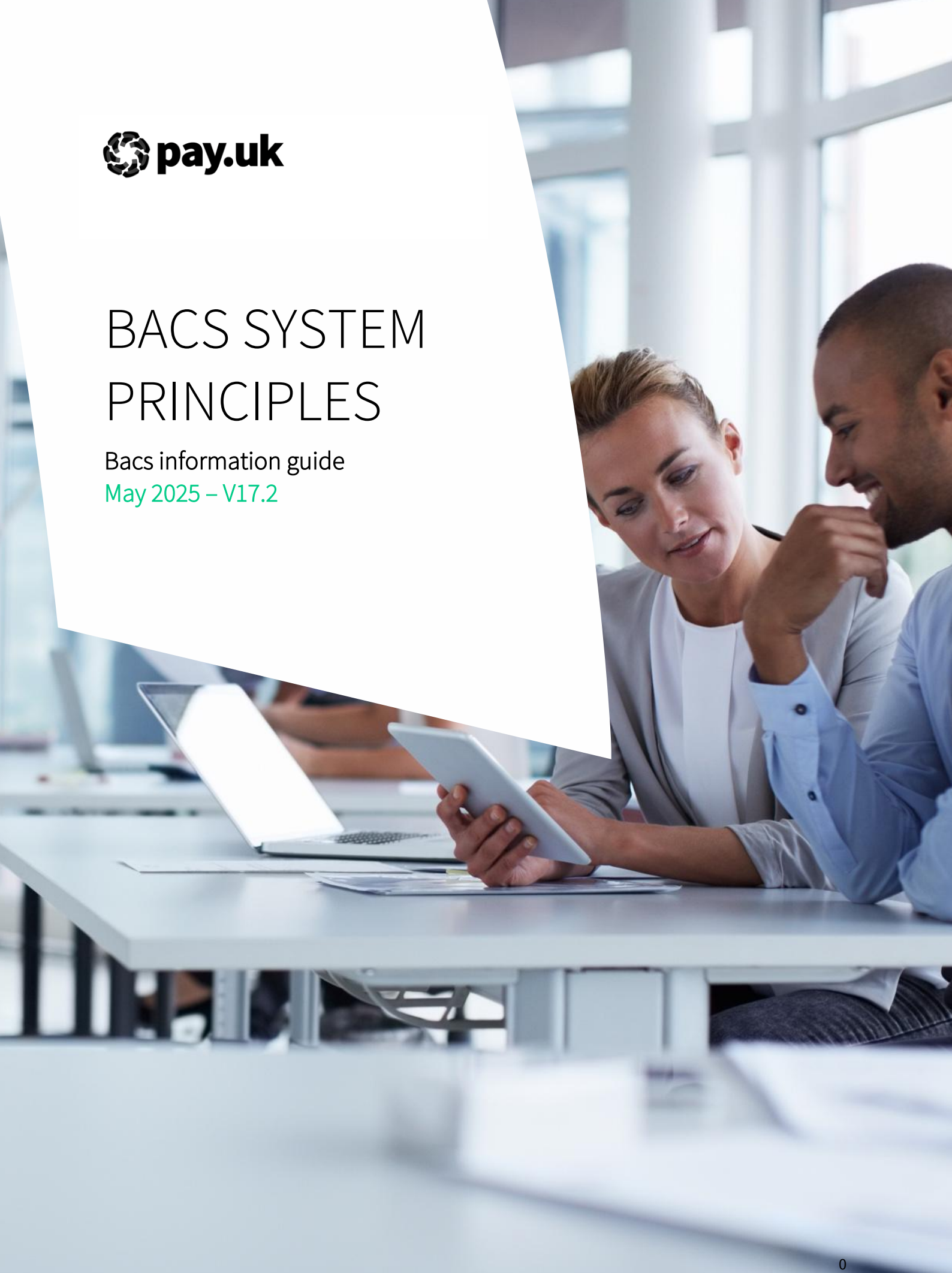
pay.uk

BACS SYSTEM PRINCIPLES

Bacs information guide

May 2025 – V17.2



Contents

1 Documentation Information 3

1.1 Version history 3

1.2 Document reviewers 3

1.3 Copyright statement 3

1.4 Disclaimer 3

2 Introduction and Background 4

3 What is Bacs? 5

4 The Payment Cycle 6

5 Eligibility Criteria 7

6 Required Elements 9

6.1 Channels 11

6.2 Security 13

6.3 Reference Data 13

7 Bacs Direct Participant Onboarding Process 16

8 Fee Structure 18

1 Documentation Information

1.1 Version history

Version	Date	Description
15	16/01/2023	Document rewritten and rebranded
16	24/04/2024	Wording changed from Service/s to System/s 2024 Fees updated
17	13/01/2025	2025 fees updated
17.1	04/03/2025	Minor change to fees
17.2	08/05/2025	BofE Access to Payments for Non-Bank PSPs - link to guidance

1.2 Document reviewers

Version	Date	Stakeholder	Action
17	13/01/2025	Pay.UK Onboarding	P, A
		Pay.UK Finance	R
		Pay.UK CBDO	R

Action: P – Producer; C – Contributor; R – Reviewer; A - Authoriser; I - Information only

1.3 Copyright statement

© Copyright in this document lies with Pay.UK Limited. All rights reserved.

The copyright in this document is owned by Pay.UK Limited. All material, concepts and ideas detailed in this document are confidential to Pay.UK. This document shall not be used, disclosed or copied in whole or in part for any purposes unless specifically approved by Pay.UK.

1.4 Disclaimer

This is not a formal controlling specification for Bacs. Where there is a discrepancy between these System Principles and any of the formal Bacs controlling specifications (particularly the Bacs Scheme Procedures, Functional Specification & Rules), the controlling specifications take precedence.

Pay.UK owns the trademark to “Bacs” and allows Participants to use it, provided the Scheme Procedures & Rules are adhered to.

2 Introduction and Background

