



Why make payments using Direct Debits?

Structured, secure and flexible collections in an evolving payments market.

Be smart. Be like Cyril.



The payments industry is currently going through a period of monumental change. A cashless payment system is now becoming more dominant, due in large part to the rapid recent advancement of technology.

As a result, new providers, platforms and payment applications incorporating cloud technology have sprung up and richly diversified the payment options available to consumers. Whilst this transformation initially began in the retail sector, the demand for the same level of convenience in B2B payments and transactional banking is now also getting stronger.

This evolving attitude to payments has been further compounded by recent global events and the devastating impact of COVID-19. Gartner reports that the pandemic has irreversibly and forever changed the way that consumers think about their payment options. According to Visa's Back to Business study¹, 78% of global consumers have adjusted the way they make payments due to increased concerns about safety. In light of these technological and attitudinal shifts, it seems like a good time to consider where payments taken by Direct Debit might fit into a future payments landscape. Pay UK, the independent payment system operator responsible for the Bacs Payment System (Bacs) which processes Direct Debits and Direct Credits, reports² that the volume of Direct Debit transactions processed has increased every year since their inception in 1970, including during and since the COVID-19 pandemic, with a total of 4.83 billion transactions in 2023, a growth of over 8% compared to pre-pandemic levels.

So, what is it that makes payment by Direct Debit so appealing to consumers and businesses, especially in the current climate? The rest of this paper seeks to try and answer this question, first outlining what Bacs payments and Direct Debits are, what they are used for and the advantages that come with their usage. The final part of the paper will examine the flexibility of Direct Debits and conclude with the practical ways in which payments can be structured to suit businesses of all shapes and sizes.

Bacs and automated business payments

Pay.UK is the organisation with responsibility for the schemes behind the clearing and settlement of UK automated payment methods Direct Debit and Bacs Direct Credit, as well as the provision of managed services for third parties.

Automated business payments are instructions sent from one party to a bank or building society to either make, or allow third parties to take a payment. Easy to arrange and highly cost effective, Direct Debit and Bacs Direct Credit payments can be set up as one-off or recurring payments, which can be particularly useful for paying suppliers and other bills. The use of automated payments can bestow several key business benefits including:

- ✓ **STREAMLINING OF BUSINESS PROCESSES**
- ✓ **ENHANCED PROFITABILITY**
- ✓ **REDUCTION OF MANUAL BUSINESS COSTS**
- ✓ **REAL-TIME VISIBILITY OF PAYMENTS**
- ✓ **IMPROVED CASHFLOW**



Direct Debits and their advantages

Direct Debits are instructions from a customer to their bank or building society that authorises a service user to collect specified amounts of money from their bank account.

In typical circumstances, a standing authorisation is set up between the payer and payee and a payment instruction is submitted to the payer's bank or building society. The payment is then collected on the specified date and the Direct Debit is recorded on a statement issued to the payer. Signing up to Direct Debit can be paperless and all Direct Debits are covered by the Direct Debit Guarantee, making it one of the safest payment types in the UK in terms of protection from fraud.

In the past, payment by Direct Debit has been largely associated with larger business entities but with cloud-based bureau submissions dramatically simplifying the process, smaller businesses can also take advantage of Direct Debit payments. A practical and efficient way for businesses to collect customer payments, using Direct Debits carries several benefits including:



Straightforward setup The simple setup process makes Bacs payments quick and easy.



Big cost savings Time consuming manual reconciliations are reduced or eliminated completely.



Certainty of payments Amounts due from customers are credited directly to a specified account.



