



## Frequently Asked Questions - Direct debits

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## SEPA

### 1. Are direct debits processed across Europe under the same requirements?

Yes. Following the publication of Regulation (EU) No 260/2012 of the European Parliament and of the Council, of 14 March 2012 (amended by Regulation (EU) No 248/2014 of the European Parliament and of the Council, of 26 February 2014), technical and business requirements for credit transfers and direct debits in euro were established. Therefore, in countries across the Single Euro Payments Area (SEPA) (i.e. in EU Member States, Iceland, Liechtenstein, Monaco, Norway, San Marino and Switzerland), payment service users may make and receive direct debits in euro via a single payment account, subject to the same rules and obligations as in Portugal. This means that, as regards execution times, value dates, costs, fees and information needed to initiate direct debits, the execution of a direct debit between accounts domiciled in Portugal is similar to that of a direct debit between, for instance, an account in Portugal and an account domiciled in France. Currently, only technical and business standards of SEPA credit transfer and SEPA direct debit schemes established by the European Payments Council in its Rulebooks and implementation guidelines meet the conditions specified in the aforementioned Regulation. These schemes are based on the ISO 20022 XML standards and aim for the fully automated processing of payments between the payer's payment service provider and the payee's payment service provider (end-to-end straight-through processing).

### 2. Is there more than one direct debit scheme within SEPA?

Yes. The SEPA Business to Business (B2B) direct debit scheme was specifically designed and developed to process payments/collections between businesses. The SEPA CORE direct debit scheme was established to collect funds from debtors that may be consumers or businesses. One of the differences between the SEPA CORE and the SEPA B2B direct debit schemes is that, in the latter, debtors do not have the right to have the amount reimbursed for authorised debits already withdrawn from their accounts.

### 3. To participate in direct debit schemes, are microenterprises treated as individuals/consumers? Does this mean that they cannot participate in the SEPA B2B direct debit scheme, but only in the SEPA CORE direct debit scheme?

Yes. To participate in direct debit schemes, microenterprises are treated as individuals/consumers. In accordance with the legislation in force, reimbursement is an inalienable right of debtors (consumers and microenterprises) as regards direct debit transactions. As such, microenterprises operating in Portugal cannot, as debtor entities, participate in the SEPA B2B direct debit scheme, but only in the SEPA CORE direct debit scheme (given that the first does not envisage the right to reimbursement).

### 4. Can enterprises oblige their trade partners to participate in the SEPA B2B direct debit scheme?

No. Similarly to the SEPA CORE direct debit scheme, the SEPA B2B direct debit scheme is not mandatory and, therefore, none of these schemes can be imposed unilaterally by creditors on debtor entities. As such, free and informed consent must be established between debtors and creditors to adopt one of the aforementioned schemes for their collection/payment transactions.

### 5. In the SEPA B2B direct debt scheme, must the debtor's payment service provider check all collection data before debiting the debtor's account?

Yes. Given that in the SEPA B2B direct debit scheme debtors do not have the right to be reimbursed and, as a rule, the amounts collected are high, the debtor's payment service provider, prior to debiting the debtor's account, must check, before debiting the debtor's account, that the B2B direct debit mandate related information received complies with previous verification instructions from the debtor, or by confirming with the debtor; check collection data against stored B2B direct debit mandate data, and the related verification instructions received from the debtor (e.g. maximum amount set by the debtor), where applicable; oblige debtors to inform them of any amendment or cancellation of the B2B direct debit mandate.

### 6. Does the same price list apply to direct debits across Europe?

Rules on charges for consumers on cross-border direct debits within the EU are laid down in Regulation (EC) No 924/2009 of the European Parliament and of the Council, of 16 September 2009, on cross-border payments in euro, Swedish kronor or Romanian lei, in the following countries: the 28 EU Member States: Belgium, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, the Netherlands, Austria, Portugal, Finland, Slovenia, Cyprus, Malta, Slovakia, Estonia, Czech Republic, Denmark, Latvia, Lithuania, Hungary, Poland, Sweden, United Kingdom, Bulgaria, Romania and Croatia; Iceland, Norway and Liechtenstein (countries that form the European Economic Area, together with the countries listed in the previous subparagraph); Monaco, San Marino and Switzerland. Under this scheme, charges on cross-border direct debits in euro, Swedish kronor or Romanian lei cannot exceed those that the payment service provider applies to domestic direct debits, provided that customers state the payee's payment account IBAN, domiciled in a payment service provider located in one of these countries.

