

United Kingdom

Direct Debit logo used in the UK

In the [United Kingdom](#), Direct Debit requires the customer to authorize a Direct Debit Instruction with their bank. This task is carried out via the originator (payee).

Companies or organizations wanting to use Direct Debits to collect customer payments must have an OIN (Originator's Identification Number), this is also known as a SUN (Service User Number). This can be done in two main ways: through requesting sponsorship by their bank to help with a formal application process or using an outsourced company to handle the payment processing.

Banks operate a Direct Debit [guarantee](#). In this, if a customer disputes an amount that has come out of their account by direct debit, they can contact their bank and ask for an immediate refund. It is then the originator's responsibility to ask the customer for the money. However, the originator is not automatically liable under the guarantee for any bank charges caused by the originator's error, for example if an incorrect direct debit transaction causes the customer to go overdrawn. However, there are conditions where claims for consequential loss are considered under the Direct Debit Guarantee.

To set up a paperless Direct Debit, nothing needs to be signed by the customer, which is why the system is so strongly regulated. A customer has the right to request a paper Direct Debit instruction. Some types of bank account do not allow Direct Debits; typically [current accounts](#) do as well as some [deposit accounts](#). Direct debits cannot be collected on [credit card](#) accounts and should not be confused with a credit card continuous authority. The rules and regulations for a continuous credit card authority are different from the Direct Debit Guarantee.

Any Direct Debit mandate that has not been used to collect funds for over 13 months is automatically cancelled by the customer's bank ^[3] (this is known as a "dormancy period"). This can cause problems when the mandate is used infrequently, for instance, taking a payment to settle the bill for a seldom used credit card. If the credit card company has not collected a payment using the Direct Debit mandate for over 13 months the Direct Debit mandate may have been cancelled as dormant without the customer's knowledge, and the Direct Debit claim will fail.

Direct Debit payments can now be set up via these methods:

Paper-based forms requiring a signature.

Paperless Direct Debit using one of the following methods:

via telephone using a formal script to collect all the required information,

via the internet using an online application form which has been approved by a bank,

using a telephone keypad to enter data to an automated menu system,

through Digital TV via the "red button", and

face-to-face, where the payer keys their account data directly into the originator's computer system.

Direct debit fraud

On 7 January 2008, [Jeremy Clarkson](#) found himself the subject of direct debit fraud after publishing his bank account and sort code details in his [column](#) in [The Sun](#) to make the point that public concern over the [2007 UK child benefit data scandal](#) was unnecessary. He wrote, "All you'll be able to do with them is put money into my account. Not take it out. Honestly, I've never known such a palaver about nothing". Someone then used these details to set up a £500 Direct Debit to the charity [Diabetes UK](#). In his next [Sunday](#)

[Times](#) column, Clarkson wrote, "I was wrong and I have been punished for my mistake.". Under the terms of the Direct Debit Guarantee, the payment should have been returned. It is not known whether [Barclays Bank](#) have honored their obligation.

Germany

In [Germany](#), banks generally provide direct debit (*Lastschrift, Bankeinzug*) using both methods since the advent of so-called [Giro](#) accounts in the 1950s.

The *Einzugsermächtigung* ("direct debit authorization") just requires the customer to send an authorization to the organization making the collection. Although organizations are generally required not to instruct their banks to make unauthorized collections, this is usually not verified by the banks involved. Customers can instruct their bank to return the debit note within at least six weeks.

This method is very popular within Germany as it allows quick and easy payments, and it is suited even for one-time payments. A customer might just give the authorizations at the same time she or he orders goods or services from an organization. Compared to payments by [credit cards](#), which allow similar usage, bank fees for successful collections are much lower.

To prevent abuse, account holders must watch their bank statements and ask their bank to return unauthorized (or wrong) debit notes. As fraudulent direct debit instructions are easily traced, abuse is rare. However, there can be issues when the amount billed and collected is incorrect or unexpectedly large.

The *Abbuchungsauftrag* ("posting off") requires the customer to instruct his or her bank to honor debit notes from the organization. Direct debits made with this method are verified by the customer's bank and therefore can not be returned. As it is less convenient, it is rarely used, usually only in business to business relationships.

