

Cancelling a direct debit on a statement account

Key Message:

1. You can cancel a direct debit from your bank account (not a credit card)
2. Get advice about the consequences of not paying a debt before you stop payments.

What is a direct debit?

A direct debit is an automatic payment transferred from your bank account (not a credit card) to pay a bill or debt.

Can I cancel a direct debit?

YES. You can cancel a direct debit on a statement account (sometimes called a saving account) by contacting your bank.

Different rules apply for credit cards.

Most banks are bound by the [Code of Banking Practice](#) which states that a Bank 'will take and promptly process your instruction to cancel a direct debit request relevant to a banking service we provide to you'. Credit unions and mutual building societies have similar obligations under the [Mutual Code of Banking Practice](#).

Does cancelling a direct debit have consequences?

Cancelling a direct debit **may have consequences**. Some contracts require payment by direct debit, meaning that if you cancel the direct debit you may breach the contract or be required to pay more. Stopping payments under a contract without lawful grounds may result in a debt being owed to the trader. You should seek legal advice from Consumer Action's public advice line if you are unsure about the consequences of cancelling a direct debit or stopping payment of a debt.

How do I cancel a direct debit?

Step 1: Tell your bank that you want to cancel the direct debit. You could do this by

Step 2: Tell the recipient of the funds that the direct debit has been cancelled.

Step 3: Check with your bank a few days later and check your statements to make sure the direct debit has been cancelled.

Some banks might put restrictions on how they want you to give an instruction to cancel a direct debit (e.g. by filling out a special form in a branch). If the bank is making it too hard for you, seek advice about whether it is breaching its obligations.

What if the bank tells me that it can't cancel a direct debit?

The bank cannot lawfully refuse your request for cancellation on a statement account (sometimes called a saving account).

If a bank worker refuses to cancel a direct debit, tell them that, under clause 19.1 of the Code of Banking Practice, a bank must 'promptly process your instruction to cancel a direct debit request relevant to a banking service we provide to you'.

Don't be surprised if you have to do this. A 2008 study indicated that found that 80 per cent of consumers were receiving incorrect or partially incorrect information from bank staff when they asked to cancel their direct debit (Code Compliance Monitoring Committee, 2008).

If your bank or financial institution fails to cancel the direct debit according to your instructions, or money is taken from your account, you can attempt to claim this amount back.

Warning: This fact sheet is intended as a guide to the law and should not be used as a substitute for legal advice. This information applies only in Victoria and reflects the law as at 20 March 2012.



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If you experience any problems you can:

1. make a complaint to your bank's Internal Dispute Resolution team;
2. if your dispute is not resolved, make a complaint to the [Financial Ombudsman Service](#) or [Credit Ombudsman Service](#);
3. seek advice from Consumer Action's public advice line.

Further information

Consumer Action Law Centre

Telephone: (03) 9629 6300, or 1300 881 020 for country callers.

Email: advice@consumeraction.org.au

Free telephone and email information regarding credit and debt and consumer law matters



If you are deaf or have a hearing or speech impairment, you can call through the National Relay Service (NRS):

- TTY users can phone 133677 then ask for 1300 881 020

- Speak & Listen (speech-to-speech) users can phone 1300 555 727 then ask for 1300 881 020

- Internet relay users can connect to NRS on www.relayservice.com.au then ask for 1300 881 020

Financial Ombudsman Service

Tel: 1300 78 08 08

http://fos.org.au/centric/home_page.jsp

Credit Ombudsman Service

Tel: 1800 138 422

www.cosl.com.au

Moneyhelp

Telephone: 1800 149 689

www.moneyhelp.org.au

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Sample letter cancelling direct debit

[Your name]
[Address]
[SUBURB STATE POSTCODE]

[Date]
[Bank name]
[Bank's address details]

Dear Sir or Madam

Account no [insert] and Direct Debit in favor of [Business]

[Business] has been direct debiting the sum of \$[amount] on a weekly/fortnightly/monthly basis from the above account.

I hereby withdraw my authority to have this account directly debited by [Pay Business] effective immediately.

Please ensure that the direct debit in place is cancelled pursuant to clause 19.1 of the Code of Banking Practice and the and no further monies are withdrawn by [Business] from this account or any other account in my name.

Any direct debits from my account by [Business] from this date forward will be your responsibility.

Yours faithfully

[Your name]

cc: [Business]

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