD:

1. Produce overall action plan to deliver AUDDIS/PDD
2. Completion of application forms for AUDDIS/PDD
3. Lodgment with Company bankers
4. Confirmation of AUDDIS test status
5. Ensure staff available for testing and pre migration actions
6. Submit test file covering all current DD's
7. Deal with and update rejections by writing paying bankers
8. Forward copy of current Direct Debit Instruction to sponsor
9. Decide on format of confirmation letter
10. Send to Bankers for approval
11. Decide when PDD requirement needs to be activated
12. Decide on process for taking DD's over the telephone.
13. Decide on format for telephone scripts for PDD
14. Send to Bankers for approval
15. Prepare script for BPP testing
16. Business Process Proving testing
17. Consider timescale for automation of ARUDD/ADDACS
18. Training for admin staff
19. Send AUDDIS migration file
20. Deal with rejections and resubmit
21. Live with AUDDIS and PDD