

Faster BACS payments and cheaper overseas payments.

Are you serious I hear you cry. Have the banks all become charitable institutions?

Well, no, but they are having their arms twisted to become more reasonable!

BACS are a little like London buses - nothing happens for a little while and then 2 initiatives come along at the same time.

The good news is that both services will be available using your existing BACS software (with an appropriate upgrade, of course)

Faster BACS payments

The banking industry will be introducing a Faster Payments Service to allow consumers and business organisations to make same-day UK sterling payments. The first stage for personal customers using some internet banking services is now available. The corporate version will be available in mid 2009.

This new initiative will facilitate almost 'real time' payments via Bank Internet accounts, Telephone Banking services or via a service similar to Bacstel-IP using a 'Secure IP' network, for Bacs Direct Credit submitters

The main features will be

- Payments to be received by beneficiaries within 2 hours of being sent to BACS.
- It is likely to operate during the usual 5-day bank business week.

- Payments will submitted by the senders to BACS between 06.00 and 14.00
- Payments should take a maximum of 2 hours to reach the beneficiary account
- The initial item / transaction limit will be £10,000
- The file format for submissions will continue to be in the present APACS Standard 18.
- Initially the service will only be for Direct Credit payments
- The service will use an enhancement of your current BACS -IP software service. Yes, there will be an upgrade cost, yet to be established!
- The existing 3 day BACS service will still be available

Who will benefit from the solution?

- Businesses making regular CHAPS payments of less than £10,000
- Customers who pay wages and salaries in time critical situations - e.g. weekly pay, overtime, or expenses
- Customers who miss the current Bacs 3 day cycle for payroll, and who then have to resort to relatively expensive CHAPS payments
- Businesses sending urgent salary payments (e.g. for new staff)
- Businesses wanting to improve cash management either by making last minute business-to-business payments against known available funds, or making early / prompt

payments to obtain discounts on prices

- Local Authorities needing to make urgent benefit payments (e.g. housing benefits)
- Righting a wrong when an urgent repayment needs to be made

As you may know the current same day payment service CHAPS could cost up to £30 per payment. The cost of the new payment is yet to be established but is unlikely to be in excess of £1.00.

Interestingly, out of the current 32 million CHAPS payments about 50% are for less than £10000 so clearly there will be a market for the new service.

If you need further advice or support please contact Andy Cox at;

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SEPA - Single European Payments Area

The initial introduction of SEPA compliant cross-border schemes for euro payments is expected to begin in early 2008 with the final deadline for compliance currently set at 31 December 2010.

Although the service for credits may well be fully operative by the end of this period, due to the complexity of agreeing one uniform Direct Debit service, it is likely that debits will come on stream at a later date.

How will SEPA work?

For Euro payments, there will be a range of options available to businesses, including:

- Through their banks
- Directly to SEPA compliant Payment Bureaux / Factories / Clearing Settlement Mechanisms
- Through a SWIFT Closed User Group
- Through Web based secure products
- Via the European Credit and Debit Card networks

The initial plan was that there will be a single Pan-European Automated Clearing House (PE-ACH) for processing all the Euro transactions but it is now more likely that we will see several SEPA compliant regional ACHs (Automated Clearing Houses)

In addition, banks will have bilateral file exchange arrangements in place with partner banks to handle particular concentrations. These 'super ACHs' will have competitive advantages in terms of pricing, efficiency and additional functionality, such as direct corporate access.

Are we bothered?

The impact on UK internal domestic payments (such as Direct Credits and Direct Debits) will be limited while the UK continues to trade in Pounds Sterling, with payments continuing to be submitted via the BacSTEL-IP service.

However, the main attraction for UK based organisations is the ability to make cheaper, and in time faster, payments in Euros. This will prove useful for transactions such as

Supplier Payments and Pension and Salary payments into the Euro countries, or for companies wishing to collect Direct Debits centrally in Euros, such as insurance premiums, credit card repayments, mobile phone bills, and magazine subscriptions.

Now and then

Currently, cross border electronic payments are generally made via SWIFT (the global payment organisation) and can incur significantly higher costs at around £10 to £25 per transaction.

Although the majority of these European transactions are now made in a single currency (apart from us of course) following the widespread adoption of the Euro, the high cross border costs have persisted.

The Single Euro Payments Area (SEPA) is a European Commission (EC) initiative that has been established to remove the barriers of cross border transactions and to reduce the costs.

The vision is that SEPA should replace existing schemes and transactions and thereby ensure that euro payments across the region will be subject to a uniform set of standards, rules and conditions. This will result in payment transactions circulating as easily, quickly, securely and efficiently as they do within the national markets today.

And this affects us how?

For UK businesses operating across Europe in Euros, SEPA has a number of attractions, particularly for those who are multi-banked and/or multi-national. They will see a reduction in bank transaction charges, and enjoy the simplicity of dealing in Euros in standard formats, with greater speeds and certainty for payments across Europe.

Additionally, because most large organisations trading across Europe are likely to have separate bank accounts in every country in which they are conducting business, the new scheme offers these businesses the opportunity to rationalise their banking arrangements and potentially deal with just one bank in Europe.

So, seriously, when will this happen

Well trying to get 2 countries to agree is difficult - but all the Euro zone! In practice, I'll be surprised if we have a robust and fully working system until at least 2010 for credits and probably a couple of years later for debits. But, hey, this is still progress. You don't think the banks are going to give up all that money without a fight!

For any support on these or other BACS or electronic payment matters please contact Andy Cox using any of the following methods;

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