

## **DEBITS BY AUTHORIZATION**

### **Introduction**

1. Debits by Authorization are a method of making payments under which the beneficiary charges the payer via a bank. The payer's bank account is debited and the beneficiary's account is credited on the basis of a letter of authorization submitted by the beneficiary and given by the payer.
2. Payments made under this method involve the beneficiary, the payer, and their banks. Consequently, a system of written contracts regulating the relations between the parties must be in place. Letters of authorization and of indemnity must also be drawn up expressing all the relations between the parties.
3. The purpose of this regulation is to arrange the payment system by means of authorized debits, primarily as regards to preserving the rights of the payer (henceforth, the arrangement).
4. It is hereby stated that this regulation does not make the bank responsible to the payer with regards to a transaction between the beneficiary and the payer.

### **Bank contact with beneficiary** (3/97)

5. (a) If a beneficiary contacted the bank for the purpose of the arrangement, the bank shall first examine the nature of the party making the request and the chances that he will fulfill all the terms of the arrangement and the agreement between him and the bank.
- (b) The bank shall receive a letter of indemnity from the beneficiary in which he undertakes to indemnify any payer or bank for damage incurred because of a deficiency in the material he submitted.

- (c) (1) The bank shall receive from the beneficiary a commitment stating that if there are several debits for the same payer, the beneficiary will inform the payer what is the amount and origin of each debit, unless these details appear on the statement sent by the bank to the payer. The notice informing the payer shall be sent to him near the date on which his account is debited;
- (2) Despite the aforesaid in section (1), if there are several debits for the same payer, the total of which is determined in the agreement with the customer, and the amount of the debit changes only as a result of the addition of indexation differentials, a detailed notice as aforesaid, sent at least once a year, will suffice. If, however, there is a change in the composition of the payment during the year, another detailed notice, as specified in section (1), should be sent.

**Letter of authorization**

6. (a) The letter of authorization shall not be general but should refer to a specific beneficiary and specific kinds of payments, such as electricity bills, telephone, property tax, water, provident fund, insurance, mortgages, Mifal Hapayis (national lottery), newspaper subscriptions, etc.
- (b) The letter of authorization shall not include a condition that exempts the payer's bank from responsibility for negligence.
- (c) If the amount of the debit or date of payment is known at the time the authorization is given, these details shall be noted in the letter of authorization. If the letter of authorization is for a specified period or a predetermined number of payments, the period or number of payments shall be noted in the letter of authorization. If only the base amount which is indexed is known, this amount should be specified in the letter of authorization, as well as the information regarding what it is indexed to, and what is the indexation base.
- (d) If the amount or date of the debit are not known, or are subject to be changed, this fact shall be specified in the letter of authorization, as shall the party determining them, and the principles underlying their determination.

- (e) The letter of authorization shall specify the payer's right to cancel the debit and to annul the authorization, and the way this may be implemented.
- (f) The letter of authorization shall specify the contents of section 9 below, regarding the procedure for removing a payer from the arrangement.
- (g) A copy of the letter of authorization shall be kept by the payer's bank; if the payer has signed the letter of authorization at the bank, the bank shall give him a copy of it.
- (h) The bank shall draw the customer's attention to the fact that the details in the letter of authorization and its completion are matters which the payer must arrange with the beneficiary.

**Request to change an account debited by a letter of authorization** (1/00)

- 6a. (a) A customer whose account in a given bank (henceforth, the transferring bank) is debited in accordance with a letter of authorization, and who wishes the debit to be implemented in an account at another bank (henceforth, the receiving bank), the following provisions shall apply:
- (1) The transferring bank shall place at the customer's disposal in the branch, or shall enable the customer to withdraw at an ATM, a list of his authorized debits that includes at least the following details: name of the institution, code of the institution, date on which the authorization was made or on which the first authorized debit was made, and the date on which the authorization concluded if the last date was established.
  - (2) Within 7 business days, the transferring bank shall give the customer who requests that the debit be made from his account at the receiving bank, a copy of the letter of authorization according to which his account is debited (henceforth, an original letter of authorization). If a certain original letter of authorization is not found within that time frame, the transferring bank shall inform the customer of this in writing.

- (3) The receiving bank shall obtain the customer's signature on forms such as those appended to this regulation, and shall attach to them a copy of the original letter of authorization.
  - (4) If a customer has not given the receiving bank a copy of the original letter of authorization, the receiving bank shall debit the customer's account in accordance with the information listed in section (1); the receiving bank shall act as stated for six months. If a bank has acted as stated for three months, the receiving bank shall send the customer a notice informing him that the bank will act as stated only for another three months, and if the customer does not sign an authorization as stated in section 6, the debits will be returned.
  - (5) The receiving bank shall transfer to the beneficiary the customer's statement regarding the change in the details of the account to be debited.
- (b) With regard to the contents of this regulation, form no. 1 in the annex shall be considered a "letter of authorization", and the provisions of section 6 shall not apply to it.

**Request to debit account by authorization** (7/99)

- 6b. (a) If a bank has received a request to debit an account by authorization, the bank shall give the beneficiary a positive or negative reply within 7 business days of receiving the request. If the reply is negative, the bank shall also inform the payer of this within 7 business days of receiving the request, giving the reason for its negative reply.
- (b) The bank shall document negative replies given as stated in subsection (a), including the reasons for them.