This document is a guide for Payment Service Providers (PSPs) that wish to become a Bacs Direct Participant for the Bacs payment Schemes – Direct Credit and Direct Debit.

The On-Boarding process is broken down into the following phases:

- Discovery
- Definition and Planning
- Documentation and Approvals
- Procedure, Design, Build and Certification
- Bank of England Set-up
- Pre-Go Live
- Go Live
-

Some of the phases may run in parallel and the actual sequence of the activities will be finalised during the Definition and Planning phase.

3 What is Bacs?

Bacs has been maintaining the integrity of payment related services since 1968, with responsibility for Direct Debit and Bacs Direct Credit payment schemes, as well as the provision of managed services such as the Cash ISA Transfer Service, and the Current Account Switch Service. Since its inception, more than 150 billion transactions have been debited or credited to British bank accounts via Bacs.

Bacs became a wholly owned subsidiary of Pay.UK in May of 2018.

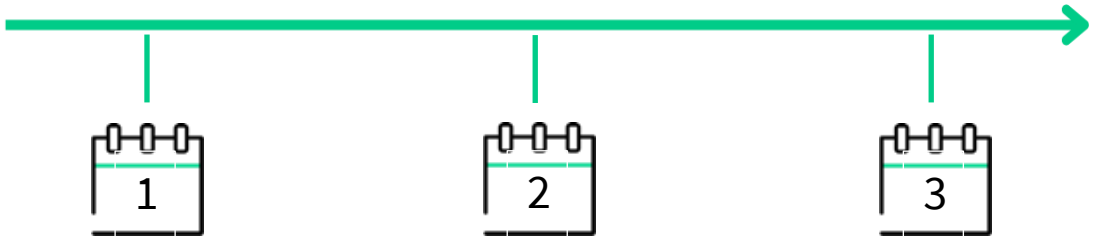
Direct Credit

Bacs Direct Credit is a simple, secure and reliable service, which enables organisations of all sizes to make payments directly into an account. There are more than 150,000 organisations in the UK using Bacs Direct Credit and nearly 90 per cent of the country's workforce is paid this way. It is also the payment method of choice for a range of other applications such as pension payments, employee expenses, insurance settlements, dividends, and refunds.

Direct Debit

A Direct Debit is an instruction from a customer to their PSP authorising an organisation to collect varying amounts from their account, normally for regular payments for everything from household bills to charitable donations. Almost nine out of 10 British adults have at least one Direct Debit commitment, with 73% of household bills paid this way. It is the only payment method with a money back guarantee.

