

Direct debits

When you arrange a direct debit, you are essentially giving someone else permission to take funds directly from your bank account. A direct debit authority acts as your instruction to your bank or other banking service provider to accept debits from your account by another person or business (known as the direct debit initiator).

So, for example, you might arrange a direct debit with your power or telecommunications company so that your monthly bill can be taken automatically from your account without having to arrange separate payment each time.

Is a direct debit the same as an automatic payment?

No. Direct debits are different from automatic payments. An automatic payment is an instruction to your bank to make a regular payment of a fixed amount from your account to someone else, either for a fixed period of time or indefinitely.

A direct debit allows the direct debit initiator to submit the specific amount to be debited from your account – so the amount can vary each time.

What happens if I don't have enough money in my account to pay the direct debit?

This depends on your bank. Your bank will exercise its commercial judgement in deciding whether or not to pay it.

Some banks will not make the payment, while others will make it but may then reverse it. Your bank may allow the transaction to occur even if there are insufficient funds in the account and treat it as a request for an overdraft.

As with other forms of payment, direct debits have to go through the clearance system and can be dishonoured.

How to contact us

Can I cancel a direct debit with my bank?

Yes, you can cancel a direct debit authority at any time through your bank – and your right to do so is usually set out on the direct debit authority form. Generally your bank will require you to also give notice that you wish to cancel to the initiator

While the bank must act on your instruction to cancel a direct debit authority, contacting the initiator may prevent direct debits about to be processed or partly processed from being sent to your account. If the initiator is not aware of your instruction to cancel the authority, they may send through further transactions.

It is important to note that the direct debit system is solely a method of collecting payments, and the banks are not responsible for the underlying contract between you and the initiator. There is a distinction between cancelling the underlying contract and cancelling the payment mechanism (in this case, the direct debit). For example, if you cancel a direct debit authority for your power bill, and your power company is still supplying power, they will still expect payment (by some means) for the agreed supply of power.

What happens if my bank doesn't cancel a direct debit authority when I ask it to?

If you suffer a direct financial loss as a result of your bank's failure to cancel a direct debit authority, you may be entitled to compensation. This could include refunding you overdraft fees or penalty interest resulting from the unauthorised direct debit(s). Your bank may also be obliged to credit the funds that have been debited without authority, unless you have benefitted in some way from the payments. For example, if your power company has provided you with power, and you have not paid for it by any other way, you have received a benefit from the direct debit payment, even though it was not authorised.

How to contact us

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