

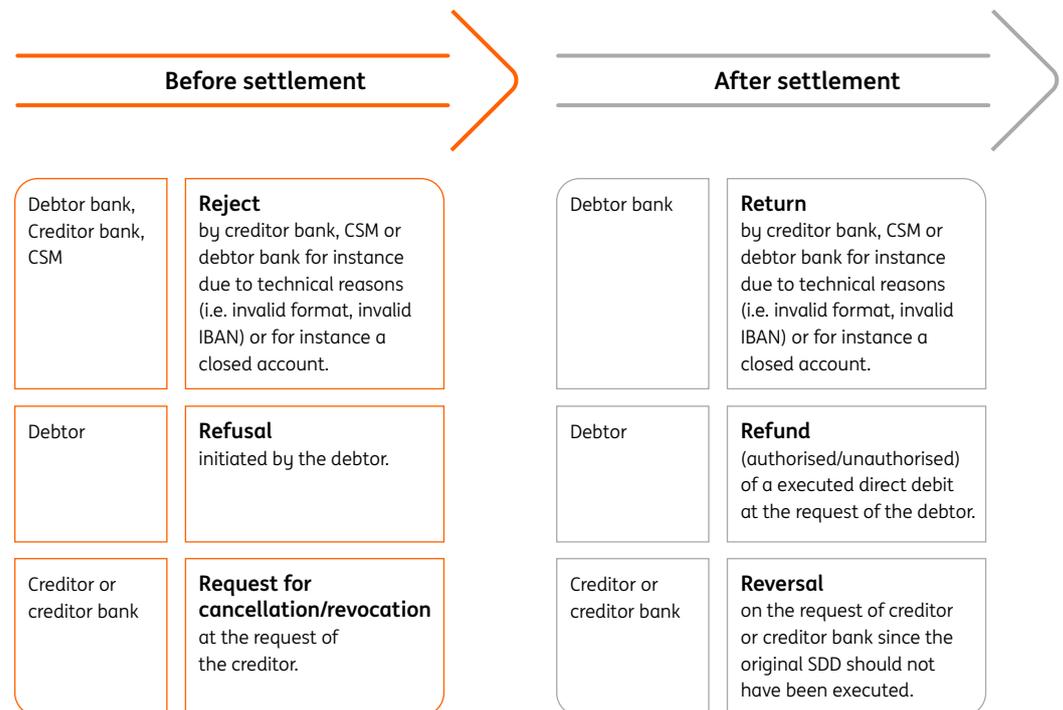
# SEPA Direct Debit Reporting R-messages

This document helps to understand R-messages. You will learn what R-messages are, how to interpret them and which steps to take to successfully re-initiate the SEPA Direct Debit (SDD).

## What are R-messages?

R-messages are used in reporting to indicate that an SDD transaction could not be processed (R-transaction) and what the underlying reason was. An R-message consists of a Reason Code and R-type and is stated on the (electronic) account statement. The Reason code indicates why the transaction was not successfully executed and the R-type illustrates the type of R-message. R-types are divided in two different categories, those that are triggered before settlement and those after settlement. We distinguish six different R-types (see figure 1.1): refusal, reject, refund, reversal, request for cancellation and return. The R-type helps you to determine the required sequence type to successfully re-initiate the SDD transaction.

Figure 1.1 R-types



## How to interpret?

What do you need to do when you receive a R-message?

1. Find out the cause of the R-message by looking up the **Reason code** in table 1.2.
2. In case you need to re initiate a SEPA Direct Debit lookup the **R-type**, a single numeric character often positioned after the reason code. With the help of table 1.3 you can identify to which R-message it refers, who rejected it and at what point in the process (before or after settlement).
3. Determine the original **sequence type** and use table 1.4 to define the correct sequence type for a successful re-initiation of the transaction.

# SEPA Direct Debit Rulebook changes applicable as of 20 November 2016

## SEPA Direct Debit Rulebook changes taking effective from 20 November 2016

Due to the changes in the rulebook, the usage of the SEPA Direct Debit is simplified and the timelines are shorter. These are the following changes:

1. Simplification usage of sequence types
2. Improvement standard time cycle for Core mandates (redundant COR1)
3. Simplification of indicating a different IBAN in case your debtor changes account

**Ad 1.** The current requirement of indicating the sequence type "FRST" will no longer be mandatory for core and B2B SEPA Direct Debits. Not requiring a 'FRST' for first time SDD's anymore, simplifies the rules for selecting the sequence type for re-initiations. Details can be found on page 7 in "[Determine sequence type for a successful re-initiation](#)" and in [table 1.4](#).

