European Payments Council

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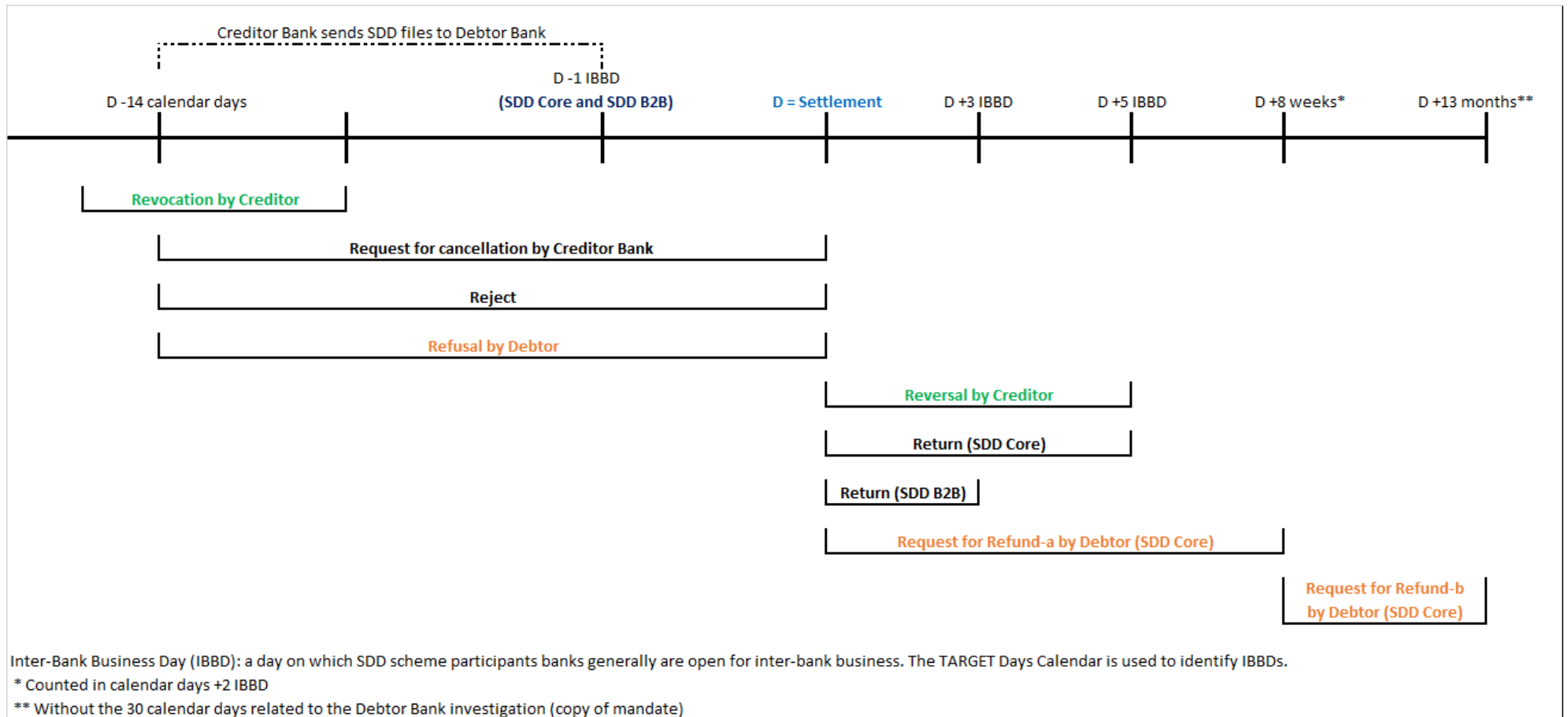
GUIDANCE ON REASON CODES FOR SDD R-TRANSACTIONS

1. SDD R-transaction definition

The content of this document applies to the SEPA Direct Debit (SDD) Core scheme rulebook and to the SDD Business to Business scheme rulebook (B2B) becoming effective on 19 November 2017 (2017 SDD rulebooks).

Some direct debit transactions require exception handling, because one of the parties involved does not or cannot process the collection in the normal way. This exception handling involves the sending of messages called R-transactions because their names all start with an R: refusals, rejects, returns, refunds, reversals. The definitions of the various SDD R-transactions are outlined in section 4.4 of both SDD rulebooks.