The Netherlands

In [The Netherlands](#), like in Germany, an account holder can authorize a company to collect direct debit payments, without notifying the bank. Doing so is very common, with as much as 45% of all banking transactions conducted via direct debit.

A transaction can be ongoing or one-time only. For both types collecting organizations must enter into a direct debit (*incasso*) contract with their bank. For each transaction the name and account number of the account holder must be provided. The collecting organization can then collect from any account, provided there is enough money on the account and no block is set against direct debit from the collecting organization. Legally, the collecting organization must have a signed and dated authorization card specifying the amount (to be) debited.

Transactions can be contested depending on the type of transaction, time since the transaction and the base of dispute. Authorized transactions of the ongoing type can directly be recalled via the bank of the account holder within the 56 days since the transaction. Authorized one-time only transactions can be recalled via the bank within 5 days. Unauthorized transactions can be contested via the bank within a limited time period after the transaction.

To prevent fraudulent transactions the collecting organization is required to present to the account holder's bank, upon request, a signed authorization card (*machtiging*). If this card cannot be presented, all direct debit transactions may be considered to be fraudulent. Some online shops offer the possibility of paying by

direct debit, but since they typically do not receive a customer's signature, their payments may officially not be honored.

Another security measure is a "selective block" whereby the customer can instruct the bank to disallow direct debits to a specified account number. Blanket blocks are also available.

Ireland

The direct debit system in Ireland is operated by [IPSO, the Irish Payment Services Organization/IRECC](#). Direct debit instructions can be given in writing or by telephone. There are protections for the holder of the account being debited in the event of a dispute. [Guide to the Irish direct debit system](#).

Japan

Direct debit is a very common payment option in Japan. When signing up for a service, such as telephone, you are usually asked to enter your bank details on the service submission form, to set up for automatic payments, and the company you are signing up to will take care of the rest. Sometimes, but not always, you are offered the possibility to enter your credit card details instead of your bank account details, to have the money directly debited from your credit card instead of your bank account.

Malaysia

In [Malaysia](#), the direct debit system is available via the product known as FPX - Financial Process Exchange.

Financial Process Exchange (FPX) support online direct debit as well as batch direct debit. It opens new doors for e-Commerce in Malaysia, in particular business to business (B2B) and business to commerce (B2C) payments.

FPX allow customers to make payment at e-market places such as websites and online stores as well as for corporations to collect bulk payment from their customers.

It leverages on the Internet banking services of participating banks and provides fast, secure, reliable, real-time online payment processing. FPX provides a complete end-to-end business transaction, resourceful payment records, simplified reconciliation and reduced risks as fund movements are between established financial institutions.

Supported by Bank Negara Malaysia and the local financial institutions, FPX is operated by FPX Payment Gateway Sdn Bhd, a subsidiary company of Malaysian Electronic Payment System (1997) Sdn Bhd (MEPS).

Australia

In [Australia](#) Direct Debit is performed through the [Direct Entry](#) system also known as BECS (Bulk Electronic Clearing System) or CS2. An account holder can authorize a company to collect direct debit payments, without notifying the bank.

A common example of Direct Debit is authorizing a Credit Card company to debit a bank account for the monthly balance.

Many smaller companies do not have direct debit facilities themselves, and a third-party payment service must be used to interface between the biller and the customer's bank. For this a small charge (typically \$1-2 per transaction, incorporated into the bill amount) is made by the payment service.

United States

In the [United States](#), direct debit usually means an [Automated Clearing House](#) (ACH) transfer from a bank account to a biller, initiated by the biller.

South Africa

In [South Africa](#) Direct Debit also known as Debit Orders are performed through ACB. An account holder can authorize a company to collect direct debit payments. The client signs a debit mandate form giving the requesting company permission to debit their account with a fixed monthly value. This value can be recurring or once-off. This is an effective and safe alternative to receiving money in cash, by check or EFT. Debit Orders can be processed on any workday, Monday to Friday, excluding public holidays.

Many smaller companies do not have direct debit facilities themselves, and a third-party payment service must be used to interface between the biller and the customer's bank.