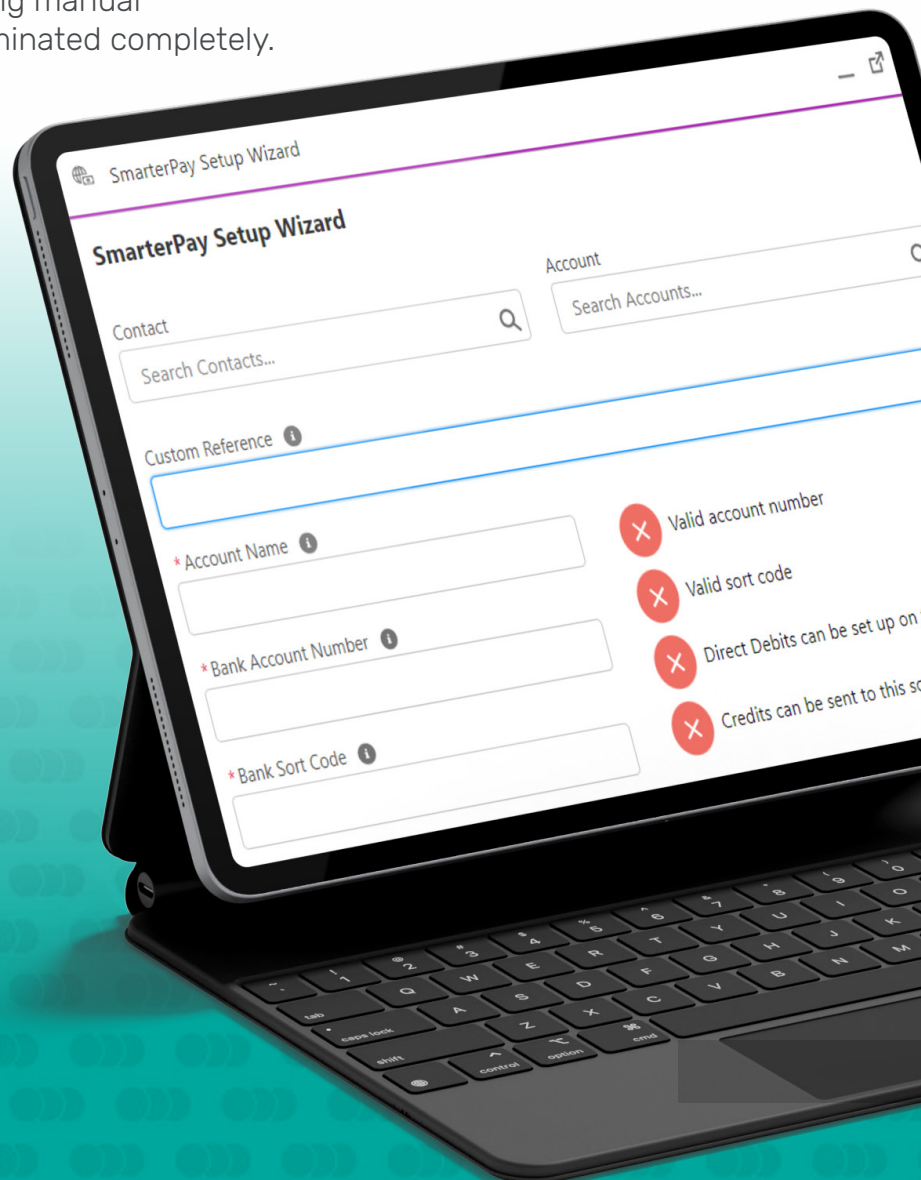
Security and reliability Highly secure built-in safeguards protect all parties during each transaction.



Greater financial control Knowing when funds will be credited and cleared ensures more accurate cash flow management.



Direct Debit guarantee Advance notice of payments and an immediate money-back guarantee makes transactions risk-free.



Ways to collect Direct Debit payments

More often than not, Direct Debits are typically used for recurring payments such as subscriptions, memberships, utility bills or charitable donations, but they can also be used for one-off payments as well.

One of the main attractions of Direct Debits is that they are an incredibly flexible payment option, enabling daily, weekly, monthly, quarterly, annually, one off, fixed term or ongoing payments. There are three main variations of the paperless sign up process that can be used to setup Direct Debits:



Online sign-up

Paperless Direct Debit enables you to sign up customers without them having to sign a paper Direct Debit Instruction. This enables sign up to be made online, opening Direct Debit up to the world of e-Commerce for memberships, subscriptions, insurance policies online gaming and many more applications.



Telephone sign-up

Whether it's as a conclusion to an outbound sales call or an inbound enquiry, Direct Debit can be successfully implemented in your contact centre processes, allowing sales calls to be closed without the need to post a paper Direct Debit instruction. It has been proven to increase closure rates with the added value that agents can guide customers through the process and provide advance notice of payment dates and amounts.



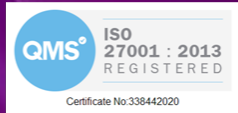
Face-to-face sign up

The flexibility of paperless Direct Debit enables fundraisers to complete a Direct Debit instruction with a customer face to face, a sales person to complete a sale by instalments or to set up loan repayments in branch.

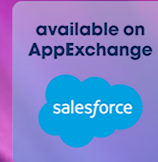
About SmarterPay

SmarterPay is an independent payments company based in the UK that specialises in payment processing, integration and reconciliation.

We have been delivering Bacs-related services since 2005 and are a member of Open Banking, a Salesforce partner and a registered G-Cloud Supplier on the government's Digital Marketplace.



HM Government
G-Cloud
Supplier



We provide Bacs approved software, Bacs approved bureau services and payment solutions for Direct Debits, Bacs Direct Credits and card payments, all of which can be integrated to your ERP/CRM or accounting system using our API. Our services perfectly compliment any sales cycle and include:



DIRECT Debit
(end-to-end fully integrated payments)

Single or recurring card payments

Bacs file processing
Direct Debits, Bacs Direct Credits (payroll and purchase ledger)

Payment links

API integration

As a private, family-owned company without investors or venture capitalists to satisfy, we can prioritise meeting your requirements, which is why we set our pricing to be sustainable, short and long term, but more importantly, to be fair.

References

¹The Visa Back to Business Study - Global Small Business and Consumer Insights, VISA

² <https://www.wearepay.uk/what-we-do/payment-systems/bacs-payment-system/bacs-payment-system-statistics>



Want to find out more?

For more information about making or collecting payments using Bacs Direct Credits or Direct Debits and how SmarterPay can assist, please get in touch with one of our payment specialists on:

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