**Ad 2.** Current standard time cycles for SDD Core are 5 and 2 interbank business days. On these days, prior to the due date for interbank presentation, a debtor's bank must receive the request for a first, one-off and/or recurrent direct debit collection. With the rulebook changes the standard time cycle will be shorter i.e. only one interbank business day before the due date, direct debits must be received by the debtor bank. This impacts the Commercial Cut off Time (COT) for initiating SDD Core: D-2 23:00 hours (for Slovakia the Cut off Time is 17:00 hours) for first time, recurrent or one-off transactions. The shorter interbank timelines make the current SDD COR1 scheme redundant. More information is to find in the [questions and answers](#) on page 8 and 9.

**Ad 3.** Since the BIC does not have to be provided anymore as of February 2016. As the amended mandate may not indicate the BIC anymore, you as a creditor will not always be able to determine whether or not the debtor bank has changed. Therefore, the code SMNDA will be defined as 'Same Mandate with a New Debtor Account' instead of 'Same Mandate with a New Debtor Agent' to indicate a different IBAN. More information and instructions for using 'SMNDA' can be found in the document "[Instructions initiating Mandate Amentment](#)".

# Understanding the Reason code

The table below (table 1.2) provides a description of the most common reason codes and how you can proceed with the direct debit process. Debtor banks will determine the reason codes as accurately as possible. This reason code is received by the creditor bank and is reported as such. Due to national legislation the use of certain reason codes is restricted (i.e. AM04, MD07).

As Reason codes can differ per reporting format this overview illustrates how these are reported in the reporting formats:

- MT940/942, CAMT053, CODA: Reason Code (4 alphanumeric characters - ISO code).
- GMU: Reason Code is reported in field 0250 as a letter from the alphabet.
- MT940/942(ZKA): Reason Code (3 numeric characters) in tag 86.

Table 1.2 Reason code

Reason codes			Reason code description	What does this mean?	What do you need to do?
MT940/ CAMT.053/ CODA	GMU	MT940 ZKA			
AC01	L	901	Account identifier incorrect	The account (IBAN) that you are trying to debit is incorrect or unknown.	Verify if the debtor's account (IBAN) is correct and initiate the direct debit again, with the correct data.
AC04	M	902	Account closed	The debtor's account (IBAN) is closed.	Contact the debtor to discuss how and which payment instrument(s) to use.
AC06	N	903	Account blocked	The account (IBAN) that you are trying to debit is blocked for direct debits due to bankruptcy, court order etc.	Contact the debtor to discuss how and which payment instrument(s) to use.
AG01	O	904	Direct debit forbidden on this account for regulatory reasons	The direct debit is not allowed on this type of account due to regulatory reasons. <b>In practice, this code is mainly used to indicate that the account type is not a current account but for instance a savings account.</b>	Contact the debtor about the payment obligation.
AG02	U	905	Operation/ transaction code incorrect	The direct debit is initiated with an incorrect sequence type. Either you have: <ul style="list-style-type: none"> <li>• Used the sequence type 'Recurrent' while earlier you have not initiated a 'First', or</li> <li>• Used the sequence type 'First' while earlier you have already initiated a 'First' or 'Recurrent', or</li> <li>• Used the sequence type 'One off' while earlier you have already initiated a 'One off' with the same mandate ID, or</li> <li>• Used the sequence type 'First' or 'Recurrent' while earlier you have already used a 'One off'.</li> </ul>	Ensure you use the correct sequence type: <ul style="list-style-type: none"> <li>• For a first of a series of direct debits you should use as sequence type 'First'.</li> <li>• For every next direct debit within this series you should use 'Recurrent'.</li> <li>• In case you want to you use a one[off] direct debit you should use 'One off' as a sequence type.</li> </ul>

Due to the SDD Rulebook changes the sequence type FIRST will be optional, this means that the correctness of usage of FRST will not be validated anymore. The first 2 items under "what does it mean" and "what do you need to do" are therefore not applicable as from 20 November 2016.