The type of SDD R-transaction used depends on the point in time in the processing chain at which the R-transaction is initiated or sent as well as on the party initiating or sending the R-transaction. The process of exception handling starts at the point in the process where the problem is detected. It is important to note that a SDD scheme participant must channel rejects, returns and refunds of SDD collections through the same CSM used for the clearing and settlement of the initial SDD collection, unless otherwise agreed between the SDD scheme participants (see last paragraph under section 4.4 of both SDD rulebooks).

The R-transactions presented within the SDD schemes must be processed within the timeline described below (R-transaction scenarios under SDD Core and SDD B2B):

Creditor Bank sends SDD files to Debtor Bank

D -14 calendar days | D -1 IBBD (SDD Core and SDD B2B) | D = Settlement | D +3 IBBD | D +5 IBBD | D +8 weeks* | D +13 months**

Revocation by Creditor

Request for cancellation by Creditor Bank

Reject

Refusal by Debtor

Reversal by Creditor

Return (SDD Core)

Return (SDD B2B)

Request for Refund-a by Debtor (SDD Core)

Request for Refund-b by Debtor (SDD Core)

Inter-Bank Business Day (IBBD): a day on which SDD scheme participants banks generally are open for inter-bank business. The TARGET Days Calendar is used to identify IBBDs.

* Counted in calendar days +2 IBBD

** Without the 30 calendar days related to the Debtor Bank investigation (copy of mandate)

2. Issues reported in the use of SDD R-transaction reason codes

Some SDD scheme participants, when acting as a Debtor Bank, are not applying the correct R-transaction reason codes.

Therefore, all scheme participants are reminded to use the correct SDD R-transaction reason codes described in the SDD rulebooks. Section 3 of this document provides guidance to the SDD scheme participants about the reason codes to be used to report specific SDD collection issues.

SDD scheme participants should avoid the use of general codes when a more precise reason can be given which is not legally forbidden in the Debtor Bank country.

However, there are some restrictions in the use of SDD R-transaction reason codes due to national legislation (e.g., data protection laws) in e.g., Austria, Belgium, Germany, Luxembourg, Netherlands, Slovakia, Slovenia and Switzerland.

Furthermore, the Debtor Bank or communities of Debtor Banks could use different SDD R-transaction reason codes in specific situations:

- An R-transaction having different reasons (e.g., insufficient funds and Creditor blacklisted). This depends on the IT processing and the banking applications of the Debtor Bank.
- The level of control related to the risk policies and the Know-Your-Customer (KYC) principles of the Debtor Bank. The Debtor Bank decides whether it makes a check on the sequence type or Creditor Identifier (CI) and whether a SDD collection should be rejected accordingly.
- An R-transaction could be the result of a specific service provided by the Debtor Bank. An example is to limit a SDD collection to a certain amount and periodicity which could be part of a specific service (e.g., an "authorisation/stop payment" feature) implemented as a consumer protection mechanism.

3. Guidance in using SDD R-transaction reason codes

Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action[1]
AC01	Format of the account number specified is not correct	Account Identifier incorrect (i.e. invalid IBAN of the Debtor).	Reject Return	Reject: • Invalid format of the IBAN; • IBAN not existing at the Debtor Bank. Return: IBAN not existing at the Debtor Bank.	• Debtor gave wrong data; • Creditor used wrong IBAN data from its customers' database; • Creditor had technical problem during the processing of collection issuance or in the conversion of BBAN into IBAN.	• Contact the Debtor in order to confirm the correctness of the Debtor's IBAN; • In case of mandate amendment: check the data provided by the Debtor; • Verify the database used for the BBAN conversion into IBAN.
AC04	Account number specified has been closed	Account closed.	Reject Return	The account of the Debtor is closed at the Debtor Bank. **Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.**	• Creditor used an old account number; • Debtor changed or closed his account since the last time the Creditor presented a collection for this account.	Contact the Debtor for the new account.
AC06	Account specified is blocked, prohibiting	Account blocked.	Reject Return	Account blocked for any financial transaction.	• Debtor Bank blocked the account or the SDD collection due to a Court Order;	Contact the Debtor for alternative account/ solution to pay.

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[1] The Creditor Bank can take such actions on behalf of the Creditor when agreed.

