

**Charlie McCREEVY**

European Commissioner for Internal Market and Services

## **SEPA Direct Debit Launch**

**Check Against Delivery**  
**Seul le texte prononcé fait foi**  
**Es gilt das gesprochene Wort**

**SEPA DIRECT DEBIT LAUNCH EVENT**

**Brussels, 13 October 2009**

Ladies and Gentlemen,

It is a very great pleasure for me to address you today at this event marking the official "SEPA Direct Debit Launch". Almost 22 months have elapsed from the "SEPA Goes Live" event, which I had organised together with Gertrude and Gerhard, on the occasion of the official SEPA launch. I must say that substantial progress has been achieved from that time on, despite the constraints caused by the financial crisis last autumn. I am, therefore, pleased that banks and the EPC have maintained their commitment to the project and are pushing ahead with the delivery of SEPA. And this explains why we all are here today to welcome the launch of the SEPA Direct Debit which is an important missing piece in the SEPA puzzle.

Today is a historic day for SEPA Direct Debit payments and a watershed in the further development and progression of the SEPA project. As of 2 November, it will be possible to execute the first SEPA Direct Debits. And this is also possible thanks to the Payment Services Directive which is the necessary legal platform for SEPA, in particular for SEPA Direct Debit.

Currently, there is no scheme in place for making cross-border direct debits. The EPC SEPA Direct Debit scheme is, therefore, truly innovative and provides a framework for the SEPA's flagship product. As a result, all direct debits, whether domestic or cross-border, will be provided under the same essential conditions and modalities throughout the SEPA area.

I would, therefore, like to congratulate the EPC, as the scheme 'owner', on this great achievement.

I am convinced that SEPA Direct Debit could and should give a new momentum to SEPA migration. A critical issue for the success of the SEPA Direct Debit is that all customers can be reached. Hence, it is essential that a majority of banks adhere to the SEPA Direct Debit scheme as of 2 November, with full reachability for euro area banks by November next year, in line with the new Regulation on cross-border payments. Latest figures on banks adherence to the SEPA Direct Debit scheme are encouraging and hold promise for the future developments...but I think Gerard will develop this further...

However, this is only a start, albeit a good one. Now, it is of crucial importance that payment service providers step up their activities and launch an active information and communication campaign with customers on the main characteristics, features and advantages of the SEPA Direct Debit.

The implementation of the SEPA Direct Debit will require changes. And customers will have to be convinced about the merits of these changes. In particular, the direct debit mandate will now remain with the creditor. Today, in some Member States, the mandate is held by the payer's bank. Consumers will, therefore, have to be reassured that the new SEPA Direct Debit offers them at least the same guarantees and protection they currently enjoy. Some so-called 'Additional Optional Services' could be developed by the banking communities concerned – ideally in a concerted way – to at least maintain the current services level and offer customers the same level of security.

But, the proof of the pudding is in the eating. Only real acceptance by final users will show if the SEPA Direct Debit scheme, as currently developed by the EPC, is sufficiently attractive and fulfils users' expectations. So to sweeten this pudding, I think such Additional Optional Services will be an important ingredient. Another important sweetener will, of course, be the pricing of SEPA products. This has emerged as a crucial issue especially in relation to the possibility of establishing a SEPA migration end-date. Member States and users are rightly concerned about the price/quality characteristics of SEPA products. SEPA is still too often perceived as linked to price increases. We do indeed receive complaints from consumers questioning the need for new payment instruments if they mean higher prices. One key means of taking the heat out of this debate would be for banks to visibly communicate with their customers on SEPA pricing. For example, if banks were to publish a statement on their web-site explaining to customers that SEPA is not being used as a pretext for price increases nor for product deterioration, I am sure this will swell support for faster migration.

Another decisive factor to ensure customers' acceptance of the new SEPA products is to ensure that their views and concerns are adequately taken into consideration. This raises the issue of a proper governance structure, both for the EPC and for the SEPA project as a whole. We recognise that the EPC has made some improvements to its own governance arrangements. But more needs to be done. In particular, there remains scope to improve and professionalise the contacts with users and vendors, for example in relation to the quality, planning and availability of information available. Furthermore, proper and serious consultations of all parties concerned have to be ensured.

