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## On-line payment via direct debit!

Posted by Editor - 2006/04/03 16:26

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Could anybody explain why is payment service via direct debit a good alternative.

What could be the advantages/drawbacks of the direct debit compare to credit card for on-line payments?

What is the cost of the transaction via direct debit for the issuer of the payment?

What are the certification issues in order to provide such payment system?

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Posted by SmartPay - 2006/04/03 19:26

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Direct debit denotes a charging of the customer's account by the merchant, relying on a pre-arrangement between the customer and his bank. The bank will then transfer the funds to the merchant's bank account. One should be aware of the following:

- 1) Bank transfers from one bank to another, especially crossborder transfers, are not particularly cheap.
- 2) Direct debit is commonly a purely domestic service, i.e. cannot be used for crossborder transfers. The reason are the necessary pre-arrangements (i.e. contractual and legal issues) as well as in some cases the pricing (which is purely domestic).
- 3) Other kinds of bank transfers (such as credit transfer) are non-disputable, i.e. the consumer cannot go to his bank and dispute a transaction but has to negotiate directly with the merchant. In the crossborder situation this may be unpractical.

Let us now consider debit cards such as ec/Maestro. From the point of view of funds transfer debit card transactions are almost identical with direct debit transactions. However, the whole transaction is handled by the card payment system, which is globally deployed and well suited for crossborder transactions. It includes currency conversion as well as dispute mechanisms.

As the debit card is well established there is no real case for other direct debit services in the crossborder domain.

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