### 7. Does the SEPA scheme also apply to payments in currencies other than the euro?

No. Technical requirements established in Regulation (EU) No 260/2012 of the European Parliament and of the Council, of 14 March 2012, apply only to transactions in euro.

## 8. What is the Single Euro Payments Area (SEPA)?

Since the introduction of euro banknotes and coins on 1 January 2002, those from euro area countries are able to pay in cash using a single currency in any euro area country, as easily as they did in their own country using their national currency. The establishment of SEPA strengthened monetary integration and helped overcome technical, legal and market barriers that persisted in the period prior to the introduction of the single currency. Households, enterprises and general government bodies can make cashless payments across the SEPA area (EU Member States and Andorra, Iceland, Liechtenstein, Monaco, Norway, San Marino, Switzerland and Vatican), using a single payment account domiciled in any country within the SEPA area and a single set of payment instruments (credit transfers, direct debits and payment cards).

## 9. Does the SEPA scheme establish a per payment transaction limit?

SEPA transactions cannot exceed EUR 999,999,999.99.

## 10. Are direct debit mandates given by debtors before migration to SEPA still valid?

Yes. Migration to SEPA did not affect the validity of direct debit mandates previously given to creditors, which act as debtors' consent for the execution of direct debits in SEPA format. Indeed, both the legal framework of payment services and electronic money (established in an annex to Decree-Law No 317/2009, of 30 October 2009, amended by Decree-Law No 242/2012, of 7 November 2012), and Regulation (EU) No 260/2012, of 14 March 2012, established that payee authorisations given prior to 1 February 2014 would remain valid after that date. However, creditors may find it beneficial to have debtors sign new direct debit mandates as recommended for SEPA operations. Direct debit mandates established by debtors under the former national direct debit system at ATMs of the Multibanco network remain valid. Therefore, if creditors are requested to provide evidence that a direct debit mandate was established by debtors at an ATM prior to the entry into force of Regulation (EU) No 260/2012 of the European Parliament and of the Council, of 14 March 2012, they should request the electronic dematerialisation procedure registration/logical registration from SIBS Forward Payment Solutions. Direct debit mandates established by debtors with their payment service providers must be stored by the latter and provided upon request. Therefore, if requested, payment service providers must provide a physical copy of the mandate or the electronic procedure registration of its dematerialisation.

## 11. Is there a template direct debit mandate exclusive to SEPA? Which fields must be filled in?

On its website, Banco de Portugal provides direct debit mandate models in full compliance with all mandatory requirements established in Regulation (EU) No 260/2012 of the European Parliament and of the Council, of 14 March 2012, which best safeguard both parties in the contract (creditor and debtor). However, creditors may adapt this model, by changing, for instance, its layout, adding a logo or fields. Creditors may also include the direct debit mandate in the contract signed with debtors, as a properly identified annex, or even supply it to debtors on its own. Regardless of its format, the direct debit mandate must contain, at least, the following items: debtor name; debtor IBAN; unique mandate identification; creditor name; creditor address; identifier of the creditor; transaction type: recurrent or one-off; date of signing of the mandate; debtor signature. Direct debit mandate models: SEPA Direct Debit Mandate SEPA Business-to-Business Direct Debit Mandate

## 12. Must all collection files state the date on which the direct debit mandate was signed/given?

Yes. Pursuant to the technical requirements established in Regulation (EU) No 260/2012 of the European Parliament and of the Council, of 14 March 2012, all files reporting collections must state the date when the direct debt mandate was signed/given.

## 13. Is there a technical manual laying out rules governing communication between payment service users and providers, in compliance with the ISO 20022 XML standards?