4 The Payment Cycle



DAY 1 INPUT DAY

Payments and Direct Debit Instructions (DDIs) sent to the Bacs System

DAY 2 (PROCESSING)

PSPs process payment and DDIs

DAY 3 (ENTRY & SETTLEMENT)

PSPs apply payments and DDIs to customer accounts and settlement occurs

Input, processing, and entry and settlement can only occur on processing days. For Bacs, non-processing days are Saturdays, Sundays and English bank/public holidays.

5 Eligibility Criteria

To be accepted as a Bacs Direct Participant you must:

- Be an Authorised PSP under the Payment Services Regulations (PSRs 2017), as updated from time to time *
- Have access to Sterling settlement facilities at the Bank of England (BoE)
- Carry out business and operate an office in the UK or European Economic Area (EEA)
- Be able to comply with the technical and operational requirements of Bacs
- Have, or be eligible to hold, at least one unique sort code
- Commit to pay any legal costs incurred by Pay.UK with regards to your participation
- Validity execute and remain party to all Bacs legal agreements.
-

Full details of the eligibility criteria you must comply with to be accepted as a Bacs Direct Participant can be found in the Bacs Payment System Rules (the Rules).

* Please note for Non-bank PSP's this may require additional regulatory engagement with the FCA to determine eligibility for settlement facilities at the Bank of England. For more information please visit Access to UK payment systems for non-bank payment service providers | Bank of England

6 Required Elements

The following sections set out some of the key concepts that support or underpin the Bacs System and some key considerations for any organisation thinking about Bacs participation.

Key Concept	Description	Requirement
Input (Payments and DDI)	• Payment instructions are used to make payments, collect payments and set-up or cancel DDIs • Payment instructions contain information about the type of transaction, the value and where the money is from and where it is going to • Payment instructions are sent in payment files that are sent in the Bacs System in Bacs STD18 format • The Bacs STD18 format specifies the content and length of each field and record in a submission, payment file and payment instruction • Payment instructions and DDIs can only be submitted by a service user or bureau that is authorised to submit (set up in Reference Data)	As a Bacs Direct Participant, you need to be able to submit payment instructions and DDIs to the Bacs System, as well as support your customers in making submissions to the Bacs System. This includes all necessary payment types, including return payment and other bank grade transactions
Output (Payment and DDIs)	• After processing, all data that is accepted by the Bacs System is sent to Participants in output files. Output is only sent for the current processing cycle • Output items are routed using destination sort code. The Bacs System groups items into output files to be sent to the output recipient • Output will be sent to you over the course of input day (day 1) depending on your specific configuration. Because an item can be cancelled by a subsequent item, you must wait for all output to be received before processing the data	As a Bacs Direct Participant, you need to be able to receive/collect output files, correctly process output and apply items to customer accounts
Referrals	In the event of certain processing exceptions, the Bacs System will generate a referral. These referrals may require a processing decision or may just require acknowledgement by you. Management of referrals is undertaken via the Process and Exceptions Management (PEM) tools which are accessed through the Bacs Payment Services Website (PSW) There are two types of referrals: • Actionable – requires one of the following responses: - Process - Do not process - Amend date (only an option in PEM for payments on certain referrals) • Actionable – requires one of the following responses	As a Bacs Direct Participant, you need to be able to receive/collect files, correctly process output and apply items to customer accounts