Reason codes			Reason code description	What does this mean?	What do you need to do?
MT940/ CAMT.053/ CODA	GMU	MT940 ZKA			
AM04	S	906	Insufficient funds	At the time of collection the debtor had insufficient funds in his account. <b>Please note that in Belgium, Germany and Austria ING reports MS03 (Reason not specified) due to regulatory reasons. ING will report AM04 in the following countries: France, Ireland, Italy, Portugal, Spain and the Netherlands.</b>	Contact the debtor about the payment obligation. Try to collect again a bit later in time if there are funds on the account.
AM05	G	907	Duplicate collection	The debtor has received a direct debit transaction that is identical to a previously received transaction.	Check if the same transaction was not sent twice.
MD01 (if used with SDD Core)	F	909	No valid mandate or unauthorised transaction	Either: 1. the mandate was not used for 36 months and is therefore no longer valid, or 2. the mandate is invalid, probably it concerns an unauthorised transaction.	Either: 1. A new mandate is needed 2. Contact the debtor in case a valid mandate (paper based, with a 'wet' signature) is in place.
MD01 (if used with SDD B2B)	F	909	No valid mandate or unauthorised transaction	Either: 1. You have used the sequence type 'Recurrent' while earlier you have not initiated a 'First', or 2. Your debtor has not (yet) confirmed the B2B mandate at his debtor bank	You should: 1. check if the correct sequence type was used for direct debit, and if yes then: 2. contact your debtor to check if the B2B mandate was registered at the debtor bank.
<p><b>Due to the SDD Rulebook changes the sequence type FIRST will be optional, this means that the correctness of usage of FRST will not be validated anymore. The first item under "what does it mean" and "what do you need to do" are therefore not applicable as from 20 November 2016.</b></p>					
MD02	T	910	Missing Mandatory information in mandate	1. The direct debit is initiated with an incorrect sequence type 2. The mandate related information is incorrectly registered at the debtor bank (only B2B)	1. Ensure you use the correct sequence type 2. Contact the debtor to check if the B2B mandate was registered correctly at the debtor bank.
<p><b>Due to the SDD Rulebook changes the sequence type FIRST will be optional, this means that the correctness of usage of FRST will not be validated anymore. The first item under "what does it mean" and "what do you need to do" are therefore not applicable as from 20 November 2016.</b></p>					
MD06	R	912	Disputed authorised transaction	The debtor claims a refund for a direct debit (within 8 weeks) that has already been settled.	Contact the debtor about the payment obligation.
MD07	S	913	Debtor deceased	Debtor deceased. Please note that ING as a Debtor reports MD07 as MS03. When received by another debtor bank ING will report the reason code as such.	To close the agreement with the deceased debtor.
MS02	R	914	Refusal by debtor	The debtor refuses the debiting of his her account by the direct debit collection before Due date (before settlement)	Contact the debtor about the payment obligation.

Reason codes			Reason code description	What does this mean?	What do you need to do?
MT940/ CAMT.053/ CODA	GMU	MT940 ZKA			
MS03	S	914	Reason not specified	The debtor bank or the creditor bank issues an R-transaction without giving a specific reason. <b>For Belgium, Germany and Austria this would be, in most cases, due to insufficient funds (as in these countries it is not allowed to report AM04 because of regulatory reasons).</b>	As MS03 is, in most cases, due to insufficient funds check the transaction details and/or contact the debtor about the payment obligation and resend the transaction.
SL01	N	918	Specific services offered by the debtor bank	The direct debit has clashed with special restrictions that the debtor has put in place for incoming direct debits, either: <ul style="list-style-type: none"> <li>• the maximum amount that was set by the debtor was exceeded or</li> <li>• the debtor blocked the account for a direct debit.</li> </ul>	Contact the debtor about the payment obligation.

# Define the R-type

The **R-type** illustrates the type of R-message and is reported as a single numeric character behind the reason code. Dependent on the MT940 version the R-type is either reported as a single numeric character (table 1.3) or is part of the ING transaction code (table 1.4). The R-type Refusal is reported as a Reject and in rare cases as a Return. In these cases the refusal is recognizable by the reason code MS02 'Refusal by debtor'.

In the Camt.053 the R-type is reflected in the ING transaction code as mentioned in the Camt.053 format description

## For clients initiating SDD's from Dutch accounts using other formats, the R-type (table 1.3) is reflected by:

- GMU02: the R-type is reported in the 0450 record as a numeric character at position 15. The reason code is at position 11 till 14 and has been shortened from 5 till 4 positions. This is mentioned in the **GMU02 Technical manual**.
- MT940: in general the approach should be first lookup the ING transaction as mentioned at MT940 structured, is this not present than search for the information in tag 86.
- MT940 structured: the R-type is reported via the ING transaction code in tag 61 sub 9
- MT940 unstructured: the R-type is reported as a numeric character (table 1.3) behind the Reason code (4 alphanumeric characters) in tag 86.

