



SEPA users give guarded welcome to EU-wide direct debit

On Monday 2nd November 2009, the SEPA direct debit scheme, the second strand of the Single European Payments Area (SEPA), will come into being. The new products will enable direct debit orders to be set up at cross border level in Europe for the first time. For example, it will become possible for a consumer living in Belgium to settle their Belgian utility bills through their Greek bank account using regular monthly payments.

The business and consumer organizations, who are joint members of the Payment Systems End User Committee (EUC), welcome this latest extension to the single payments area. However, the SEPA direct debit scheme (SDD) is far from complete and there remain serious concerns over open questions, including the pricing, the security of the product and the validity and migration of existing authorizations (mandates). The resolution of these issues is essential before any end dates can be agreed. The EUC's position has also been endorsed by 18 National Treasurers Associations (EACT) in Europe.

On pricing, for example, in most EU Member States, there is no interchange fee on domestic direct debit transactions and end-users are clear that no such fee should be introduced for the SDD scheme. Otherwise, there is a danger that users in countries where banking is cheap, such as Belgium or the Netherlands, would end up paying far more for this product.

The issue of security is of particular concern for consumer organisations, who fear the growth of fraud in a Europe-wide direct debit payments market. In the present EPC scheme, there is no minimum check required by the debtor bank to ensure that payment requests are correct so a direct debit order could be set up with just a bank account number not necessarily accompanied by the correct name.

Olivier Brissaud, the EUC representative in the SEPA process, stated:

"Whilst the introduction of SEPA direct debit will undoubtedly benefit consumers and business, we are concerned that take-up will be negligible and many will see little, if any, benefits. The SDD scheme will only be a success if banks take the initiative now to offer new products, which are competitive both for consumers and companies.

"If the EPC is serious in wishing to fully involve end-users in the creation of SEPA, the requirements we have outlined must be taken into serious consideration in future revisions of the direct debit Rulebooks," concluded Brissaud. "If not, there is serious risk that not only will SEPA direct debit fail to get off the ground, but that the whole SEPA project will become a white elephant."

ENDS

Notes to Editors'

- In a position paper issued in July this year, the EUC clearly set out the changes needed to make SDD more acceptable to most end-users. It can be found here:

<http://www.eurocommerce.be/content.aspx?PageId=41572>

- The EPC is currently carrying out revisions to the core SEPA direct debit Rulebook. See EPC website:

[http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_direct_debit_\(sdd\)](http://www.europeanpaymentscouncil.eu/content.cfm?page=sepa_direct_debit_(sdd))

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