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	posting of transactions against it				• Debtor Bank has blocked the account (e.g., suspicion of misuse, request from the Debtor).	
AC13	Invalid debtor account type	Debtor account is a consumer account. *(For SDD B2B collections only)*	Reject Return	SDD B2B collection presented to a payment account whereby the Debtor account holder is a consumer or the payment account type is designed to consumers only.	• Debtor (consumer) was not aware that the signing of a B2B mandate is restricted to non-consumers; • Payment account type does not allow/ support the debiting of SDD B2B collections; • Debtor gave information of a wrong payment account.	• Contact the Debtor for clarification and to agree on another means of payment; • Conclude SDD Core mandate with Debtor.
AG01	Transaction forbidden on this type of account (formerly No Agreement)	Direct Debit forbidden on this account for regulatory reasons.	Reject Return	A SDD collection cannot be booked from this type of account (account not allowed for Direct Debit for regulatory reasons e.g., savings account). **Important note: AG01 <u>cannot</u> be used in the situation of a SDD B2B collection presented to a Debtor account that is a consumer account. The code AC13 needs to be used.**	Debtor gave information of an account which SDD collections cannot be booked from.	Contact the Debtor in order to get information about the payment account to be used.
AG02	Bank	Operation code/	Reject	• Recurrent after a one-off;	Creditor: Technical error or	Correct the wrong

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	Operation code specified in the message is not valid for receiver	transaction code/ sequence type incorrect, invalid file format.	Return	• One-off after a recurrent; • Identification code of the scheme (i.e. service level or local instrument) specified in the message is incorrect.	error due to the process of the collection or file (sequence type).	information.
AM04	Amount of funds available to cover specified message amount is insufficient	Insufficient funds.	Reject Return	There are not sufficient funds on the Debtor account to debit the full amount of the collection. **Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.**	• Debtor: Insufficient funds on his account; • Creditor: Lack of or late pre-notification announcing the upcoming SDD collection (date and amount).	Contact the Debtor to ensure that the Debtor provides funds on his account.
AM05	Duplication	Duplicate collection.	Reject Return Reversal	CSM or Debtor Bank considers that an identical SDD collection had been sent or processed very recently.	Creditor/ Creditor Bank: Technical or human error.	Check if the collection is really duplicated.
BE05	Party who initiated the message is not recognised by the end customer	Identifier of the Creditor Incorrect.	Reject Return	Creditor Identifier (CI) is not correct or has been changed without an amendment had been reported.	Creditor: Technical error or omission to report a CI amendment.	Correct the CI.
CNOR	Creditor Bank is not registered	Creditor Bank is not registered under this BIC in	Reject	Creditor Bank is not/ no longer registered as a SDD scheme participant under this BIC at the	Creditor Bank is not/ no longer declared as (indirect) participant to	Contact the Creditor Bank.

Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action[1]
	under this BIC in the CSM	the CSM.		CSM.	this CSM.	
DNOR	Debtor Bank is not registered under this BIC in the CSM	Debtor Bank is not registered under this BIC in the CSM.	Reject	Debtor Bank is not/ no longer registered as a SDD scheme participant under this BIC at the CSM.	Creditor Bank/ Creditor: Reachability of the Debtor Bank was not checked.	• Ask the Creditor Bank for checking the reachability of the Debtor Bank; • Contact Debtor to agree on another means of payment.
FF01	File format incomplete or invalid	File Format incomplete or invalid.	Reject	Issues with XML-file specific settings: • XML file was not duly filled out or is not correct; • There is a syntax error in the file; • Creditor Bank or its intermediary bank or the CSM did not complete a XSD check before submitting the file into the Scheme.	• Creditor; • Creditor Bank; • CSM.	Repair the XML file.
MD01	No mandate	No mandate; *(For SDD Core collections only)* No mandate or unable to obtain mandate	Reject Return Refund Reversal	• No mandate is existing; • B2B mandate not yet confirmed by the Debtor; • Refund unauthorised transaction (until 13 months after debit date) *(For SDD Core collections only)*;	• Debtor Bank has cancelled the mandate under the rule of the 36 months inactivity period; • Debtor Bank was unable to obtain B2B mandate confirmation from the	• Analyse the characteristics of the SDD collection; • Contact the Debtor in case of Refund.