**Cancellation of debit by payer**

7. (a) The payer is entitled to cancel a specific debit by informing his bank, provided the aforesaid notice is given to the bank at least one business day before the date of the debit;

- (b) The payer is entitled to demand that the bank cancels a debit if the debit was made in accordance with an authorization that was cancelled under section 8;
- (c) A payer is entitled to demand that the bank cancels a debit not more than ninety days from the date of the debit, provided he proves to the bank that the debit does not match the dates or amounts determined in the letter of authorization, if they were determined;
- (d) A cancellation demand shall be submitted to the bank in writing, and as far as possible on a special form, and a copy signed by the bank shall be submitted to the person who canceled it.
- (e) If a cancellation demand has been received, the bank must act in accordance with it, without requiring the agreement of the beneficiary;
- (f) In order to avoid confusion, it is clarified that a payer who is entitled to cancel a debit as stated, is not entitled to demand that the bank correct or amend a debit.

**Cancellation of authorization** (3/97) (7/99)

8. (a) The payer is entitled to cancel his authorization at any time;
- (b) The notice of cancellation shall be submitted in writing, as far as possible on the appropriate form, and shall be handed to the payer's bank. If a cancellation order has been given at the bank, the bank must hand the payer a copy signed by the bank.
  - (c) The cancellation shall go into effect one business day after the notice has been handed to the bank;
  - (d) If the bank has debited the payer's account despite the cancellation as stated in this section or in section 7, the bank shall refund the customer the amount debited at its same-day value;
  - (e) If an authorization has been given for an unlimited period and it has not been used for a period of 24 months from the date of the last debit, it is cancelled.

**Removal of payer from arrangement**

9. A bank may remove a payer from the arrangement if it has a reasonable cause to do so and informs the payer as soon as the decision is made, noting the reason for doing so.

**Returned debit** (3/97)

- 9a. If a debit is returned by the bank not at the instruction of the payer, the bank shall inform the payer that the debit has been returned as soon as it is done, noting the reason for this.

**Identifying the debit in a statement**

10. The statement that a bank sends the payer shall contain the amounts of the authorized debits or their return in such a way as to enable the payer to identify the beneficiary; this shall be done by noting the beneficiary's name or code. In the latter case, the bank must ensure that the key to the code is available to the payer.

**Debits via debit cards** (7/99) (1/00)

11. These procedures, except for those under section 6b, shall not apply to debits via debit cards as defined in the Debit Card Law, 5746–1986.

**ANNEX: EXAMPLES OF FORMS UNDER SECTION 6A.(A)(3)**  
**(OF REGULATION 439)**

**FORM NO.1**

To:

Bank: \_\_\_\_\_

Branch: \_\_\_\_\_

Details of "Receiving Bank" account to be debited

("Receiving account")

<u>No.</u>	<u>Bank</u>	<u>Branch</u>	<u>Type</u>
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Details of "Transferring Bank" account to be debited

("Transferring account")

<u>No.</u>	<u>Bank</u>	<u>Branch</u>	<u>Type</u>
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Details of 'Beneficiary'

("Beneficiary")

<u>Institution code</u>	<u>Reference/Customer's identifying no.</u>
<u>Beneficiary's address</u>	

**RE: Changes in instruction to debit account under "Arrangement for Debits by Authorization"**

1. I/we the undersigned \_\_\_\_\_  
Full name (account holders \_\_\_\_\_ Identity no. \_\_\_\_\_ Address \_\_\_\_\_  
as recorded in bank's books)

hereby request that you transfer to the beneficiary a copy of my notice to him regarding the changes in the details of the account to be debited, as well as a copy of the letter of authorization given by me/us to the transferring bank (if I/we have submitted such a letter) (henceforth, the original letter of authorization).

2. I/we hereby instruct you to debit the account with you whose details are given above as the "Receiving account", for debits to be presented to you from time to time by the beneficiary, and as specified in the original letter of authorization (if such a letter has been submitted to you). I/we know that in the absence of an original letter of authorization, and without my/our signature on a new letter of authorization within six months, the debits will be returned.
  
3. (Each bank may fill in additional points, as it sees fit).

\_\_\_\_\_  
Date

\_\_\_\_\_  
Full name

\_\_\_\_\_  
Signature

**FORM NO.2**

Date \_\_\_\_\_

To (beneficiary):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Details of account in “Receiving Bank” to be debited

(“Receiving account”)

<u>No.</u>	<u>Bank</u>	<u>Branch</u>	<u>Type</u>
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Detail of account in ‘Transferring Bank’ to be debited

(“Transferring account”)

<u>No.</u>	<u>Bank</u>	<u>Branch</u>
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Type

**Re: Changes in the details of account to be debited under “Arrangement for Debits by Authorization”**

I/we the undersigned \_\_\_\_\_  
Full name (account holders                      Identity no.                      Address  
as recorded in bank’s books)

hereby request that the collection of moneys due to you from me in accordance with the transaction between us shall be implemented via a “receiving account” to be debited, and *not* via the “transferring account” to be debited.

The details of the ‘receiving account’ and the “transferring account” are given at the top of this form.

Yours truly,

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