

Dear Merchants

## **DEBIT ORDER ABUSE**

NuPay would like to take this opportunity to inform / remind our merchants of the importance of mandates and the consequences of debit order abuse.

By signing and accepting the NuPay General Terms and conditions you have agreed to inter alia, clause 19 thereof (REGULATORY BODIES; LAWS).

In particular, you agree to the rules as set out by the NPSA (National Payment Systems Act) and all regulatory requirements as dictated in terms of the prescribed debit order mandate requirements. You must be registered with any other relevant regulatory body which is relevant to your business and NuPay can from time to time request proof from the User of such registration. If you are registered with the National Credit Regulator(NCR) you are under a positive obligation to provide NuPay with an annual certificate, signifying your membership and/or registration with the NCR. You will comply at all times with the rules and regulations of the relevant Industry regulatory bodies, in addition to any and all other applicable laws, rules and regulations governing, or applicable to, the Products/Services (including, without limitation and to the extent applicable, the Consumer Protection Act, 68 of 2008 and the Protection of Personal Information Act, 4 of 2013).

**Please note that with effect from 1 November 2021, AEDO and NAEDO have been phased out and replaced with Debicheck. Please see below regarding Debicheck requirements.**

The South African Reserve Bank has highlighted the abuse of Debit Order systems as a matter requiring immediate attention. PASA (Payments Association of South Africa) was tasked with addressing these issues and approved the following changes in respect of Debit Orders.

### **1.Mandatory Mandate Requirements:**

Before you can collect a payment instruction, a consumer must issue you with a mandate, authorizing you to collect a payment instruction against their account.

A mandate is a paper, voice or electronic authorisation which contains specific information pertaining to the merchant, including the relevant debit order details and consumer details.

The mandate may form part of the credit agreement, however is still required to contain all the relevant information as requested by PASA.

The following elements will be required on each mandate to constitute a valued payment mandate:

- 1.Abbreviated Name of the Merchant (as it will appear on the consumer's bank statement);
- 2.Name of the Merchant;
- 3.Deduction Amount (Instalment Amount);
- 4.Deduction Date (Original Instalment Date);
- 5.Initials and Surname of the customer / accountholder;
- 6.Banking Details of the customer / accountholder.

In addition to the above, **explicit authority** must be given by the accountholder to the merchant that is processing the debit order.

To ensure that merchants remain compliant with the requirements set forth, a compliance monitoring process has been defined to prevent the abuse of debit orders. The details are laid out below.

## **2. Debit Order Abuse Investigation:**

The following triggers will result in an investigation into the conduct of a merchant to determine whether there is evidence of debit order abuse:

**2.1 Dispute Ratio** – The threshold in the Debitcheck and EFT Payment Clearing Rules for disputes is set at 0.5% of total number of transactions submitted. Merchants that exceed this threshold will be triggered for investigation.

**2.2 Complaints** – Any complaint raised against a merchant for possible debit order abuse will result in investigation;

**2.3 Site Visit Observation** – Upon site visits performed by NuPay Relationship Consultants where it is observed that possible debit order abuse might be present;

**2.4 Upon Instruction of any Regulatory Body** (e.g. PASA, National Payments System, Financial Services Board etc.) will result in investigation.

Should a merchant be identified for investigation, the merchant will be required to supply signed mandates for randomly selected transactions. Merchants who utilise voice mandates are reminded that these mandates need to be reduced to paper mandates within 21 business days, to qualify as valid mandates.

## **3. Penalties:**

**3.1 Financial Penalties:** Should it be found that merchants have not adhered to the compulsory mandate requirements, a fine of R1000.00 will be levied for each transgression (each mandate). This fine(s) will be billed against the merchant's bank account;

**3.2 Suspension of NuPay Services:** NuPay reserves the right to suspend and cancel services;

**3.3 Debit Order Abuse List:** Where a merchant fails to produce valid mandates, PASA will list the merchant (including their Directors / Members) on the User Debit Order Abuse List.

Whilst a merchant is on the debit order abuse list, they will not be able to move to any other bank / service provider to process transactions. To be cleared from the debit order abuse list, merchants will have to furnish PASA with proof that the requirements are being adhered to.

Should a merchant fail to rectify their processes and continue to process transactions in contravention of the above requirements, those merchants (including their Directors / Members) will be blocked from processing any debits going forward within the EFT and Debitcheck payment systems.

NuPay wishes to thank each merchant for their continued support and would like to urge each merchant to strictly honor the requirements set forth in order to prevent any form of non-compliance.

If you have any questions or require further information, please contact the NuPay Support Centre or the Account Managers on 011 617 1770/50.

Yours sincerely,  
**NuPay Management**