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		<mark>confirmation from the Debtor;</mark> <mark>***(For SDD B2B collections only)***</mark> <mark>Unauthorised Transaction.</mark> <mark>***(For Refunds of SDD Core collections only)***</mark>		• Mandate cancellation.	Debtor; • Debtor has cancelled his mandate; • Debtor had not confirmed yet the B2B mandate to the Debtor Bank; • Creditor: • Did not use a Unique Mandate Reference (UMR); • Provided a SDD collection with a UMR which was not consistent with the mandate information.	
MD02	Mandate related information data required by the scheme is missing	Mandate data missing or incorrect.	Reject	• Mandate data in the mandate related information is not identical to those in the mandate (amendments had not been communicated); • Mandate data not consistent with version already received for the UMR; • In case of mandate amendment: the original IBAN and the IBAN in the collection are the same.	• The way to amend the mandate is not in compliance with the SDD rulebook; • The amended information is not correct.	Repair the way to amend the mandate information or the amended information.

Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action[1]
MD06	Return of funds requested by end customer	Disputed authorized transaction. *(For SDD Core collections only)*	Refund	Unconditional Refund of a collection (SDD Core – until 8 weeks after debit date).	• Discrepancy between the amount announced in the pre-notification and the amount of the SDD Core collection; • Unconditional Refund right under the Payment Services Directive (PSD).	Contact the Debtor.
MD07	End customer is deceased	Debtor Deceased.	Reject Return	Debtor deceased. **Note: This code cannot be used in certain SEPA countries for reasons of data protection. In this case MS03 can be used as alternative.**		Close the agreement with deceased Debtor.
MS02	Reason has not been specified by end customer	Refusal by the Debtor.	Reject Return Reversal Refusal	Refusal by Debtor at presentation.	Debtor receiving the pre-notification decided to refuse the collection.	Contact the Debtor.
MS03	Reason has not been specified by agent	Reason not specified.	Reject Return Reversal	Only to be used in case national legislation (e.g., data protection laws) does not allow the use of AC04, AM04, MD07, RR01, RR02, RR03 and RR04. **Note: limit the use of the reason code MS03 and select the appropriate reason code in the list.**		Contact the Debtor.

Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action[1]
RC01	Bank Identifier code specified in the message has an incorrect format	Bank Identifier (BIC) Incorrect.	Reject Return	BIC of the scheme participant is not correct.	• Creditor: the provided BIC for a non-EEA SEPA SDD collection is not complete (BIC8 instead of BIC11); • Creditor Bank, CSM or Debtor Bank: the provided BIC in the interbank message does not exist in the BIC database.	• Contact the Debtor for the correct BIC for a non-EEA SDD collection; • Ask Creditor Bank to allocate the correct and complete BIC of the Debtor Bank in the interbank message.
RR01	Specification of the Debtor's account or unique identification needed for reasons of regulatory requirements is insufficient or missing	Regulatory Reason.	Reject Return	Missing Debtor account or identification. **Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.**	Specification of the Debtor's IBAN or unique identification needed for reasons of regulatory requirements is insufficient or missing.	• Repair the SDD collection in order to complete the Debtor account information; • Contact the Creditor Bank.
RR02	Specification of the Debtor's name and/or address needed for regulatory	Regulatory Reason.	Reject Return	• Missing Debtor name (address is optional field for EEA SDD collections); • Missing address of the Debtor for non-EEA SDD collections. **Note: This code cannot be**	Specification of the Debtor's name and/or address needed for regulatory requirements is insufficient or missing.	• Repair the SDD collection in order to complete the Debtor name and/or address information;

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	requirements is insufficient or missing			used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.		• Contact the Creditor Bank.
RR03	Specification of the creditor's name and/or address needed for regulatory requirements is insufficient or missing	Regulatory Reason.	Reject Return	• Missing Creditor name (address is an optional field for EEA SDD collections); • Missing address of the Creditor for non-EEA SDD collections. **Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.**	Specification of the Creditor's name and/or address needed for regulatory requirements is insufficient or missing.	• Repair the SDD collection in order to complete the Creditor name and/or address information; • Contact the Creditor Bank.
RR04	Regulatory Reason	Regulatory Reason.	Reject Return	Only to be used for Regulatory Reason other than RR01, RR02 or RR03. **Note: This code cannot be used in certain SEPA countries for reasons of data protection. MS03 could be used as an alternative.**		Contact the Creditor Bank.
SL01	Due to specific service offered by the Debtor Agent	Specific Service offered by the Debtor Bank.	Reject Return	All Debtor-invoked consumer-right rejects: • Creditor blocking; • Collection amount limitations; • Collection frequency limitations.		Contact the Debtor.

Code	ISO definition	Reason specified in the Rulebook	Type of R-trans.	Exhaustive list of use-cases	Possible root cause	Suggested Creditor action[1]
				Other services offered by the Debtor Bank.		