

# YOUR QUESTIONS/OUR ANSWERS **BETTER UNDERSTANDING THE EUROPEAN DIRECT DEBIT** (OR SEPA DIRECT DEBIT)

## ONE PAYMENT METHOD SHARED BY ALL EUROPEAN COUNTRIES (COUNTRIES IN THE SEPA)

Starting on 1 October, the migration from the direct debit system of Luxembourg toward the SEPA Direct Debit (SDD), i.e. the European direct debit system, will be gradually implemented. The SDD will permanently replace the national direct debit system on 1 February 2014.

This payment method is part of the broader SEPA project (Single Euro Payments Area), which is designed to create a single set of payment methods in euros that can be used throughout the countries in the SEPA.

### A – What is the SEPA?

The Single Euro Payments Area (SEPA) is a unified region in which payments can be made in euros. It was set up by the member banks of the EPC (European Payments Council) at the behest of the European Commission.

This initiative seeks to streamline payment methods in euros (currency used) between member countries (transfers, direct debits, credit or payment cards). Members of the SEPA include all European Union countries (even if they do not use the euro as their currency) plus Monaco, Switzerland, Lichtenstein, Norway and Iceland. Within the SEPA, a cross-border payment in euros will be executed just as fast and under the same conditions as domestic payments, without sacrificing security.

### B – What is a SEPA direct debit/a European direct debit?

The SEPA direct debit or European direct debit consists of a payment transaction in euros between a creditor and a debtor whose accounts may be located in any country in the SEPA.

The European direct debit (SDD) is based on a mandate given by the debtor to its creditor, by which the debtor authorises:

- Its creditor to issue direct debit orders in euros for paying invoices or taxes,
- Its bank to debit its account for the amount of the receivable.

The creditor initiates the direct debit order, which allows it to be paid for the amount of the receivable. It notifies the client beforehand of the amount and date at which the direct debit will take place.

This means of payment may be used for recurring or one-time payments.

There are two variations of the SEPA direct debit system:

- The SEPA Core direct debit, adapted to all clients.
- The SEPA B2B direct debit, exclusively designed for businesses, professionals and societies to make payments between one another (to be implemented by SGBT starting in November 2012).

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## C – What will happen to the national direct debit system, currently being used?

Starting on 1 October, all current mandates, as well as all new ones you conclude with your creditors, may be directly processed, by your creditors, via the SEPA direct debit system. They may continue to be executed via the current national direct debit system during a transition period running until 1 February 2014.

Each creditor is free to decide when to make the transition from the national direct debit system to the European system. Your creditor will inform you of its decision to replace the national mandates with European direct debit mandates.

In most cases, this will not require you to do anything in particular. However, a creditor may ask its clients to sign new European direct debit mandates that will replace the previous national direct debit system.

## D – What are the advantages of the European direct debit?

Like for the national direct debit, the European direct debit automates your payments.

By using it, you will be able to:

- Remove the risk of forgetting to pay an invoice or making a late payment and incurring late fees, having service cut off, etc.
- Facilitates your payments.

In addition, with the European direct debit, you can pay invoices issued by companies domiciled anywhere in the SEPA.

## E – What do you need to do if you do not agree with a European direct debit that has been debited from your account?

The right to contest a European direct debit payment is the same as for a national direct debit, i.e. it is possible to:

- Cancel specific payments made to specific creditors,
- Cancel the use of this payment method,
- Request a refund of a payment within 8 weeks of the transaction being debited, without having to provide supporting documents (authorised only under the SEPA SDD CORE),
- Request a refund of a non-authorised payment (e.g. unsigned or voided mandate) or a payment that was executed erroneously (e.g. wrong amount) within 13 months of the transaction being debited (under the CORE plan). A specific procedure applies to unauthorised B2B transactions.

If you contest a direct debit order, you need to react quickly and within 8 weeks maximum for authorised transactions and 13 months for unauthorised transactions, from the date at which the transaction was debited from your account.

## F – What are the characteristics of the European direct debit system?

The European direct debit is based on a double mandate. Using just one form, the debtor authorises both the creditor to issue European direct debit orders and its bank to debit its bank account. The mandate is identified by a single reference number provided by the creditor.

Each creditor has one or more European Creditor IDs (in Luxembourg, the Luxembourg Bankers' Association – ABBL - assigns creditors these IDs), which replace the national ID that is currently used by the national direct debit system. A debtor can therefore sign several mandates with the same creditor and issue European direct debit orders across the entire SEPA.

Unlike national direct debits, the creditor is the only party responsible for managing the mandate.

## G – What are the specificities of the European B2B Direct Debit?

It is optional and reserved exclusively for payments between companies, professionals and societies or organisations.

### ■ For creditors

Prior to issuing European B2B direct debit orders:

- It is recommended that the creditor verify that the banks of debtor clients are ready to receive European B2B direct debit orders (the B2B scheme was not the standard set-up in the SEPA Direct Debit scheme ; it is possible, therefore, that a bank in the SEPA can be only able to use the CORE scheme).
- Contact the creditor bank to learn about how this payment method works and how it will be set up.

### ■ For debtors

Clients wishing to use the European B2B direct debit system must:

- Provide Société Générale Bank & Trust with a copy of the signed mandate(s) prior to carrying out transactions using the mandate(s). Without this information, SGBT will refuse to pay the creditor's bank.
- Inform Société Générale Bank & Trust of any modifications/cancellations related to the mandate(s). Please note that European B2B direct debits authorised by the debtor client cannot be refunded.
- Unlike the CORE European direct debit, the debtor's bank must check that the mandate is valid before debiting the client's account.

**All rights and obligations applicable to these payment services are specified in the most recent general terms and conditions, which were made available to you. They are also available on the website [www.sgbt.lu](http://www.sgbt.lu) or from your client relationship manager.**

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