

Automated Payment Method Guide

IN the same way that technology impacts the way we choose to live and work, so too has it changed the way we pay. Increasingly, we are choosing to use automated payments rather than paper-based payments such as cheques and bankers' drafts.

In 2009 there were a record 6.2 billion automated transactions, with 5.6 billion of those being processed by Bacs. The majority of automated transactions are bulk transactions generated by organisations both large and small. These transactions comprise:

- Direct Debits which are used mainly to pay regular bills such as utility bills, life and general insurance premiums and various subscriptions
- Bacs Direct Credits which are used mainly for salary payments, pensions, annuities and benefit payments
- Inter-bank telephone payments
- Online banking payments
- Standing order payments.

The growth in existing electronic payment methods coupled with consumers and businesses using fewer cheques, and most major retailers and other merchants no longer accepting them, has resulted in cheque numbers falling by 12 percent per annum.

Given the steady fall in cheque use, the Payments Council has agreed a target date of 31 October 2018 to close the central cheque clearing. In the meantime, the Payments Council will work to ensure that where alternatives already exist they are promoted and explained; and where innovation and new options are required, they are put in place.

Working together, Bacs Payment Schemes Limited (Bacs) and the Institute of Credit Management have produced this guide to outline the core automated payment options available to organisations including the associated benefits and key considerations.

The benefits of automated payments

1. Saves time and administration costs

Preparing, checking and collating cheques with the relevant remittance advice is a time consuming task. With automated payments you spend less time handling and banking cash and cheques, therefore automated payments can help reduce the workload and paperwork in your finance department.

2. Improved cashflow management

Make your money work for you up to the last minute by knowing exactly when funds will leave your account. With payments arriving instantly as cleared funds, you can use the money straight away and start earning interest. And as money will arrive in your account the day it is expected, you can control the date of receipt into your account.

3. Direct cost savings

You can eliminate the use of cheques, by removing the cost of cheque stationery and reducing postage costs. Paying your regular business costs by Direct Debit allows you to spread costs over an agreed period and you can take advantage of the many organisations that offer a small discount to customers that sign up to pay by Direct Debit.

4. Cut down on reconciliation

Bacs Direct Credit generates a single debit from your account on specified dates, eliminating the need to track individual payments and the time spent on reconciliation.

5. Better payment terms

Negotiate more favourable payment terms by paying more efficiently. Automated payments enable variable amounts to be collected on a regular or irregular basis.

6. More reliable and more secure

When using automated payment methods organisations tend not to forget to make payments and, unlike cash and cheques, automated payments are less likely to go missing.

7. Guaranteed

With Direct Debit you are protected by three important safeguards:

- An immediate money back guarantee from your bank in the event of an error
- Advance notice if the date or amount changes
- The right to cancel at any time.

9. Environmental

Carbon emissions generated by an ongoing Direct Debit are around 65 times smaller than that of a regular cheque payment – demonstrating that automated payments are the greener way for organisations to pay.

Below are the various automated payment options that are available

Direct Debit

A Direct Debit is an instruction from a customer to their bank or building society authorising an organisation to collect varying amounts from their account. This can be used to ensure regular, safe and efficient payment of anything from bills to charitable donations.

Paying by Direct Debit

Direct Debit isn't only for household bills, businesses too can benefit by paying their regular commitments this way. Paying your regular business costs by Direct Debit allows you to spread the cost over an agreed period. Direct Debit helps reduce the workload and paperwork in your finance department. You are protected by an immediate money back guarantee from your bank in the event of an error, advance notice if the date or amount changes and the right to cancel at any time.

Many organisations offer a small discount to customers that sign up to pay by Direct Debit. This is usually made available from the cost savings of using Direct Debit.

Collecting by Direct Debit

Direct Debit is the preferred payment method for over 60 percent of the UK bill paying population because it provides so many advantages. It can make your organisation's payment collection more efficient, manageable and more cost effective which is why UK organisations of all sizes choose it as the preferred method for collecting regular payments from both businesses and individuals.

Bacs Direct Credit

Bacs Direct Credit is a simple, secure and reliable service, which enables organisations of all sizes to make payments by electronic transfer directly into a bank or building society account.

Paying by Bacs Direct Credit

Most organisations benefit from paying salaries or wages by Bacs Direct Credit – in fact over 90 percent of the UK workforce is paid this way. However, there are a wide variety of other applications, where Bacs Direct Credit is the most cost-effective solution, for example supplier payments, pensions, employee expenses, insurance settlements, dividends and refunds.

Receiving Bacs Direct Credit

It makes business sense to actively encourage customers to pay direct by Bacs Direct Credit. Payments arrive instantly as cleared funds into business accounts, enabling the earning of interest straight away. Organisations using Bacs Direct Credit often pay earlier than those who don't and there is less margin for human error.

Faster Payment

Faster Payments was the first new payments service to be introduced in the UK for more than 20 years. Developed by the UK banking industry, this automated service enables customers to make electronic payments, which are processed in hours rather than days, typically by phone or via online banking. Faster Payments can be used for the transferring of money between accounts to pay bills, or to make regular standing order payments.

Offered by most banks, this payment method allows customers to make near real-time payments all day, every day and can also be used to make quicker standing order payments on bank working days.

CHAPS

Clearing House Automated Payments System (CHAPS) is a same-day automated payment system for processing sterling payments made within the UK, between member banks. Banks themselves use CHAPS to move money around the financial system, but it is also used regularly for other types of payments including: business-to-business payments; by solicitors/licensed conveyancers to transfer the purchase price of a house between the bank accounts of those involved; and by individuals buying or selling a high-value item, such as a car, who need a secure, urgent, same-day guaranteed payment.



The Institute of Credit Management (ICM) is Europe's largest credit management organisation. The trusted leader in expertise for all credit matters, it represents the profession across trade, consumer, and export credit, and all credit-related services. Formed over 70 years ago, it is the only such organisation accredited by Ofqual and it offers a comprehensive range of services and bespoke solutions for the credit professional (<http://www.icm.org.uk/> ~~<http://www.icm.org.uk/>~~) as well as services and advice for the wider business community (<http://www.creditmanagement.org.uk/> ~~<http://www.creditmanagement.org.uk/>~~).

The services offered by the ICM include:

Professional membership grades | Recruitment agency | Conferences and seminars | Professional Qualifications and unit awards | Bookshop | A network of local branches | Consultancy | Training | Credit Management Helpline | Online services through icmOS | Credit Management magazine and monthly email briefings | Member website forums | Quality in Credit Management accreditation | Member benefits and discounts | Social networking community