For clients initiating SDD's from Belgian accounts and for clients initiating SDD's throughout the network (Austria, France, Germany, Spain) using other formats, the R-type (table 1.3) is reflected by:

- CODA II: the R-type is reported in the structured format communications record type 127 as a numeric character and a numeric character behind the Reason code (4 alphanumeric characters) in tag 86. This is mentioned in the **CODA Reporting format description**.
- MT940 (both structured and unstructured): the R-type is reported as a numeric character (table 1.3) behind the Reason code (4 alphanumeric characters) in tag 86; for Belgian accounts the Belgian reporting transaction codification is used in tag 61 sub 9 as mentioned in the **MT940 format description**.

**Table 1.3 R-types, the numeric character and description**

R-type	ING Transaction Code range	Description	Remarks	Before / After Settlement
1	01101 up to 01129	Reject/Refusal	Reject by debtor bank or creditor bank or refusal by the debtor	Before
2	01201 up to 01229	Return	Return by the bank of the debtor	After
3	01301 up to 01329	Refund	Refund of a executed direct debit at the request of the debtor	After
4	01401 up to 01429	Reversal	Transaction initiated by the creditor to reimburse the debtor with an erroneous collection.	After
5	01501 up to 01529	Cancellation	Request for cancellation/revocation of a direct debit at the request of the creditor	Before

## Determine sequence type for a successful re-initiation

When you initiate an SDD you have to use a so called 'sequence type'. The use of each sequence type has its own characteristics and effect on the mandate and future collections. Following sequence types are known:

- First (= "FRST"): For each (new) customer (payer), for who you would like to use a recurrent SEPA Direct Debit, you have to start with this sequence type.
- Recurrent (= "RCUR"): after a successful first collection this sequence type should be used.
- Final (= "FNAL"); a final collection is the last collection of a recurrent series of collections. After the last delivery of the collection, the mandate of the recurrent SEPA Direct Debit is terminated. Therefore use of this sequence type is discouraged due to the final character of the sequence type.
- One-off (= "OOFF"); To be used when your customer (payer) has signed a one off mandate. This type of mandate allows you as a creditor to debit your customer only once.

**As from 20 November 2016 the sequence type 'First' will become optional. You can keep on initiating with this particular sequence type but this is not mandatory anymore and therefore not validated.**

The type of collection either one-off or recurrent SDD is a mandatory item on the mandate. The debtor therefore signs the mandate for debiting his account either one-off or recurrent.

To find out which sequence type is necessary to re-initiate the direct debit, you need to know the sequence type of the original direct debit and the R-type that is noted in your reporting. By using this information and the table below you will find the correct sequence type for re-initiation.

**No longer requiring a 'FRST' for first time SDD's as from 20 November 2016, simplifies the rules for selecting the sequence type for re-initiations. In case you are re-initiating an SDD of which the sequence type of the original transaction was a 'FRST' you are free to choose either 'FRST' or 'RCUR', regardless of the R-type.**

**Table 1.4 R-types and Sequence types overview**

Sequence type of the original direct debit	R-type	R-type description	Sequence type to be used when re-initiating the direct debit
First	1	Reject/Refusal	First
	5	Cancellation	
First	2	Return	Recurrent
	3	Refund	
	4	Reversal	
Recurrent	1	Reject/Refusal	Recurrent
	2	Return	
	3	Refund	
	4	Reversal	
	5	Cancellation	
Final	1	Reject/Refusal	Final
	5	Cancellation	
Final	2	Return	Re-initiation of SDD is not possible, the mandate has expired
	3	Refund	
	4	Reversal	
One-off	1	Reject/Refusal	One-off
	5	Cancellation	
One-off	2	Return	Re-initiation of SDD is impossible, the mandate has expired
	3	Refund	
	4	Reversal	

# Questions and answers

The Q&A below can be of help as well in case you want to reduce the number of R-messages. If you have other questions, please do contact your ING contact person.

## 1. Are the correct sequence type for SEPA Direct Debit (First, Recurrent, Final and One Off) used?

In a recurrent SEPA direct debit, use the sequence type 'First' for your first SEPA collection transactions when using a new mandate ID. After a successful 'First' debit, you can start using the sequence type 'Recurrent'. We recommend not using 'Final' as sequence type, as this makes it impossible to submit any new direct debits in the event of a 'Return' R-message.

