

## The Direct Debit

The relationship between a seller, a bank, and Direct Debit is built on a "Pull" payment model. In this system, the seller initiates the transfer of funds from the customer's bank account based on a pre-authorized instruction.

### 1. The Three Key Roles

#### The Seller

The seller is the entity providing a service or product. In the Direct Debit world, they are often called the **Originator**.

- **Role:** They manage the payment schedule. They decide when to collect the money and how much to take.
- **Responsibility:** They must provide "Advance Notice" (usually 10 working days) before any money leaves the customer's account.

#### The Bank (The Intermediary)

There are actually two banks involved: the seller's bank and the customer's bank.

- **The Customer's Bank:** Acts as the gatekeeper. They hold the "Mandate" (the permission slip) and only allow the seller to take money if that mandate is valid.
- **The Seller's Bank:** Facilitates the request through a clearing system (like Bacs in the UK or SEPA in Europe).

#### Direct Debit (The Mechanism)

Direct Debit is not a "thing" but a **legal instruction**.

- **The Mandate:** This is the contract signed by the customer. It tells the bank: "I authorize this specific seller to take money from my account, provided they follow the rules."

## 2. How the Relationship Functions (Step-by-Step)

Phase	Action
<b>Setup</b>	The customer provides their bank details to the <b>Seller</b> and signs a Mandate.
<b>Authorization</b>	The <b>Seller</b> sends this Mandate to the <b>Bank</b> . The Bank records it, essentially "whitelisting" the seller.
<b>Notification</b>	Before a payment, the <b>Seller</b> sends a bill or notice to the customer stating the amount and date.
<b>Execution</b>	On the due date, the <b>Seller</b> asks their bank to pull the funds. The <b>Bank</b> checks for the Mandate and moves the money.

## 3. The Power Dynamic: Who holds the control?

Unlike a **Standing Order** (where the customer is in total control of the amount and date), Direct Debit gives more control to the **Seller**.

1. **Variable Amounts:** The seller can change the amount (e.g., a utility bill that is higher in winter) without the customer having to sign a new form every month.
2. **The Guarantee:** To balance this power, banks offer a **Direct Debit Guarantee**. If the seller takes the wrong amount or takes it on the wrong day, the bank is legally required to give the customer an immediate refund and then claw that money back from the seller.

#### 4. Summary Table

<b>Feature</b>	<b>The Seller</b>	<b>The Bank</b>	<b>Direct Debit</b>
<b>Primary Action</b>	Requests the money	Transfers the money	Authorizes the request
<b>Control</b>	Sets the amount/date	Verifies the authority	Protects the consumer
<b>Requirement</b>	Must give advance notice	Must honor the mandate	Must be signed by customer