PAYMENTS INFRASTRUCTURE · SEPA DIRECT DEBIT

A Guide to SEPA Direct Debit Payments

How SEPA Direct Debit collections work, and why FinXP's direct processing of SDD Core changes what happens when a mandate needs managing, or a payment is returned.

WHO THIS GUIDE IS FOR

Subscription and membership platforms, FX and brokerage firms collecting recurring fees, and any business that collects recurring euro payments from customers who want to understand how SEPA Direct Debit works mechanically and what direct processing changes in practice.

What SEPA Direct Debit is

SEPA Direct Debit, SDD, is the scheme that lets a business collect euro payments directly from a customer's account, on a recurring or one-off basis, once the customer has authorised it through a mandate. It sits alongside SEPA Credit Transfer as one of the three schemes under the SEPA umbrella, and it's the standard mechanism for subscriptions, membership fees and other recurring euro collections across the Single Euro Payments Area.

There are two SDD schemes. SDD Core is used for collections from consumers and gives the payer the right to a refund for up to 8 weeks after a collection, with no reason required, extending to 13 months for an unauthorised collection. SDD B2B is used for collections between businesses, carries no automatic right to a refund, and requires the payer's bank to verify the mandate before the first collection is processed, reflecting the different risk profile of business-to-business collections. FinXP processes SDD Core directly.

How mandates work

A mandate is the customer's authorisation for a business to collect payments from their account, and it underpins every SDD collection. Before the first collection, the customer must be given advance notice, known as pre-notification, of the amount and date, unless a shorter notice period has been agreed directly with the customer. The mandate itself must be stored and remain retrievable, as it's the evidence that a collection was properly authorised if a dispute arises.

Managing mandates well- tracking which are active, cancelled, or amended, and making sure pre-notification requirements are consistently met- is as much a part of running reliable SDD collections as the payment processing itself, arguably more so.

Aspect	Direct SDD Core processing (FinXP)	Indirect / sponsored SDD access
Settlement relationship	Held directly with CENTROlink	Routed through a sponsor bank
Mandate visibility	Direct oversight of mandate status	Visibility delayed via the sponsor's own systems
Return and dispute handling	Investigated and resolved directly	Escalated to the sponsor before resolution
Turnaround on R-transactions	Faster, with fewer handoffs	Slower, with an added processing layer
Reporting	Consolidated with other SEPA activity in one ledger	Handled separately from other payment flows

Why direct processing matters for SDD specifically

FinXP processes SEPA Direct Debit Core collections directly through its own CENTROlink participation as a Malta-licensed Electronic Money Institution, rather than routing them through a sponsor bank. For a business collecting recurring payments from consumers, this matters most at the points where SDD differs from a simple transfer: mandate management, and the handling of returns, refunds and disputes; collectively known as R-transactions.

Returns and disputes are a routine part of running SDD collections, not an exceptional event, given the refund rights built into the scheme. A business processing collection through a sponsor bank picks up an additional layer to work through whenever a payment is returned, or a customer disputes a collection; delaying a fast, clear resolution at exactly the point where it matters most, both for cash flow and for the customer relationship.

Reconciliation for recurring collections

Recurring collections create their own reconciliation pattern: expected collections that succeed, collections that fail or are returned, and mandates that are amended or cancelled between billing cycles. A consolidated ledger that reflects SDD activity alongside other SEPA and payment flows lets a finance team see actual collection performance clearly, rather than reconciling SDD returns against a separate report sitting apart from the rest of the account's activity.

What to check before choosing an SDD collections partner

- Is SDD processed directly, or routed through a sponsor bank
- How are mandates stored, tracked and made retrievable for dispute evidence
- What is the turnaround time for handling returns, refunds and disputed collections
- Does reporting consolidate SDD activity with other payment flows, or treat it separately
- Is SDD Core processed directly, and how are B2B or other collection types handled if your business needs them

Frequently asked questions

What is the difference between SDD Core and SDD B2B?

SDD Core applies to consumer collections and gives the payer a no-questions-asked refund right for eight weeks. SDD B2B applies between businesses, doesn't automatically entitle the payer to a refund, and requires the payer's bank to verify the mandate before the first collection. FinXP processes SDD Core directly; a business that specifically needs SDD B2B collections should confirm this with the team.

How quickly can a returned SDD payment be investigated?

With direct processing, returns are investigated in the settlement system, with no intermediary layer to work through first, which generally provides a faster route to resolution than a sponsored arrangement.

What happens if a customer disputes a collection they did not recognise?

Under SDD Core, the customer's bank can process a refund on the customer's instruction, drawing on the refund right built into the scheme. Having accurate, retrievable mandate records is what enables a business to respond to and, where appropriate, contest such disputes effectively.

Can a business run SDD collections alongside SEPA Credit Transfer payments through the same provider?

Yes. FinXP processes SDD Core collections and SEPA Credit Transfers via the same direct CENTROlink participation, with activity reflected in a single consolidated ledger.

NEXT STEP

FinXP processes SEPA Direct Debit Core collections directly through its own CENTROlink participation, alongside SEPA Credit Transfer, IBANs and card issuing under one EMI licence. Speak to the team about your recurring collections.

ABOUT FINXP

FinXP is a Malta-licensed Electronic Money Institution with Mastercard Principal Membership and direct CENTROlink SEPA participation; a licensed payments core built for sectors regulated-market institutions won't serve digital assets, marketplaces, cross-border payroll, and high-volume digital commerce, alongside fintechs, PSPs, and other regulated entities building on FinXP's infrastructure.

Built and self-funded over 12 years, without external investor pressure to change direction, FinXP provides account issuance, multi-currency IBANs, card issuance, and payment rails under a single licence, with onboarding reviewed by people rather than by automated rejection alone. Client funds are safeguarded in accordance with EMI regulatory requirements and held separately from FinXP's balance sheet.

FinXP operates across Malta, Germany and Lithuania, giving businesses one regulated partner across several European markets rather than a separate arrangement in each.

Your platform. Your rails. Your economics.

Related guides in this series

- **A Guide to SEPA Payments:** how direct settlement access changes what a business can rely on for euro payments.
- **A Guide to Payouts and Mass Disbursements:** what it takes to run reliable payouts at volume, and how direct rail access changes speed and cost.
- **A Guide to PayTech Infrastructure:** why holding accounts, card issuing and payment rails under one licence is a more resilient model than a stitched-together stack.