

# PAD Agreement - Requirements, features and models

## Payments Canada requirements for pre-authorized debits

As a pre-authorized debit issuing company, you must comply with the new Payments Canada requirements if you wish to offer your customers direct withdrawal services.

### Applicable rules

Responsibilities and obligations with regard to pre-authorized debits are described in Payment Canada's [Rule H1 – Pre-Authorized Debits \(PADs\) \(PDF, 447 KB\)](#) and in the AccèsD Affaires Enrollment Agreement. Please read the information in this section and contact an AccèsD Affaires advisor at [1-888-233-2473](tel:1-888-233-2473) to update your direct withdrawal service file (pre-authorized debit).

### 2 mandatory documents

<b>AccèsD Affaires Enrollment Agreement</b>	<p>You must sign the AccèsD Affaires Enrollment Agreement, which contains the terms and conditions of the direct withdrawal (pre-authorized debit) service.</p> <p>You can get this agreement from an AccèsD Affaires advisor or at your caisse when you sign up for the service.</p>
<b>Payor's PAD Agreement</b>	<p>You'll have to prepare and implement a Payor's PAD Agreement for your customers.</p> <p>This is a form, commonly called Direct Withdrawal Authorization, that your customers must fill out to authorize a pre-authorized payment or debit from their account.</p> <p>This Agreement must contain the mandatory provisions required under Rule H1.</p>

### Learn more

- [Types of PADs and features](#)
- [Payor's PAD Agreement details](#)
- [Checklist and model Payor's PAD Agreements | Desjardins](#)
- [How to ensure compliance with the requirements](#)

### Terminological equivalence

The following table shows certain equivalencies between the terms used in Desjardins documentation and those used by Payments Canada.

Terms used by Desjardins	Terms used in the Payments Canada Rule H1
PAD issuing company or PAD issuing organization	Billers or Payee (of PAD)
AccèsD Affaires Enrollment Agreement	Payee Letter of Undertaking
Desjardins caisse, Fédération des caisses Desjardins du Québec and AccèsD Affaires	Sponsor member (financial institution member of Payments Canada that sponsors a payee)

Terms used by Desjardins	Terms used in the Payments Canada Rule H1
Financial institution that holds the payor's account processing institution	Processing member (financial institution member of Payments Canada that processes the PAD)

# How to ensure compliance with the requirements

Here's a summary of the key elements you'll need to bear in mind to comply with Payments Canada requirements on pre-authorized debits (PADs). All **new** Agreements must comply with these requirements by December 31, 2023.

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## Written confirmation of a Payor's PAD Agreement

You must send a written confirmation to the payor at least 10 calendar days before the first PAD under an Agreement.

See Appendix IV of Rule H1 for information about the [mandatory elements the confirmation \(PDF, 447 KB\)](#).

Note: If your company and the payor agree, the standard 10-day period for providing written confirmation can be reduced or waived. If the payor waives the confirmation requirement before the due date of the first PAD, the beneficiary must provide the payor or make available to them a confirmation within 5 calendar days of the date of the first PAD. If the Payor's PAD Agreement contains a clause allowing a reduction in the standard 10-day confirmation period or waiver of confirmation, this clause must be prominent (underlined, highlighted or in bold) to ensure that the payor is aware of it. No waivers may be made for sporadic or one-time PADs.

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## Additional authorizations for sporadic or one-time PADs

The Payor's PAD Agreement must contain provisions that address this topic.

A Payor's PAD Agreement that authorizes sporadic PADs must state that the issuing company is required to obtain due authorization from the payor in accordance with Rule H1 for each sporadic PAD that the payee issues against the payor.

For example, recording a telephone call in which the payor authorizes the PAD with a password or secret code could serve this purpose, provided that a signed Payor's PAD Agreement is already in place.

A Payor's PAD Agreement that authorizes a one-time PAD must state that the issuing company is required to obtain a signed or duly authorized Payor's PAD Agreement for each sporadic PAD that they issue.

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## Pre-notification requirement

If the PADs are for variable amounts or if you plan to adjust the amount specified in the Payor's PAD Agreement, you must notify the payor in writing at least 10 calendar days before the withdrawal date, unless the payor has agreed to reduce or waive this pre-notification, either in the Payor's PAD Agreement or through a separate authorization, or unless the payor directly instructs you to change the amount.