But we should probably go one step further and set up a proper governance structure for the SEPA project, with the involvement of a broad range of stakeholders. Such structure would act as a catalyst to ensure that the realisation of the SEPA vision is shared by all stakeholders and meets their needs and expectations. But the complexity of the SEPA project and the multitude of interested parties make the setting up of such a structure, which could take the form of a SEPA Council, an ambitious and challenging, though indispensable, exercise.

Having spoken at some length about what banks should be doing to make SEPA a success, I should now like to say a few words about what the Commission is doing to support the SEPA project.

**First, transposition of the Payment Services Directive:** The Commission has worked with Member States and stakeholders to ensure complete and consistent PSD transposition. From the latest news received, it seems that some Member States will unfortunately not be ready on time, namely Sweden, Poland, Estonia, Latvia, Slovakia and Greece.

**Second, we have tried to clarify some legal issues for SEPA Direct Debit:** Industry has complained about the lack of legal clarity about a long-term business model for the SEPA Direct Debit that is compatible with competition rules. The Commission and the ECB have provided, in their statement of 24 March, guidance to the market and stand ready to provide more in the future. As regards the short term, legal clarity on financing mechanisms has been provided by the new Regulation on cross-border payments.

**However:** One remaining obstacle is the absence of guarantees in all Member States on the continued legal validity of existing Direct Debit mandates when migrating to the SEPA Direct Debit. Based on the latest news we have received, with the important exception of Germany, this no longer seems to be a problem within the euro area.

**Third, a clear SEPA Road Map has been adopted:** Our September Communication sets out a SEPA Roadmap for the period 2009 to 2012 and aims at injecting new dynamism and increased commitment into the whole SEPA project. The Roadmap identifies individual actions with clear deadlines under six priority areas to achieve full SEPA implementation. There will be close monitoring of the progress achieved in fulfilling the actions in line with the timetables defined.

**Fourth, the Commission is actively monitoring SEPA migration by public administrations:** We are publishing a regular benchmarking survey on public administrations migration to the SEPA Credit Transfer to build peer pressure and foster migration. Very much to our regret, our second survey published in July reveals that public authorities appear to be lagging behind rather than leading the market, although some Member States recently indicated that significant volume increases can be expected in the next twelve months.

**Fifth, reflection on an end-date:** we published end September the results of an extensive public consultation on SEPA end-date. I believe there are strong economic and societal arguments in favour of setting an end-date. Many stakeholders, both on the demand and supply side of the market, share this view. But a not insignificant number of stakeholders still consider that it is premature to talk about full migration to SEPA products whose quality still remain to be demonstrated. And there still seems to be some political reluctance to discuss the issue. Most Member States hesitate to commit themselves and tie their hands at a moment where SEPA Direct Debit is still on its launch pad and the SEPA benefits are still theoretical. Over the next few months we will, therefore, carefully consider and analyse how best to progress with this file at EU level and to build political support. In this respect, I would, therefore, strongly call on the payment services providers to speed up their SEPA migration in the coming 12 months and to increase the SEPA offerings with competitive pricing.

Ladies and gentlemen,

Although I have said this before, SEPA presents a fantastic opportunity to provide Europe with a world-class payment system benefiting European citizens and businesses. We need to make SEPA a success to harness the full potential of the Single Market and help realise our "Lisbon" ambitions. SEPA is Europe's way of keeping ahead of the dynamic trends in electronic payments usage in the US and Asia.

The recent financial turmoil has shown the vital importance of properly functioning payments to the wider economy and we should not allow the current difficult economic climate to deflect or slow us down. Although some of the rough edges of the SEPA diamond still need some polishing, the launch of the SEPA Direct Debit is a quantum leap forward for SEPA as a whole and provides for the first time a true pan-European direct debit service. Together, we can now go forward, inject new momentum into the SPA project, working hand-in-hand with all stakeholders to ensure that SEPA products are best of breed and competitive.

Thank you.