Which "on-us transactions" need to be migrated to the SEPA Direct Debit formats?

A note by the SEPA Migration Action Round Table

Background

There are a number of different transactions where a bank debits a customer's payment account without the involvement of another bank in the initiation of this transaction. Such transactions are known as "on-us transactions". The transactions covered by this wide definition include, among others, collections executed by the account-holding bank on behalf of another customer and transactions carried out by separate legal entities, such as insurance-broking entities owned by the account-holding bank.

Question on the criteria determining which on-us transactions need to be migrated to the SEPA Direct Debit formats

The question has been raised to the SEPA Migration Round Table (SMART) whether all on-us transactions need to be migrated to the SEPA Direct Debit scheme and formats or whether some on-us transaction are exempt from migration based on certain criteria.

Understanding shared by the SEPA Migration Action Roundtable participants

The SMART participants defined the following categories of on-us transactions as a basis for their conclusions:

1. Transactions involving two payment service users holding payment accounts with the same bank;

2. Transactions where the customer's payment account is debited by an entity that may or may not be legally separated from the bank but that requires an explicit authorisation (e.g. the signing of a mandate) by the debtor for executing such a transaction under the umbrella of the account-holding bank;

3. Transactions where the bank debits the customer's payment account for its own account (e.g. debiting monthly fees), based on a service contract between the bank and the customer.

Conclusion for category 1: The SEPA Regulation makes it clear in Art. 1(1) that its rules also apply to payment transactions where the debtor and the creditor hold payment accounts at the same bank: "This Regulation lays down rules for credit transfer and direct debit transactions denominated in euro within the Union where [...] the sole payment service provider (PSP) involved in the payment transaction is located in the Union." This means that payment transactions falling under this definition have to be executed in line with the required SEPA schemes.

Conclusion for category 2: If an entity operates as a direct debit initiator, i.e. if it debits the customer's payment account based on an explicit authorisation provided by the customer, such as a signed mandate, the entity must use an SDD instrument and format for these transactions from 1st February 2014.

Conclusion for category 3: If a bank debits the payment account of a customer for its own account, e.g. to collect the fee for a service it provides to its customer as part of a service

contract, the Regulation does not apply, as stated in Art. 1(2)(a): "This Regulation does not apply to the following: […] (a) payment transactions carried out between and within PSPs, including their agents or branches, for their own account."

List of endorsing banks

The present document is based on the input and feedback of the participants in the SEPA Migration Action Round Table (SMART). SMART is a forum for banks and by banks, which is logistically supported by the Euro Banking Association. The following institutions have endorsed the present note:

ABN AMRO Bank
Aktia Bank
Bank of Ireland
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Deutsche Bank
Erste Bank
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