



Account Check and Direct Debit Check

Fewer direct debit chargebacks and non-payments

The account-based fraud protection measures of Deutsche Card Services complement Direct Debit Services and help to settle direct debit payments in long-distance selling. Direct Debit Check and Account Check are used to check the account information provided by customers for plausibility and for negative indicators. This helps to reduce the number of direct debit chargebacks, which are cost and labour-intensive for merchants, and to minimise the number of non-payments due to attempted fraud.

Background/market development

The Direct Debit Services of Deutsche Card Services make it possible to use direct debit procedures for payments in long-distance selling in Germany, Austria and the Netherlands. Under this payment method, the payment is debited directly to the customer's account. It is popular among customers, but not always secure for merchants, as it does not require authorisation, but is based on the principle of good faith. The banks are not obliged to honour the direct debit if customers do not hold sufficient funds on their accounts, and customers may object to the direct debit, usually within six weeks. In stationary business, the customer is present and the direct debit procedure is started directly. In this case, the customer's account number is usually taken directly from his/her card and the customer authorises the payment by signing the slip. In online business, in contrast, customers are anonymous, enter their account number themselves and do not authorise the payment in writing. Supplementary protection measures are necessary to prevent fraud and minimise settlement problems. While the settlement of POS payments may be problematic, too, the introduction of "blacklists" has helped to considerably reduce the non-payment ratio in stationary business in comparison to 2006.

Description of the product

Account-based fraud prevention measures help to check the account numbers

provided by customers for plausibility and negative indicators.

With **Account Check**, account data are examined for plausibility, as banks do not assign account numbers arbitrarily, but according to a certain logic. This is true for accounts from Germany (D), Austria (A) and the Netherlands (NL), which can be used for direct debiting under Direct Debit Services.

- D: Elektronisches Lastschriftverfahren.
- A: Einzugsermächtigungsverfahren.
- NL: Cliëntopdrachten (ClieOP).

Account Check uses mathematical methods to examine whether the account number given by the customer meets the requirements. The plausibility check is done in two steps:

- Check whether the bank identifier code exists.
- Check whether the account number is in line with the logic used by the relevant bank.

The plausibility check helps to avoid problems in payment settlement and the resultant, cost and labour-intensive procedures stemming from accidental entry errors or from made-up account numbers.

Direct Debit Check is used to check the account numbers for any negative indicators: after all, accounts may be blocked for the direct debit procedure because the card

was lost or stolen. Moreover, direct debiting is unlikely to be successful if one or more direct debit chargebacks are pending.

Direct Debit Check helps to determine negative indicators for a German bank account. In order to do so, the system compares the account number with a regularly updated blacklist with over a million of entries on German accounts. The database gives information on open direct debit chargebacks and blocked cards. Each month, more than 11,000 cards are blocked on average (figures by EHI Retail Institute, 2009). In order to save unnecessary expenses Account Check is used to check the account number for plausibility before the external query is started.

Determining negative indicators for a bank account helps to efficiently minimise payment settlement problems and the resultant, cost and labour-intensive procedures and non-payment risks.

In order to reduce the number of direct debit chargebacks early and to recognise attempted fraud, both Account Check and Direct Debit Check can be used not only during an actual payment transaction, but also separately in order to check account numbers at the time when customers open or change their accounts with the merchant.



How it works

1. Customers order their goods and use Direct Debit Services for the German direct debit procedure.
2. Customer and account data are transmitted to Deutsche Card Services.
3. Deutsche Card Services examines the account data and delivers the result as a "Yes" or "No" value:
Account Check: a) Bank unknown, b) Account number valid or invalid.
Direct Debit Check: Account number on the blacklist.
4. The result is transmitted to the merchant's system.
5. Depending on how the merchant shop is programmed, the order is rejected or customers are asked to enter valid account data or select another payment method.

Supplementary products

The account-based fraud protection measures complement **Direct Debit Services** and help to settle direct debit payments in long-distance selling. As a full-service provider, Deutsche Card Services offers other services which are particularly useful in combination with Account Check and Direct Debit Check:

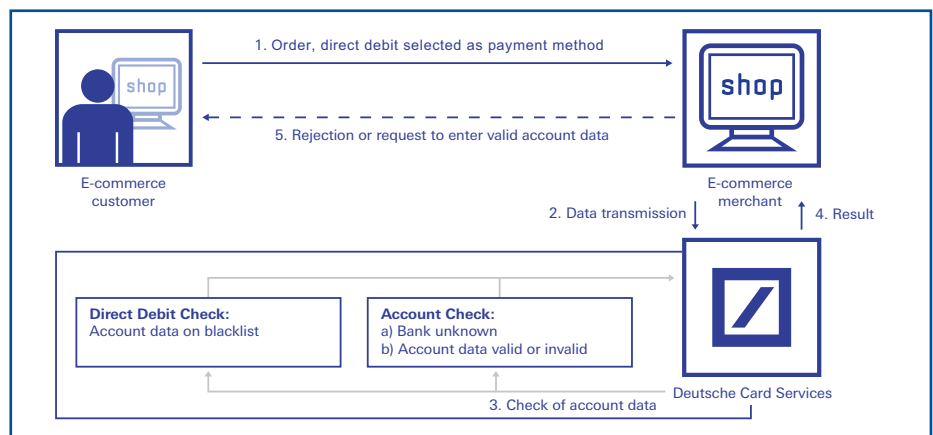
- Consumer-based fraud protection measures to reduce risks:
 - **Address Check** and **Name Check** minimise logistics risks
 - **Consumer Check** and **Consumer Score** reduce the number of non-payments.
- **Receivables Management** helps to cut back administrative procedures:
 - Monitors actual payment receipts and direct debit chargebacks and permits accounting in line with individual requirements.

Target groups

Account-based fraud prevention measures are useful for all merchants who use the direct debit procedure, in particular those who

- want to attract customers who do not hold credit cards.

- want to reduce their direct debit chargeback ratio.
- cannot wait for payment receipts and want more security.
- want to do plausibility checks on account numbers independently of a payment transaction.



Reasons to choose Account Check and Direct Debit Check

- Avoid
 - direct debits that cannot be executed due to data entry mistakes and imaginary account numbers.
 - direct debit chargebacks due to fraud attempts with blocked cards.
 - direct debit chargebacks for lack of funds in case of a history of open direct debit chargebacks.
- Reduce costs by
 - reducing the number of cost and labour-intensive direct debit chargebacks (dunning, debt collection expenses).
 - reducing the number of non-payments or order losses.

Reasons to choose Deutsche Card Services

- All leading online payment methods and other services from one provider.
- Familiarity with different national direct debit procedures.
- Fraud prevention in order to provide the best possible security against non-payment.
- Modular supplementary services up to a complete outsourcing of the receivables management.
- Easy integration via well-known procedures and the interface Multi Pay XML as well as the graphical user interfaces Multi Pay GUI (Account Check) and Smart Pay GUI (Direct Debit Check).

For more information please contact the Sales Solutions Office of Deutsche Card Services:

Tel. 0221 99577-760
sales.deucs@db.com

003 85431 11 09 09