

Experian reveals European businesses have long way to go as SEPA deadline approaches

Submitted by: pr-sending-enterprises

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Experian analysis has found that despite just a year remaining for businesses to migrate to SEPA standards, only 30 per cent of credit transfers and two per cent of direct debits are now SEPA-compliant.

It is estimated that wholly avoidable costs from failing to address data errors and validate data on migration could cost the Eurozone up to €20bn.

The move to a single SEPA payment system is due by February 2014 for Eurozone countries and October 2016 for businesses in non-Eurozone territories wishing to make and receive payments via Euro transfer (<http://www.experian.co.uk/payments/home-page/index.html>).

The SEPA (Single Euro Payments Area) system imposes a mandatory duty to switch existing payments applications and databases in favour of new payment schemes.

But despite there being just twelve months until the deadline, businesses across the Euro-zone are a long way behind.

Research from Experian also shows that only 65 per cent of Euro transactions are underpinned by fully accurate destination routing data and 12 per cent of electronic payments made to and from businesses in Euros currently contain data errors.

Businesses need to prioritise and accelerate their move to SEPA compliance before it is too late because full migration can take time, depending on data volume and integrity. Given the streamlining of the new data format under SEPA, full migration should involve a comprehensive validation process in order to ensure payments are successful going forward. If businesses fail to check the underlying banking data prior to migration to the IBAN format, pre-existing errors inherent to the current system are likely to jeopardise future payments.

Businesses which currently use IBAN-format account numbers have reduced error rates (4.6%) in comparison with those using domestic account numbers (12.7%), although these error rates are still problematic. Also, 45 per cent of SEPA-compliant International Bank Account Numbers (IBANs) stored by large European businesses do not have the valid corresponding Bank Identifier Codes (BICs) required to enable successful routing of transactions.

Jonathan Williams, Director of Payment Strategy, Experian, said: "Migrating existing customer records to the IBAN standard will be a huge challenge given the sheer number of accounts, and, as a result, large businesses face notable challenges to migrate and maintain SEPA-compliant mandate information in time for the 2014 deadline. Businesses must look to use, leverage and embed data validation within their systems and processes if they are not to incur significant costs as their operating countries move to SEPA payments

(<http://www.experian.co.uk/payments/solutions/take-advantage-of-sepa-and-international-payments.html>),

due to the error levels inherent in the data which the SEPA system is liable to expose."

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Methodology:

Experian has analysed the data in IBAN (and BIC) format provided by organisations to assess overall correctness of this information, to identify potential problems and to support the business decision of when to migrate to SEPA formats. The results specifically are for the SEPA zone, IBANs for other countries are excluded from the analysis.

For this research, the IBAN data was checked not only at the ISO13616 standard level, but also at the country format and domestic level, including validating bank and branch codes where applicable and using the integrity checks provided by check digits. Every IBAN was therefore analysed and check-digits validated, which might indicate a mis-transcription, for compliance with the international and national format, before being split into the domestic account number, the Basic Bank Account Number - or BBAN. The domestic account number was then validated against local rules also. Data errors include incorrect formatting of bank codes and account numbers as well as out-of-date or unallocated bank codes.

About Experian:

Experian is the leading global information services company, providing a payment gateway, and data and analytical tools to clients around the world.

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