Processing Instructions	The Bacs System provides functionality that allows you to intervene to extract data from processing. An intervention instruction can be as a result of a referral or they can be initiated independently of a referral. There are four types of interventions: • Extraction - removes a submission component from processing • Reinput - inputs a previously extracted component • Amend date - extracts then reinputs a submission component for a new processing date • Reversal - reverses a previously processed submission component	As a Bacs Direct Participant, you must develop processes to handle processing instructions from service users, approve instructions, manage reversals and enter processing instructions in to the PEM tool via the PSW
Bacs Messaging Service	The Bacs Messaging Service receives advices from Bacs Direct Participants, validates and processes the advices, and outputs accepted advices (as reports) to service users. Prompt generation of messages helps avoid erroneous collections in the future. All advices contain a reason code to inform the service user why the advice has been sent (and so what action they need to take). Advices are sent for the following services: • **Automated Direct Debit Amendment and Cancellation Service (ADDACS)** Provides Direct Debit service users with information of changes to, and cancellations of, DDIs that they have lodged • **Automated Direct Debit Instruction Service (AUDDIS)** When a bank receives an electronic DDI (as part of output from the Bacs System) that it cannot lodge, the bank advises the service user using a bank returned AUDDIS advice • **Direct Debit Indemnity Claim (DDIC) Service** Used by PSPs to advise Direct Debit service users of any claims made against their Direct Debit collections • **Advice of Wrong Account for Credit Service (AWACS)** Used by PSPs to provide service users with the correct destination account to use for future credit payment instructions The Current Account Switch Service and Bulk Payment Redirection Service may also generate ADDACS and AWACS advice messages to support payment redirection	**Input:** As a Bacs Direct Participant, you need to be able to correctly create messages in the required format for all of the Bacs messaging Services. You must also be able to deliver these advices to the Messaging Service via an approved channel. Messaging files are submitted in 'ADDACS' format **Output:** Messages that are successfully processed, are compiled in to reports and made available to the payment originator. Reports can be collected via the PSW or Unattended Report Collection (URC)
Cloud Policy and Code of Conduct	Pay.UK operates a controlled environment that seeks to manage systemic risks from operational disruption by imposing certain obligations upon customers through policies and rules. Pay.UK accepts usage of cloud services in Bacs and FPS where there is no negative impact on resilience or systemic risk, subject to compliance with the Pay.UK Cloud Risk Policy and Cloud Code of Conduct	As a Bacs Direct Participant, you must demonstrate appropriate governance and oversight of their own technology and operations that connect to our infrastructure.

6.1 Channels

Channels are required of Bacs Direct Participants to connect to the Bacs System. Typically, you will require a combination of the available channels to undertake all of the necessary Bacs System processes.

You must have a channel to:

Send data to Bacs System (Input)

Receive date from the Bacs System (Output)

Collect reports

Perform user interactions (e.g. maintain Reference Data and manage referrals

The Bacs System supports the following channels:

Enhanced Transmission Service (ETS)

SwiftNet Transmission Service (STS)

The Bacs Payment Services Website (PSW)

Bacstel-IP Service (available to Indirect Bacs Participants only)

As a Bacs Participant, you must have access to the PSW and also need an ETS or STS channel to input payments and DDIs to the Bacs System.

Input Functions	Direct Participant		Indirect Participant	
	ETS	STS	PSW	Bacstel-IP
Payments and DDIs (including return payments) Direct Credit | Direct Debit | AUDDIS DDIs	Y	Y	N*	Y
Bacs Messaging Service ADDACS | DDIC | Bank Returned AUDDIS | AWACS	Y	Y	Y	N
Current Account Switch Service**	Y	Y	Y	N
Cash ISA Transfer Service**	Y	Y	Y	N
Bulk Payment Redirection Service**	Y	Y	Y	N
Output Functions	**ETS**	**STS**	**PSW**	**Bacstel-IP**
Payments and DDIs (including return payments) (Direct Credit | Direct Debit | AUDDIS DDIs)	Y	Y	Y***	N
Bacs Messaging Service ADDACS | DDIC | Bank Returned AUDDIS | AWACS	N/A	N/A	N/A	N/A
Current Account Switch Service**	Y	Y	Y	N
Cash ISA Transfer Service**	Y	Y	Y	N
Bulk Payment Redirection Service**	Y	Y	Y	N
Other Functions	**ETS**	**STS**	**PSW**	**Bacstel-IP**
Report collection	N	N	Y	Y
User interactions	N	N	Y	N

*PSW can only be used for inputting return payments

** Current account Switch Service, Cash ISA Transfer Service and Bulk Payment Redirection Service are show on this table for information only – these services would be onboarded separately to a Bacs Direct Participation Project

*** The use of PSW to collect output files manually is limited to 50,000 items per day / 1 million items per month

6.2 Security

The Bacs System utilises two security methods for controlling access to the channels:

- Public Key Infrastructure (PKI)
- Alternate Security Mechanism (ASM)

The Bacs System utilises a PKI to support the encryption, identification, authentication and non-repudiation of all data transmitted to / from the Bacs System by users of the system.