Exception: Pre-notification is not required if there is a change in the PAD amount due to a reduction in a federal, provincial or municipal tax.

Note: If a clause to reduce or waive the standard 10-day pre-notification period is included in the Payor's PAD Agreement, it must be prominent (underlined, highlighted or in bold) to ensure that the payor is aware of it.

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## Retention of Payors' Agreements and authorizations

You must retain a copy of each Payor's PAD Agreement, an audit trail and any other authorization while the Payor's PAD Agreement is in force and for at least 1 year after the last PAD. You must be able to produce them on request.

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## Cancellation provisions for payors

Your Payor's PAD Agreement must contain information on how payors can cancel the PAD arrangement.

You must also act promptly on payors' instructions to cancel their PADs. In these cases, PADs should be cancelled before the next scheduled withdrawal, as long as you have received the

request in sufficient time (normally a few days) to allow you to do so. You must ensure all PAD cancellation requests are processed within 30 calendar days.

<b>Notice to customers if your company changes its name</b>	If your organization changes its name, you must provide written notice to each payor at least 10 calendar days before the next PAD.
<b>Transferring PAD Agreements to another company</b>	<p>You may not transfer any of your contractual agreements with payors for PADs to another organization (for example, through the sale of the company or a business unit, or to a collection agency where otherwise permitted) unless you have provided payors with the full details of the transfer, including the name and contact information of the new company, at least 10 days before the first PAD is issued in the proposed new company's name.</p> <p>Furthermore, you may not transfer your Enrolment Agreement or equivalent contract with your financial institution to another party without your financial institution's written consent.</p>
<b>Responsibility for payor reimbursement claims</b>	<p><b>Personal PADs</b></p> <p>If a payor disputes the validity of a PAD within 90 days and makes a claim that a debit was not made in accordance with their instructions, under Payments Canada Rules the payor's financial institution is required to reimburse the funds. The PAD will then be returned through the clearing system, and Desjardins will charge it back to you.</p> <p><b>Business PADs</b></p> <p>For Business PADs, the recourse period is 90 calendar days if the payor claims that there is no agreement and 10 business days for other discrepancies.</p>
<b>Conditions that apply to reclearing returned PADs</b>	If a PAD is returned due to insufficient funds (NSF), you can re-present the payment item only once, within 30 days of the original transaction. If you re-present the PAD, it must be for <b>the same amount as the initial transaction</b> .
<b>Notice of change in the payor's banking information</b>	If you receive a Notice of Change from Desjardins advising you of a change to a payor's branch transit number or account number that does not involve a customer changing their financial institution, you must update your files to reflect the new information so that the PADs can continue to be routed efficiently to the correct account.

Source: Payments Canada

#### Find out more

Visit [Payments Canada's](#)  website.

# Types of PADs and features

There are 4 types of pre-authorized debits (PAD). There are 3 for issuing companies and 1 for financial institutions.

Type of PAD	Features
<b>Personal PAD</b>	<ul style="list-style-type: none"><li>▪ The payor is a consumer.</li><li>▪ This type of PAD is used to pay for goods and services.</li><li>▪ Examples: mortgage payments, insurance premiums, utility bills, membership fees, loans, credit card bills, charitable donations, and investment contributions to companies that are not members of Payments Canada.</li></ul> <p><b>Recourse rights and claims</b></p> <p>Payors have 90 calendar days to make a claim with their financial institution that there is no Payor's PAD Agreement, if the Agreement was revoked, if the PAD does not comply with the Agreement or if the payor did not receive the pre-notifications specified in the Agreement.</p>
<b>Business PAD</b>	<ul style="list-style-type: none"><li>▪ The payor is a business.</li><li>▪ This type of PAD is used to pay for goods and services related to business or commercial activities.</li><li>▪ Examples: payments between businesses and suppliers, franchisees and franchisors or dealers and manufacturers.</li><li>▪ Business PADs should be identified by transaction codes 700 to 749, as specified in the User Guide and in <a href="#">Payments Canada's Standard 005 (PDF, 149 KB)</a>.</li></ul> <p><b>Recourse rights and claims</b></p> <p>Payors (businesses) have 90 calendar days to make a claim with their financial institution that there is no Payor's PAD Agreement, and 10 business days for other eligible reasons.</p>
<b>Cash Management PAD</b>	<ul style="list-style-type: none"><li>▪ Users are businesses or closely related businesses.</li><li>▪ This PAD type is used to consolidate or reposition funds between accounts held at different financial institutions.</li><li>▪ It should be identified by transaction code 420 or 717, as specified in the User guide and in <a href="#">Payment Canada's Standard 005 (PDF, 149 KB)</a>.</li></ul> <p><b>Special agreement</b></p> <ul style="list-style-type: none"><li>▪ You can use the standard Enrolment Agreement and arrange Business PADs with a Payor's PAD Agreement among the various entities.</li><li>▪ You can use the special Cash Management PAD Agreement, which requires each entity's signature, but a Payor's PAD Agreement is not required.</li></ul> <p>An AccèsD Affaires advisor can help you with this choice.</p>
<b>Funds Transfer PAD</b>	<ul style="list-style-type: none"><li>▪ Only a financial institution can issue this type of PAD.</li><li>▪ It's used to transfer funds between accounts held in the name of the same person with different Payments Canada member institutions.</li></ul>