### R-type:

- **'Reject'**: If the R-type 'Reject', 'Refusal' or 'Cancellation' is reported after a 'First' transaction, the transactions must be resubmitted as 'First'. In the case of a 'Recurrent' transaction that is rejected, this remains a 'Recurrent' type when being resubmitted.
- **'Return'**: if the R-type 'Return' is reported, the transactions must be resubmitted as 'Recurrent'.

The [R-types and Sequence types overview](#) (table 1.4) describes the R-types mentioned in the reporting: it illustrates which sequence type of the original direct debit in combination with the R-type is required when re-initiating the direct debit.

**The requirements which sequence type to use when re-initiating the direct debit will change due to SDD rulebook changes as from 20 November 2016 where the sequence type 'First' will become optional. This means that for the original direct debit the sequence type FRST is used, the sequence type to be used when re-initiating the direct debit can always be Recurrent.**

A one-off direct debit (sequence type 'One-off') cannot be resubmitted with the same creditor ID and mandate ID except if it is rejected.

## 2. Are the appropriate ING delivery timelines for the SEPA Direct Debit observed?

For the SEPA Direct Debit (SDD) Core, the following cut-off times apply at ING:

- The one-off and the first direct debit from the series must be received by ING six working days before the desired execution date (D-6 before cut-off time). This enables us to send these direct debits to the debtor's bank no later than five working days (D-5) before the due date.
- All subsequent direct debits from the series must be received by ING three working days before the desired execution date (D-3 before cut-off time). This enables us to send these direct debits to the debtor's bank no later than two working days (D-2) before the due date.

For the SEPA Direct Debit (SDD) Business-to-Business (B2B), the following cut-off times apply at ING:

- All direct debits must be received by ING two working days before the desired execution date (D-2 before cut-off time). This enables us to send these direct debits to the debtor's bank no later than one working day (D-1) before the due date.

For more information please download the [SEPA Direct Debit Core timelines](#) or the [SEPA Direct Debit B2B timelines](#).

**As from 20 November 2016 SDD Core collections can be presented interbank up to one business day prior to the due date. This is an improvement of the previous five and two business days for interbank presentation. This change of the standard time cycle will change the Commercial Cut of Time for initiating SEPA Direct Debit Core into the same cut off times as for SEPA Direct Debit B2B. This will be D-2 23:00 hours for first time, on a recurrent basis or as a one-off transactions.**

### 3. Is my debtor aware of the forthcoming direct debit?

As a creditor (payee), you must inform your debtors (payers) about the forthcoming direct debits to their account at least two weeks (14 days) in advance. However, it can be that you agreed with the debtor that a shorter period is sufficient. This is called the pre-notification. Pre-notification is not new: it is also used in most current local forms of direct debits. By sending the pre-notification, your debtor is informed about the upcoming SEPA Direct Debit and can ensure there will be sufficient funds in the account.

### 4. Is the appropriate direct debit contract for SEPA Direct Debit in place?

If you are not sure whether you are using the appropriate contract with parameters that suit your business needs (for the SEPA Direct Debit B2B or the SEPA Direct Debit Core), please contact your ING Account manager or relationship manager for advice on this.

### 5. Is the SEPA Direct Debit due date suitable for our clients?

To initiate SDD batches with a high success rate, timing of debiting your clients is important. If this is not taken into account the R-message rate can be higher because the balance of the debtor is too low.

**As from 20 November 2016 SDD Core collections can be presented interbank up to one business day prior to the due date. This means that you can send in your direct debits shorter to the due date. The commercial cut off time will be D-2 23:00 hours. If you would like to continue using the current timelines this is possible by setting a future due date.**

### 6. Are our files in the correct XML format?

Using the correct XML format is important when initiating SEPA Direct Debit. Errors transactions within the SDD batch or file can lead to R-messages. If you have any questions about this, refer to the Format Implementation Guidelines on how to create electronic payment files that are compatible with ING systems. You can also test your XML format using the **Format Validation Tool**.

### 7. Are all our debtors' B2B mandates correct and available?

In a SEPA Direct Debit B2B, your debtors must also give consent to their own bank for the SDD B2B being collected. This may not yet have taken place, or perhaps not correctly. If you wish to view the mandates of your ING debtors already registered on your Creditor ID, you can subscribe for our SEPA Direct Debit B2B Daily Mandate e-mail by simply contacting your contact person at ING.

## More information

EPC has published a technical document that is addressed to payment service providers participating in the SDD Schemes:  
Guidance on reason codes for  
**SEPA Direct Debit R-transactions.**

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In the context of this publication 'ING' and 'bank' are understood to mean: 'ING Bank N.V.'

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