

Paying by Pre-Authorized Debit



Canadian
Payments
Association

The Canadian Payments Association (CPA) and its member financial institutions have established certain terms and conditions for the processing of PADs to ensure that these transactions are properly authorized and to provide protection against improper PAD withdrawals. This brochure outlines key provisions of the CPA's Rule H1 - Pre-Authorized Debits, which is available on the CPA Web site at www.cdnpay.ca.

Understanding Your

Rights & Responsibilities

Pre-authorized debits (PADs) are a convenient way of paying bills or transferring funds for investments when these transactions occur on an ongoing basis. Examples of frequent uses include mortgage and utility payments, RRSP contributions, insurance premiums and charitable donations.

How PADs Work

You arrange to set up a PAD directly with the biller you want to pay by signing a written agreement. (A secure electronic signature that uniquely identifies you may be used to do so.) Once this agreement is in place, the biller will automatically issue PADs to withdraw money for payments from your account at a financial institution.

The agreement should specify the account from which the funds are to be withdrawn, as well as the amount and the frequency if the payments are for a set amount and follow a regular schedule.

The agreement may also provide for PADs that vary in amount or timing.

- If the PAD follows a set schedule but the amount varies, the biller must give you at least 10 days notice of the amount before withdrawing the funds, unless you agree to waive or shorten this period, or you request a change of amount.

- If the PADs do not follow a regular schedule, the biller must obtain your authorization for each withdrawal from your account. After you have signed the written agreement, this additional authorization may be provided, for example, through a password or a secret code.

The biller may ask for a copy of a blank cheque to ensure information about your account and branch is accurate. Be sure to write VOID in ink across the front of the cheque, and do not sign it.

Your Rights & Responsibilities

- 1 Make sure that you receive a copy of the PAD agreement that you sign, and verify that it includes information on how to cancel it. Do not provide your account number or a void cheque to a biller unless there is a written agreement. You should never provide the PIN or password for your account.

- 2 Advise the biller immediately if you change your account details (number, financial institution, etc.). If you do not inform the biller, the PAD may continue to be sent to the original account and could be returned. This may result in disruption of service or cancellation of a contract by the biller.
- 3 Keep sufficient funds in your account to pay PADs when they are due. If the PAD is rejected due to insufficient funds, the biller may withdraw the funds from your account at any time during the next 30 days.
- 4 Check your statement or account records regularly to confirm that withdrawals are made in accordance with the agreement you signed with the biller.
- 5 If you wish to cancel your agreement, advise the biller and keep a record of the cancellation. Check your account records to confirm that the withdrawals stop.
- 6 Inform the biller immediately if any withdrawal is not consistent with the agreement you signed (e.g. different amount or date), or if a PAD is processed after the expiry of a contract or lease.

If you do not succeed in resolving the problem with the biller, or if the debit is fraudulent, you may ask your financial institution to reverse the transaction and return the funds to your account, subject to the timeframes below.

(This provision may not apply if you are transferring funds to another account you hold at a different CPA member financial institution. Ask the financial institution that will receive the funds, or check the agreement you sign.)

- As a consumer, you have 90 calendar days from the date of the withdrawal to report the problem to your financial institution and seek reimbursement. You will be asked to sign a declaration stating why the PAD is being returned.
- For business-related PADs, if there is no contract between your business and the biller, you have 90 calendar days after the withdrawal to report a problem to your financial institution and seek reimbursement. Any other discrepancies (e.g. incorrect amount) must be reported to your financial institution within 10 business days.
- If a business uses PADs for cash management purposes (e.g. to withdraw funds from the account of an affiliate or subsidiary), the payor's financial institution will reverse a PAD only if no agreement exists between the two entities and the payor reports the unauthorized debit within 90 days.

For additional information, please contact your financial institution or:



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