## **Fixed or variable amount**

The Payor's PAD Agreement must specify whether the debits are for a fixed or variable amount, or both, and any conditions that apply to the amounts.

The business must provide a written notice of the date and the amount to be debited at least 10 calendar days before the due date of the first PAD. For variable amounts, the notice is required prior to each debit. The payor can waive this notification in the Payor's PAD Agreement or in a separate document. This does not apply to one-time (or single) PADs, since a new Agreement must be created for each such PAD. The [model Payor's PAD Agreement](#) documents made available by Desjardins contain a specific statement to that effect.

## **Timing**

The Payor's PAD Agreement must set out the timing for the pre-authorized debits, which may occur at set intervals or may be sporadic or one-time.

### **Pre-authorized debits at set intervals**

Pre-authorized debits that occur at set intervals take place at specified, set or predictable periods or dates, or upon the occurrence of criteria or events that are set out in a Payor's PAD Agreement.

Rule H1 now contains an expanded definition of set interval, under which the period between the PADs may vary, as long as the circumstances triggering a PAD are clearly defined in the Payor's PAD Agreement.

**Example:** Payors may agree to a PAD each time their service fees, e.g., for their cell phone, reach a certain amount. If they agree, payors must understand that they will not receive a pre-notification unless provided by the service provider.

### **Sporadic pre-authorized debits**

These pre-authorized debits occur occasionally, irregularly, intermittently, infrequently and not at set intervals.

### **One-time pre-authorized debits**

Pre-authorized debits occur once, on a set date. One-time PAD Agreements allow for a single withdrawal only. They are automatically terminated once the payment is made. Any other PAD transaction requires a new Agreement.

# Payor's PAD Agreement details

## Requirements

Rule H1 lists **7 mandatory provisions** that must be included in any Payor's pre-authorized debit (PAD) agreement. Your caisse or AccèsD Affaires is responsible for confirming that your Payor's PAD.

Agreement contains these 7 provisions:

- Date and signature of the Agreement
- Authorization to debit specified account
- PAD type (Personal or Business)
- Amount and timing of the PAD, or the specifics of the timing of the PAD (see part IV of Rule H1 for details)
- Cancellation method and time frame (maximum 30 days) for the Agreement, including information on how to obtain a sample cancellation form
- Contact information for the PAD issuing company that a payor can use to make inquiries, obtain information or seek recourse
- Statement on recourse rights and reimbursement procedure

Additional requirements apply for variable, sporadic and one-time PADs, and in cases where the company asks the payor to enter into a PAD to reduce or waive the standard notice period applicable under certain circumstances.

### Learn more

See Appendix II of [Rule H1 – Pre-Authorized Debits \(PADs\) \(PDF, 447 KB\)](#) on the Payments Canada website.

## Validating a Payor's PAD Agreement

- Send your Payor's PAD Agreement template (in hard copy, electronic format or call script) to an AccèsD Affaires advisor.
- The advisor will guide you through the AccèsD Affaires registration process if you haven't already registered, adding the direct withdrawal service.
- Use the approved Payor's PAD Agreement form for any pre-authorized debit authorized by a customer (once the Agreement has been signed).
- Submit your procedures for verifying a payor's identity and authorization for approval. The AccèsD Affaires advisor can help you with this process.