Yes. Payment service providers must implement a Customer-to-Bank (C2B) channel compatible with SEPA standards, offering their customers a file layout compatible with standard ISO 20022 XML messages. Against this background, to simplify links between customers and payment service providers, the Portuguese banking community has developed a harmonised communication format applicable to SEPA credit transfers and SEPA direct debits. On Banco de Portugal's website there is a customer-bank communication manual (C2B – Customer to Bank Services), recommended in order to maximise one of the advantages offered by SEPA: the use of a harmonised communication format, facilitating execution of payment transactions via several payment service providers or even to replace a support payment service provider.

## 14. Which communication model should be used to interact with the payment service provider to process payment batches? Can the PS2 file format still be used?

Enterprises (except for microenterprises) and general government bodies must use the ISO 20022 XML format whenever they transmit payment batches to their payment service providers. However, payment service providers and software companies may provide services to their customers that convert PS2 (or similar) files to the ISO 20022 XML format in line with SEPA requirements. The eventual use of conversion services will only be allowed if the following conditions are met: conversion services must be operationally independent from the payment service offered by the payment service provider; conversion services must be carried out before the point in time of receipt by the payment service provider of a payment order; the file converted to the ISO 20022 XML format should be provided to the enterprise before being initiated as a payment; conversion services must be separately priced.

## Use of Direct debits

### 1. How can I start making payments by direct debit?

In order to make payments through the direct debit system, a payee must agree to use this collection system and sign a contract with the payer establishing the terms and conditions for direct debit collection. Payers must authorise their payment service provider to debit payments initiated by the payee from their account. Direct debit mandates require the payer's paper-based or digital signature. Direct debit mandates given over the phone or made by verbal agreement are not valid, except for direct debit mandates given over the phone if they are certified according to a probative convention previously agreed between payee and payer. The payment service provider must also agree to pay direct debits, by entering with the payer into a payment services contract that includes direct debits. The contract establishes the rights and obligations of both parties regarding the payment of direct debits.

### 2. If debtors process their direct debits through a foreign payment service provider, will they still have access to services available through the Multibanco network?

No. Services related to the management of direct debit mandates (e.g. consulting, changing parameters of and cancelling direct debit mandates) available through the Multibanco network are accessible only to consumers with a bankcard operating a bank account opened with a payment service provider participating in both SEPA direct debits through Portugal and the Multibanco network. These services are offered by payment service providers to customers, unrelated to the origin of collections through a payment service provider from another country in SEPA.

### 3. If creditors decide to process direct debits through a foreign payment service provider that does not participate in the Portuguese system, may customers continue to use the services available through the Multibanco network?

Yes. Multibanco services that make it possible to consult, change parameters of (validity date and maximum amount of the mandate) and suspend direct debit mandates will still be available for debtors that have opened a payment account with a payment service provider participating in both the SEPA direct debits in Portugal and the Multibanco network. These services are accessible to debtors regardless of the nationality of the creditor's payment service provider.

### 4. May I set limits to direct debits and/or direct debit mandates?

Debtors may, at any time, instruct their payment service provider to limit direct debits on their accounts: Temporality: debtors notify their payment service provider of a time limit after which a given direct debit should be cancelled. This is the case for instalments, where debtors know beforehand the year and month of the last instalment; Periodicity: debtors notify their payment service provider that a given direct debit collection may only be debited from their account, for instance, once a day/week/month/quarter/year or twice a year; Maximum amount: debtors may set up a cap for a given direct debit, either because they know exactly how much will be debited (e.g. rents, instalments and subscriptions), or because, given that they know their usual expenses with utilities (e.g. water, telephone and electricity), they do not want unreasonable amounts to be debited; Positive and/or negative list of creditors: debtors may restrict direct debit collections to a limited group of creditors (positive lists of creditors) or to block any direct debits coming from specific creditors (negative lists of creditors); Full blocking: debtors may request their payment service provider to block all direct debits on their payment account. Debtors may instruct their payment service provider to put in place all of these limits. In some cases, it is also possible to set up time limits and maximum amounts per collection at an ATM of the Multibanco network.