You must also have processes to issue, renew and revoke digital certificates for your customers (and their users).

Alongside other providers, Pay.UK provides PKI services through its subsidiary UTSP Limited – for more information, please contact UTSP@wearepay.uk or your Pay.UK onboarding Manager.

ASM, which uses username and password for user authentication, can be for some less security-sensitive functions not requiring non-repudiation.

6.3 Reference Data

Reference Data is used by the Bacs System at all stages of processing, including the authentication of users and the routing of items for output. As a Bacs Direct Participant, you'll need to manage the two primary types of Reference Data: Bank Reference Data and Customer Reference Data.

Bank Reference Data (BRD)

BRD is used to hold information about your organisation, your branches / offices, and the payment services or schemes you participate in.

To participate in one or more payment system or scheme, you must first be allocated a Bank Code in BRD. The Bank Code id system generated and uniquely identifies your institution (but not used to route transactions). Your Onboarding Manager will arrange for a new Bank Code to be allocated at an appropriate time in the project.

As a Bacs Direct Participant, you need to be able to maintain BRD via the PSW.

Customer Reference Data (CRD)

CRD holds information about service users and bureaux.

A service user is an entity that can originate and submit payments to the Bacs System for processing. An organisation may have multiple service users to support different business functions.

You will need to develop processes to register and maintain service users, including service users (and issuing smartcards). You will also need to support the transfer of service users in the event of a change of sponsorship.

As a Bacs Direct Participant, you can make changes to CRD via the PSW.

Extended Industry Sort Code Directory (EISCD)

The EISCD is a database of information containing all sort codes that participate in one or more payment schemes and is produced on the last working day of the week (i.e. usually a Friday). A Bacs Participant is expected to take a weekly refresh of the EISCD.

The EISCD is a snapshot of the data on the specified effective date, it is a complete copy of the EISCD and not just the amendments since the previous version.

The EISCD can be downloaded by registered Participants from the PSW. There are also a number of providers that can provide you with the EISCD in a more automated means.

Direct Debit Originators Extract (DDO)

The DDO contains information about service users that are authorised to originate Direct Debits and is updated by Bacs Direct Participants daily.

The DDO can be downloaded daily, weekly, twice monthly or monthly depending on your requirements.

The information in the DDO can be used to help resolve customer queries relating to Direct Debits.

More information on this can be found in the following location: https://www.vocalink.com/tools/direct-debit-originators-extract/.

Settlement and Debit Cap

As a Bacs Direct Participant, you must be able to meet the settlement requirements of the Bacs Payment Schemes.

You must have an appropriate Settlement Account at the Bank of England (BoE). Depending on your type of business, you must also have either a Reserves Collateralisation Account (RCA), a Settlement Collateralisation Account (SCA) or a Completion / Client Funds Account (CFA), which is used to hold cash as security for your Bacs settlement obligations.

Daily settlement in Bacs takes place at 09:30 on each Bacs processing day.

Bacs Direct Participants must have sufficient funds available in their Settlement Account otherwise settlement will fail for all participants.

Debit Cap

The Bacs System monitors the Direct Cap for each Bacs Direct Participant. Thresholds are also set to provide warnings to the Bacs System Operations Team and Bacs Participants when the Debit Cap is being approached.

As a Bacs Direct Participant, you must have processes in place to determine an appropriate Debit Cap threshold breach.

Pay.UK will review your Debit Cap value and challenge if we consider the value inappropriate. Your Debit Cap value is the minimum value you must hold in your RCA / SCA / CFA.

Settlement Report

The Bacs System generates settlement reports which can be configured to show settlement figures broken down for a group of specific sort codes or an agency you sponsor.

As a Bacs Direct Participant, you need to have processes in place to collect these reports and manage report configuration.

