



# Guidelines for Establishing Direct Debit Requests Electronically or by Telephone

These guidelines are practical recommendations for businesses (which are approved Debit Users) wanting to establish Direct Debit Requests (DDR) for their customers electronically or by telephone.

The purpose of these guidelines is to highlight the importance of satisfactorily identifying the authenticity of customers giving DDRs electronically or by telephone so that the risk of fraud to your company is minimised.

This document should be read in conjunction with the Sponsorship Agreement you have with your Sponsor Financial Institution and with the ["BECS Procedures"](#), which can be downloaded from the [www.apca.com.au](http://www.apca.com.au) website.

**Please note:**

**These guidelines are not contractually binding. Your Sponsorship Agreement and the BECS Procedures take priority if there are any inconsistencies.**

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## What you need to know

The direct debit system is generally a cost-effective way for businesses to collect regular payments. Before you can use the system to debit your customers' accounts you need to obtain their authority using a DDR.

If you wish to obtain DDRs from your customers electronically or by telephone, you first must have approval from your Financial Institution. Your Financial Institution may require you to agree to certain conditions before it gives its approval. One of those conditions may be that you give it an indemnity, which makes you liable for all claims in relation to DDRs obtained electronically or by telephone or certain types of such claims

You will need to consider:

- What is your relationship with the customer?
- Can you formally identify your customer?
- Are you offering an appropriate service?
- Do you have a refund policy?
- Can you meet the BECS Procedures' requirements for establishing DDRs electronically or by telephone?

The above points are explained over the following pages. Once you have confirmed that your business meets the recommended criteria, you will need to put an appropriate Identity and Access Management Policy in place before you can start establishing DDRs electronically or by telephone. (See "Getting started" p5.)

## Your customer relationship

Only DDRs authorising payments for services that establish an ongoing relationship with your customer should be submitted electronically or by telephone.

Once you receive the DDR, it is your responsibility to keep evidence of the authorisation to direct debit the customer's nominated account.

The DDRs you obtain could cover any of the following situations:

- Your customer wants to make regular automatic payments from a nominated account;

- Your customer wishes to make a one-off payment from a nominated account; and
- Your customer wants to establish a DDR to initiate payments as and when needed.

In the first situation you will initiate the payments. In the second and third, your customer will initiate the payments. All three types of payments will be processed through the direct debit system, which is part of APCA's Bulk Electronic Clearing System (BECS).

## Identifying your customer

Before establishing the DDR electronically or by telephone, you will need to have proof that the person providing the authority is actually your customer and/or the owner of the account that will be debited.

Once you have satisfactorily identified your customer, you should also consider confirming the account details (provided on the DDR) with the Financial Institution where the account is held. The type of details a Financial Institution is able to confirm will vary depending on its privacy policy.

In some cases, the person providing the DDR may not be your customer. For example, a person may want to make payments for services you are providing to a customer, eg an employer paying for an employee's tuition fees. In such cases, the DDR must be provided by the person whose account will be debited and not by your customer.

## Appropriate services

Only DDRs authorising payments for appropriate services should be established electronically or by telephone to minimise fraud risk to your business. An appropriate service, for these purposes, is considered to be any service with limited opportunity for fraud.

### Appropriate services examples

- All levels of government services (but not government retailing services);
- Insurance premiums for ongoing insurance contracts;
- Utility services to fixed domestic addresses such as electricity and gas, water and telecommunications;
- Educational institution fees where a student is enrolled long term.

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## Inappropriate services

An inappropriate service is one that places your business at risk. Generally such services are one-off and there is no ongoing relationship with the customer. If a DDR lodged for such a service is found to be fraudulent, that is, the customer is not the owner of the nominated account, a business may be exposed to financial loss.

### Inappropriate services examples

- Transfers to credit facilities (eg credit cards, lines of credit) charge cards, or transaction accounts;
- Goods and services that either are quickly consumable or are easily re-sold for cash;
- Any one-off service that is of a high value - such as overseas travel;
- Share offers, transfer to investment accounts and other investment payments; and
- Gambling payments.

## Refund policy

Your business must have a suitable refund policy to reduce the risk of refund fraud. An example of refund fraud could be a customer asking for money to be returned to an account that is different to the one from where the money was originally debited. Only refunding (crediting) payments back to the original account is an effective way to minimise this risk and should form part of your refund policy.

## What you are required to do

You must comply with the Sponsorship Agreement you have with your Sponsor Financial Institution and with the [BECS Procedures](#) regarding your responsibilities as a Direct Debit User. You must also comply with the general requirements regarding the DDR.

In brief, your business is required to:

- Obtain clear instructions authorising a direct debiting transaction (the DDR) from the customer;
- Keep details of the DDR for 7 years after the date of the last processed debit;

- Ensure that the terms and conditions of the Service Agreement are made available to the customer at the time the DDR is given; and
- Provide to your customer either a printed or a non-changeable electronic copy of the DDR and Service Agreement.

## Getting started

Once you (and your Financial Institution) have decided that establishing DDRs electronically or by telephone is suitable for your business generally, or for particular customers, you will need to put an appropriate “Identity and Access Management Policy” in place.

This policy should outline customer identification procedures for verifying the identity of your customers and for gaining access to your service each time they initiate a payment. Your procedures should cover, but not be limited to:

- Customer ID;
- Proof of Identity, (eg password access); and
- A limit to the number of attempts allowed before the customer is denied access to the system.

## Establishing a DDR Electronically or by Telephone.

Your business should follow the steps below, as a minimum:

1. You need to set up an electronic identity for your customer including mandatory and optional personal details.
2. The customer must agree to the debit arrangements. (Your business must comply with its Sponsorship Agreement and the BECS Procedures referred to on page 4).
3. Your customer must provide the BSB, account number and account name of their nominated account to the electronic identity you have set up.
4. You must verify that all the necessary account details have been entered. You must also have a process in place for validating that the BSB is genuine and current. (Refer to [www.apca.com.au](http://www.apca.com.au) “BSB Numbers” for information on obtaining BSB data).
5. You may provide your customer with a DDR establishment receipt number for their records. This number should be logged as part of the DDR’s electronic record retained by your business.

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## Ongoing payments

To minimise the risk of fraud, you should not let any customer initiate a payment at the time the DDR is established. Rather, to make a payment, your customer should start a new session using the identity, or verification details, that were previously set up.

Your customers must provide the appropriate verification details each time they wish to make a payment. All payments must be recorded, logged and a receipt number provided.

Ongoing payments must be consistent with the terms of the DDR and Service Agreement. They must comply with the BECS Procedures and with your Identity and Access Management Policy.

**If you require any further information regarding establishing DDRs electronically or by telephone, please contact your Sponsor Financial Institution.**