### 5. Can payers be obliged by a payee to make payments by direct debit?

No. A payee cannot oblige a payer to make payments by direct debit and vice versa. Both parties must agree to use it. In Portugal, only euro banknotes and coins are legal tender, and must be accepted as a means of payment.

### 6. Can the creditor accept digital direct debit mandates?

Direct debit mandates may be issued on paper or as an electronic document and must contain the necessary items to confirm that debtors have authorised the creditor to debit from their account, including the debtor's signature. Creditors must decide how to obtain their customers' authorisation to guarantee that their authenticity is not questioned in the event of a dispute.

### 7. Are direct debit mandates given over the phone valid?

Direct debit mandates given over the phone or made by verbal agreement are not valid nor sufficient, except for direct debit mandates given over the phone if they are certified according to a probative convention previously agreed between creditor and debtor. However, there is no mandatory format for direct debit mandates, which may be on paper or an electronic document. Nevertheless, pursuant to Regulation (EU) No 260/2012, of 14 March 2012, direct debit mandates, together with later modifications or cancellations, must be signed by debtors, manually or electronically, and stored by the creditor or a third party on behalf of the creditor.

### 8. Must the creditor fill in the direct debit mandate reference number at the time of the debtor's signing?

The direct debit mandate reference number must be unique, and must be filled in by the creditor when the mandate is signed by the debtor. However, if at that time it

is not possible to provide that reference number, the creditor may provide it to the debtor subsequently, but always prior to the first payment collection.

## 9. What is the direct debit mandate reference number?

The direct debit mandate reference number is a code given by creditors to a specific direct debit mandate. The reference must be unique, to unambiguously identify, when combined with the identifier of the creditor, the direct debit mandate within the direct debit system.

## 10. What is the creditor identifier?

The creditor identifier is a reference number that identifies the creditor within the direct debit system at European level, and comprises a creditor number followed by the ISO country code, two control digits and a business code. The country code is not directly related to any location feature or credit identity, and only specifies the country that issued the code. To make collections in any SEPA country, creditors need at least one identifier. General structure of a SEPA creditor identifier: Positions 1-2: the ISO country code; Positions 3-4: the check digits according to ISO 7064 Module 97-10; Positions 5-7: the Creditor Business Code established by the creditor. If not used, then filled with 'ZZZ'; Positions 8-13: the creditor number. Creditor identifiers issued in Portugal have the following format: PTAABBB123456Country: PT; Control digits: AA (control digits according to ISO 7064 Module 97-10); Creditor Business Code: BBB (ZZZ or a Creditor Business Code established by the creditor); Creditor identifier (PT): 123456.

## 11. Must a Portuguese creditor have a Portuguese creditor identifier? Who is responsible for issuing the creditor identifier?

No. SEPA makes it possible for creditors to use a single identifier across the SEPA area. Creditors may request an identifier directly from the entity in charge of managing these identifiers on behalf of the banking community or delegate this task to the payment service provider offering the SEPA direct debt services. In Portugal, national creditor identifiers may be allocated to entities operating in Portugal (i.e. with a Portuguese Business Identifier Code) and must be requested by support payment service providers (provided that they operate in Portugal) from the entity in charge of managing creditor identifiers domestically on behalf of the banking community: SIBS Forward Payment Solutions. For more information on the allocation of creditor identifiers across SEPA countries, see Creditor Identifier Overview, published by the European Payments Council.

## 12. When creditors change their data (e.g. name or identifier), must debtors sign a new direct debit mandate?

No. According to the rules established in the European Payments Council's SEPA Direct Debit Scheme, when the creditor's identity is changed due to a merger or creation of a new corporate entity (by the creditor), to which collections are transferred, debtors are not required to sign new mandates. Nevertheless, following changes to the creditor's identity, prior to initiating collections, the 'new' creditor must fully and in good time inform debtors of any changes to the mandates, more specifically identity changes (i.e. name, address, creditor identifier) and, where applicable, the allocation of a new direct debit mandate reference number.