7 Bacs Direct Participant Onboarding Process

Discovery	**Review Public Documentation**	**Sign NDA**	**Discovery Workshop**
	Review the documentation on the Pay.UK website	• Contact access@wearepay.uk • Sign and return to your Onboarding Manager	Attend workshops with Pay.UK and Vocalink to understand full requirements of becoming a Bacs Direct Participant
Definition and Planning	**Proposition**	**Planning Meetings**	**Submit Project Kick off Documents**
	• Define Customer and Business proposition • Provide Pay.UK with two-year volume forecast	Undertake meetings with relevant parties e.g. BoE, Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA), potential suppliers	Submit Letter of Intent, Business Case and Project Plan to support your request to become a Bacs Direct Participant
Documentation and Approvals	**Letter of Intent Decision**	**Complete Assurance Process**	**Complete Pay.UK Legal Documents**
	Pay.UK's Decision Makers will formally accept or reject your request. You will be notified in writing of the decision	• Undertake and submit the Bacs System Operational Code of Conduct • Undertake and submit the Bacs Trust Service Code of Conduct	Review, sign and return the Legal Documents required for you to become a Bacs Direct Participant
Procure, Design, Build and Certification	**Develop Systems and Processes**	**Complete Paperword**	**Certification Testing**
	Create, develop and implement systems and processes to comply with the Bacs System	Complete the BRD forms	Undertake Functional Testing with Vocalink, test results will be reviewed and signed off by Pay.UK

Bank of England Set-up	**Initial Project Kick Off**	**Certification Testing**	**Fund BoE Accounts**
	Understand what is required for the type of business you operate e.g. Bank / Non-Bank PSP, Own Funds or Client Funds and determine achievable go live date	Agree any messages for press release or website update	Fund and de-fund you BoE accounts in both the test and live environments
Pre-Go Live	**Plan for Go Live**	**Agree Live Comms Plan**	**Go/No Go Checkpoint**
	• Finalise Go Live Implementation Plan • Share Key Operational Contacts • Provide forecasted volumes	Agree any messages for press release of website updates	• Decision Makers Approval Group (DMAG) for formal approval from Pay.UK • Call with all parties involved in project to jointly agree a Go or No-Go Decision
Go Live	**Live Set-up**	**First Transaction**	**First Settlement**
	• Set up the BRD and CRD • Live Channel Set-up	On Monday, send or receive a transaction to generate a non-zero settlement position	On Wednesday, you will be included in settlement for the first time

8 Fee Structure

The table below sets out the cost payable to

Fee		Charge Frequency	Amount
Onboarding and Certification Costs for a single Bank Code* Includes limited support from Vocalink, support for test set-up activities, access to test and certification environments, limited training and transition support		One off	£75k + VAT Additional charges will be billed on a T&M basis
Migration Support and set up additional Bank Codes Includes additional set-up, scripting and migration activities		One off	Dependent on Scope. Charges will be billed on a T&M basis
Vocalink Transaction Fee for 2025 (indicative)**		Monthly	£0.00776
Pay.UK Service Management Fee (Pay Per Click) for 2025**		Monthly	£0.00666
Account movements: submission charges for 2025	**Bacstel-IP (user)**	Monthly	£3.05
	Bacstel-IP (bureau)	Monthly	£1.00
	ETS (user)	Monthly	£2.35
	ETS (bureau)	Monthly	£0.85
	STS (user)	Monthly	£2.35
	STS (bureau)	Monthly	£0.85
	PSW (user)	Monthly	£0.00
	DDIC	Monthly	£0.00
	Held over (second and subsequent days from a Multi-Processing Day file)	Monthly	£0.70
File charge		Monthly	£2.29
Referrals		Monthly	£17.00
Legal – Registering the Deed of Charge		One off	£1200 ex VAT

*Current Account Switch Service, Cash ISA Transfer Service and Bulk Payment Redirection Service would be on-boarded separately to a Bacs Direct Participant project, therefore separate fees would apply.

**A Participant's sent and received Bacs transaction are added together. This figure is divided by two and then multiplied by this fee.

All prices are for illustrative purposes and could be subject to change.

Further Information

For further information, please contact:

access@wearepay.uk

2024 © Copyright in this document lies with Pay.UK Limited. All rights reserved.

The copyright in this document is owned by Pay.UK Limited. All material, concepts and ideas detailed in this document are confidential to Pay.UK.

This document shall not be used, disclosed or copied in whole or in part for any purposes unless specifically approved by Pay.UK.