A guide to:
Collecting payments with Direct Debit

In association with
GOCARDLESS
Late payments are one of the most persistent issues for UK businesses. Overdue payments often lead to unreliable cash flow which can in turn hampers a business’s profit, growth and ability to cover its expenses. Furthermore, chasing up debt puts a real strain on resources and customer relationships.

For these reasons many businesses are turning to Direct Debit. As an automatic payment method, Direct Debit allows you to reliably ensure you get paid on time. It removes much of the admin associated with other payment methods, making it an efficient, hassle-free way to control your cash flow.

Direct Debit is ideal for businesses with customers that pay them on a regular basis, whether invoices for goods and services or fees for memberships and subscriptions.
How does Direct Debit work?

Direct Debit is a system that automatically pulls funds from a customer's bank account directly into yours.

1. Direct Debit helps you get paid on time

With Direct Debit set up the whole process of payment collection is taken care of automatically so your customers won’t miss paying you again. You still offer your regular payment terms, but when the due date is reached you are authorised to collect the fees straight from their bank account.

That means less disruption, no awkward chase-up emails and no embarrassment for your customer when being asked to pay their bill on time.

Small businesses in the UK spend over 15 days a year chasing late payments

- Your customer completes a Direct Debit mandate which authorises you to take payments directly from their bank. This can be done online or on paper.
- Payments are authorised and can be collected as soon as they are due without further action from your customer.
- Your customer must be notified before each payment is taken, but your Direct Debit service provider can handle this on your behalf.
- Payment typically takes 3 working days to clear.
2. It reduces your admin time

Processing payment can be an admin heavy task. Cheque payments need to be cashed and bank transfers or standing orders require you to monitor your bank account to confirm you’ve received payment.

Credit and Debit cards promise a swift way to take payment but are often prone to failure. Cards have a habit of expiring or being cancelled and this means extra work chasing up your customers to get new details.

However, once you’ve set up Direct Debit for your customer, all future payments are taken automatically, direct from their bank account without either of you needing to lift a finger.

Direct Debit has made a big impact on cash flow for our business. We have halved debtor days with GoCardless”

Iain Worthington, VIA

3. It’s more flexible than you think

There’s a misconception that Direct Debit payments are fixed to a regular amount and schedule but this isn’t the case.

The amount and the frequency at which you charge your customers may vary throughout the year and your payment method should accommodate this.

With Direct Debit you simply notify your customer in advance and then take the adjusted payment without needing further authorisation.

Direct Debit vs. standing order

Standing order is another common automated payment method. However in contrast to Direct Debit, it is controlled by the customer and only works for payments at fixed intervals and amounts (eg. £200 on the 5th of every month).

I couldn’t quite believe that a system had been created that solved almost a decade of billing and payment headaches for us. Ever since that day, we’ve never looked back.

Peter Czapp, The Wow Company
4. It’s safe and easy for your customers

The Direct Debit Guarantee gives complete cover for payments taken in error or fraudulently, making Direct Debit the safest payment method for UK consumers to use.

75% of all recurring payments in the UK are taken via Direct Debit

Once the customer’s Direct Debit mandate is set up, they will be notified automatically of future payments and automatically billed on the due date. There’s no need to for them to re-enter bank details or make payments over the phone, making it a much more hassle free experience.

Direct Debit with GoCardless

Businesses looking to set up Direct Debit payment collection have the option of going to a bureau, however accountants recommend the online provider GoCardless.

Over 30,000 businesses worldwide trust GoCardless to manage and process their Direct Debit payments.

GoCardless manages the entire payment collection process on your behalf, including payment notifications to your customers.

Also, It’s simple and free to set up, with no minimum commitment. Their pricing is transparent an low, especially compared to Direct Debit bureaus and credit card network charges.

1% per transaction

Max £2 Min 20p

no monthly fee

If you’d like to find out more about how Direct Debit can help you get paid on time, visit gocardless.com or speak to your accountant.
Integrated with the tools you use

GoCardless has free integrations with these leading accountancy apps, meaning you can manage your payments from within those systems. Better yet, your payments will automatically be reconciled with your accounts which reduces your admin. To find out more head to: gocardless.com/partners/accounting/

Our cash flow and business have been transformed since we started using GoCardless. Within a month our average debtor days had halved and 70% of our customers were paying on time. We’re wasting less time chasing payments, and can really focus on growing our business.

Emma Mills, Bluesky Business