## 13. Must creditors notify debtors of the date and amount of a direct debit?

Yes. Creditors must pre-notify debtors of the debit transaction, pursuant to the terms of the contract, particularly as regards the period of prior notice. Furthermore, creditors may at that time also inform debtors of the creditor reference number and/or direct debit mandate, given that it is incumbent on them to provide debtors with the necessary information for the smooth functioning of the system.

## 14. What does IBAN mean?

IBAN means "International Bank Account Number" and is a standardized structure for payment account identifiers. The IBAN makes possible to identify and validate a payment account within SEPA and may contain up to 34 characters. In Portugal, the IBAN consists of 25 alphanumeric characters and starts with 'PT50', followed by 21 digits, which correspond to the Bank Identification Number.

## 15. When debtors change the IBAN of the debited account, may creditors accept a document signed by debtors requesting that the debit account be changed, or must they request that debtors fill in a new direct debit mandate?

Yes, the creditor may accept a document signed by the debtor requesting that change. However, to better safeguard the creditor (in case of a request for reimbursement, for instance), we recommend that a new direct debit mandate be signed whenever one of the mandatory fields is modified (e.g. the IBAN).

## 16. Do direct debit mandates have an expiry date after the first collection has been processed?

There is no pre-established expiry date for direct debit mandates. However, debtors may set a time limit for a given direct debit mandate at an ATM of the Multibanco network, via homebanking or at the branches of payment service providers.

## 17. Can debtors (consumers) manage their direct debit mandates at an ATM or via homebanking?

Yes, debtors may manage their direct debit mandates at ATMs and via homebanking (depending on the services offered by their payment service provider), more specifically, consult, change parameters of (maximum amount per collection and time limit for direct debit mandates) and suspend their direct debit

mandates. Furthermore, some creditors may give their customers the option to activate a new direct debit mandate via ATM or homebanking on their payment service provider's website, using the reference number provided by the creditor.

**18. If, upon receiving the creditor's pre-notification, debtors realise that the amount to be charged is incorrect, may they cancel the debit?**

Yes. Debtors may instruct their payment service provider to block this specific collection prior to the date established for debit, while the direct debit mandate will remain valid in future collections.

**19. I have become aware of a debit which was incorrectly executed. What can I do?**

If the direct debit was executed less than eight weeks ago, you can request a refund to that amount from your payment service provider. In any case, you have 13 months after the debit date to request rectification of any unauthorised or incorrectly executed debit. After this period, you can only obtain compensation from your creditor or by initiating appropriate court and/or out-of-court procedures.

**20. Under which conditions can I request a refund for an executed direct debit?**

Debtors may request their payment service provider to refund executed direct debits, up to eight weeks from the debit date, provided that: i) the direct debit mandate given by payers (debtors) does not state the exact debit amount at the time when it was issued; ii) the debit amount exceeds that which payers (debtors) could reasonably expect on the basis of their prior expenditure profile, pursuant to the framework contract signed with the payment service provider and given the specific circumstances of the case. However, if this has been expressly established in the framework contract signed between debtors and their payment service provider, debtors are entitled to a refund even where the aforementioned conditions are not met. Upon receiving the request for a refund, the payment service provider has ten working days to restore the debited account, and may only refuse to repay if the conditions established in (i) and (ii) are not met and no agreement has been reached in this respect.

**21. How can I cancel a direct debit mandate?**

Debtors must request that the respective creditors cancel the direct debit mandate. This cancellation is irreversible.

**22. What is the difference between cancelling and suspending a direct debit mandate?**

When debtors suspend a direct debit mandate, future collections submitted by the creditor may be rejected by the debtor's payment service provider (according to the debtor's instructions). Debtors may instruct their payment service provider to suspend a direct debit mandate via ATM or homebanking, or at a branch. Suspension of a mandate is reversible. Therefore, at any time, debtors may instruct their payment service provider to reactivate that mandate via the aforementioned channels. This service is available only in Portugal. The suspension of the direct debit mandate does not affect the contractual relationship between the debtor and the creditor. As such, debtors must always bilaterally address with creditors the termination of their contractual relationship. To cancel a direct debit mandate, debtors must expressly instruct creditors in that respect. The cancellation of a direct debit mandate is irreversible.