### Learn more

See the [Checklist and model Payor's PAD Agreements page](#).

## Existing Payor's PAD Agreement

A Payor's PAD Agreement (or direct withdrawal authorization) that is currently in effect does not need to be replaced. However, payors may have new recourse rights.

# Checklist and model Payor's PAD Agreements

To determine which PAD Agreement template to use, see the decision support table that is based on the documents provided by Payments Canada:

	Set interval PADs	Sporadic PADs	One-time PADs
Agreement format	Hard copy, electronic or voice recording		
Amount	Fixed or variable	Fixed or variable	One-time
<b>Payor's PAD Agreement</b>	The consent or agreement of a payor whose identity has been verified by commercially reasonable methods is <b>always mandatory</b> .		
<b>Written confirmation</b>	<ul style="list-style-type: none"> <li>▪ The payor can waive the confirmation or shorten the confirmation period.</li> <li>▪ The beneficiary must provide or make available a confirmation within 5 calendar days after the date of the first PAD.</li> </ul>	The payor cannot waive it.	<ul style="list-style-type: none"> <li>▪ The payor can waive the confirmation or shorten the confirmation period.</li> <li>▪ The beneficiary must provide or make available a confirmation within 5 calendar days after the date of the first PAD.</li> </ul>
<b>Pre-notification before the first PAD</b>	<ul style="list-style-type: none"> <li>▪ At least 10 calendar days before the first PAD.</li> <li>▪ The payor can waive it before the due date of the first PAD.</li> </ul>	The beneficiary must obtain the payor's authorization for each PAD prior to each PAD being exchanged and cleared.	The beneficiary must obtain a new Payor's PAD Agreement for any subsequent PAD.
<b>Pre-notification before the next PAD if there is an amount or date change</b>	<ul style="list-style-type: none"> <li>▪ At least 10 calendar days before the next PAD.</li> <li>▪ The payor can waive it before the due date of the first PAD.</li> <li>▪ Exception: The pre-notification is not required if the amount is decreased due to a reduction in a municipal, provincial or federal tax</li> </ul>	The beneficiary must obtain the payor's authorization for each PAD prior to each PAD being exchanged and cleared.	The beneficiary must obtain a new Payor's PAD Agreement for any subsequent PAD.
<b>Waiver</b>	Waiver provisions may be included in a separate document or in the Payor's PAD Agreement. If they are included in the Payor's PAD Agreement, they must be prominent (underlined, highlighted or in bold).		The payor cannot waive the beneficiary's obligation to request authorization.
<b>Record keeping</b>	The beneficiary must retain an audit trail that includes the PAD Agreement and proof of authorization for at least 12 months after the last PAD processed under the Agreement.		



	Set interval PADs	Sporadic PADs	One-time PADs
Agreement format	Hard copy, electronic or voice recording		
Amount	Fixed or variable	Fixed or variable	One-time
Cancellation of an Agreement by the beneficiary	<ul style="list-style-type: none"> <li>The beneficiary can cancel a PAD Agreement by providing 30 calendar days' written notice.</li> <li>The PAD Agreement must contain the mandatory information required to cancel the Agreement.</li> <li>A cancellation notice in the form required by Appendix VI of <a href="#">Rule H1 – Pre-Authorized Debits (PADs)</a> (PDF, 12.63 KB) may be used.</li> </ul>		
Model documents	Set interval PAD model: <ul style="list-style-type: none"> <li><a href="#">PDF (1.66 MB)</a></li> </ul>	Sporadic PAD model: <ul style="list-style-type: none"> <li><a href="#">PDF (1.09 MB)</a></li> </ul>	One-time PAD model: <ul style="list-style-type: none"> <li><a href="#">PDF (1.09 MB)</a></li> </ul>

## Model Payor's PAD Agreement

The models available below meet the new Rule H1 requirements. They can be personalized in Word, but the mandatory provisions must be maintained. The AccèsD Affaires approval process will be faster if you use the models without making any changes.

The PDF models allow you to include your company logo and can be filled out as an electronic version.

The model below is a non-modifiable PDF. It contains various options for pre-authorized debits (PADs) and includes a legend listing the 7 mandatory elements set out in Rule H1.

### PAD model with legend:

- [PDF version \(931 KB\)](#)