

Best Practice Guidelines for Billers

Payment Reference Information
September 2010

Introduction

Electronic credits are an increasingly important mechanism for paying bills. They are cheap and efficient when used with appropriate references. However, inaccurate or missing references can result in additional, and avoidable, costs being incurred by billers. These guidelines have been developed to help cut billers' costs by encouraging the adoption of practices that reduce the likelihood of customer error and help billers to apply electronic credits as efficiently and cost-effectively as possible. They are based on extensive research and consultation with billers and other organisations.

The guidelines are intended to be read by individuals who:

- Influence policy on the design of bills and the advice given to customers on how to pay their bills;
- Are responsible for internal processes and systems in relation to: processing of payments and remittance advices, credit management and the collections processes.

Scope and purpose of the guidelines

The guidelines cover all electronic reference information accompanying direct credit payments made by the Faster Payments Service (FPS), Bacs or CHAPS, including payments made by both business and personal customers.

The aim is to help reduce the problems caused to billers by missing or inaccurate information.

These guidelines provide practical advice on how referencing problems arise and on how they can be avoided.

Overview of recommendations

The best practice covers five broad areas:

1. Choice and display of payment references (including example bill headers)
2. When giving advice to customers
3. Internal processes
4. Relations with banks
5. Going forward

There is potential in all five areas to reduce errors and enhance efficiency.

Best Practice

1. Choice and display of payment references

1. Use a single, simple, consistent and unambiguous reference.
2. Ensure this reference is prominently displayed and clearly labelled.
3. Limit the reference to a maximum of 18 characters.
4. Avoid dashes, slashes or other special characters.
5. Avoid unnecessary leading zeros (i.e. zeros at the start of the reference).
6. Be careful with gaps. Only use if you can still process the payment with or without gaps.
7. Clearly display and label 'sort code' and 'account number'. You should include your 'international bank account number' (IBAN) and 'bank identifier code' (BIC) if you expect any of your customers will make payments from non-UK, non-sterling bank accounts.
8. Consider advising the customer of the number of characters expected in the payment reference.

Each of these points is highlighted overleaf in 'Examples of well designed and badly designed bills'.

It is essential that references are easy for customers to identify and use, so that errors arising from customers paying bills using online or phone banking, and entering the reference information themselves, are kept to a minimum.

Examples of well designed and badly designed bills

Example of a bill not consistent with best practice guidelines

1. Bill does not have a single, simple, consistent, unambiguous reference

2. Reference is not prominently displayed or clearly labelled

3. The reference exceeds the recommended maximum of 18 characters

4. Dashes, slashes and other special characters appear in reference

www.betalite.co.uk

Any Questions?
0800 000 521
Mon - Fri, 9am - 5pm
Weekends, 9am - 3pm

B

Betalite Energy

① Your Account Number 00/1558-4576-5574-4

Our Reference 00158-4576/2010 063

Date 01 June 2010

For Period 01 Jan 2010 - 31 Mar 2010

Branch Code: 12-34-56

Branch Account Number 12345678

②③④⑤⑥⑧

Betalite Energy

5. Reference includes unnecessary leading zeros (i.e. zeros at the start of the reference)

6. Reference has gaps. Only use if you can still process the payment with or without gaps

7. Doesn't use 'sort code' and 'account number' when telling customers where to pay. Doesn't include IBAN and BIC for customers with non-UK, non-sterling bank accounts

8. Doesn't advise the customer of the number of characters expected in the payment reference

Example of a bill consistent with best practice guidelines

1. Uses a single, simple, consistent, unambiguous reference

2. Reference is prominently displayed and clearly labelled

3. Reference is limited to a maximum of 18 characters

4. Reference avoids dashes, slashes or other special characters

Saven Water

For water supplied to: Mr A Smith

Period: 1 Jan - 1 Mar 2010

Payment reference

1 2 3 4 5 6 7 8 9 A Z 2 3 4 5 6 7 8

Please quote this 18-character reference when paying your bill

①②③④⑤⑥⑧

savenwater.co.uk
0800 000 521

Use this sort code and account number if you pay your bill online or via telephone banking. Please remember to quote your payment reference:

Sort Code: 12-34-56

Account Number: 12345678

⑦

Use the bank identifier code and international bank account number below if you're paying your bill from a non-UK, non-sterling bank account:

IBAN: GB32 ACME 1234 5612 3456 78

BIC: ACME GB2L

5. Reference avoids unnecessary leading zeros (i.e. zeros at the start of the reference)

6. Reference does not have gaps

7. Uses 'sort code' and 'account number' when telling customers where to pay. Includes IBAN and BIC for customers with non-UK, non-sterling bank accounts

8. Advises the customer of the number of characters expected in the payment reference



2. When giving advice to customers

- Explain why a payment reference is normally required when paying bills or business invoices electronically and why it is in their best interest to include the reference as presented.
- Give clear and unambiguous instructions on the "bill" (or invoice, statement, request for payment, etc). Explain to the payer exactly what reference must be included, and how to do so. The advice may be specific depending on how the bill is delivered to your customer and the options you give on how to pay it.
- Keep the advice as brief as possible.

Advising customers effectively can help to avoid problems arising at source. Advice must be simple, clear and prominent. It is important to follow up individually with customers who are not following the advice that has been given.

3. Internal processes

- Understand all relevant processes and costs.
- Be aware of potential referencing problems your customers may have and the effect this has on you as a biller.
- Try to ensure that the reference details that accompany an initial payment received from a new customer are correct, even if the payment can be repaired and applied.
- Always advise your customers of any errors and seek their help in applying corrective action for future payments.
- Ask customers for a remittance advice if additional information is required (e.g. in the case of multiple invoices, or if there is likely to be any doubt about who the payment is from or what it is for), request the reference of the associated payment and state how you prefer to receive remittance advice (e.g. by post or by email).
- Use automated reconciliation systems, as they are more efficient than manual processes.
- Consider using a single customer account (especially for businesses with multiple brands or products).
- Consider matching remitting bank sort codes and account numbers, if they are available and appropriate for your business, in order to repair wrongly referenced payments.
- Integrate processing of payments and remittance advices.
- Integrate with credit management and the collections processes.
- Ensure that you comply with data protection requirements when handling personal data.

It is essential that references are easy for customers to identify and use, so that errors arising from customers paying bills using online or phone banking, and entering the reference information themselves, are kept to a minimum.



4. Relations with banks

- Consider sharing validation rules.
- Notify banks promptly of any changes to biller details, including changes to reference validation rules, to prevent errors being made due to use of out of date information.
- Make sure your bank is providing you with all available information in the payment message.

There needs to be effective two-way communication between banks and billers.

5. Going forward

- Work towards consistent terminology, processes and customer experience across all billing environments – consider implementing changes when there is a convenient opportunity, such as the redesign of the layout of a bill.

It is likely to be easier to phase in changes, rather than adopt a big-bang approach. Progress can be monitored by means of periodic reviews.

Contact

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