

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.

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.

How PADs Work

You arrange to set up a PAD through an agreement that you establish directly with the biller you want to pay. This agreement (called a Payor's PAD Agreement) may be made in writing or through electronic communication channels such as the telephone or Internet, subject to certain requirements. Once this agreement is in place, the biller will automatically issue PADs to withdraw money for payments from your account at a financial institution.

To initiate PADs, the biller will require your account number and the numeric codes that identify your financial institution and the specific branch where your account is held. You will be asked either to provide these details when you complete the Payor's PAD Agreement, or to provide a blank cheque from which the biller can obtain this information. Be sure to write VOID in ink across the front of the cheque, and do not sign it. You should never provide the PIN or password for your account.

Your Payor's PAD Agreement should specify:

- The **amount** of the PAD if the arrangement is for fixed amounts, or a statement that the amount will vary (for example, a PAD to pay a utility bill may vary according to your usage).

PADs for variable amounts require that the biller 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.

Exception: *Pre-notification is not required if the amount decreases due to a **reduction** in a federal, provincial/territorial or municipal tax.*

- The **frequency** of the payments or the criterion that will result in a PAD (for example, a Payor's PAD Agreement could specify that a PAD will be issued each time you purchase services totaling a certain amount).

If the frequency will vary and a criterion resulting in a PAD is not defined, the Payor's PAD Agreement should indicate that the PADs will be **sporadic**. The biller must obtain your authorization for each sporadic PAD. After you have signed the agreement, this additional authorization may be provided, for example, through a password or a secret code.

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. If you have authorized the PADs electronically, the biller is required to send you confirmation of the terms in writing at least 15 days before the first scheduled debit (unless you and the biller mutually agree to a shorter period).
- 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 your agreement.

Recourse for Incorrect or Unauthorized PADs

If an unauthorized debit or one that does not follow the terms of your Payor's PAD Agreement is processed to your account, you may ask your financial institution to reimburse 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 make a reimbursement claim stating why the PAD is being returned. Some financial institutions may offer clients the option of making a reimbursement claim via telephone or Internet banking.
- 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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