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Automatic Bank Debits

Having trouble with lenders or companies automatically taking money from your bank account, even after you have tried to stop them? Has your bank allowed them to take money, even after you've told them the company no longer is authorized? If so, here are the steps to appropriately stop others from controlling your bank account through automatic (ACH) debits.

Step One: Withdraw ACH (electronic) authorization. Notify the lender or company in writing that they no longer are authorized to debit electronically from your bank account.

- Typed, dated, and signed letters sent by certified mail gives you a paper trail – many companies rely on you not having one. Always keep a copy of the letter for yourself and one to take with you to the bank.
- For companies with a P.O. Box only or a company that is overseas, the only option is to e-mail the company. Save your sent mail message for your records and for your bank.
- If sending a certified mail letter or fax, always make copies of what you sent and keep confirmations of receipt.
- Make a plan. If you intend to pay back the loan or a settlement amount, be sure to send notification (certified letter and e-mail together are best) to the lender that all future payments will be by money order or cashier's check by certified mail. Do not repay through electronic access or by personal check.

Step Two: Immediately notify your bank of the ACH withdrawal in writing & in person.

- Bring copies of the letters or e-mails you sent to the lenders/companies.
- You must let the bank know about the "Unauthorized Debits" (use this phrase) on your account at least 3 business days before the next withdrawal is supposed to happen. Notify your bank in writing as well as in person that you have revoked authorization, and that any debits after you notified the lender or company are unauthorized.
- Dispute all unauthorized debits after you get your bank statement.
- File a report with the bank if the lender continues the unauthorized debits after the withdrawal notification. They may ask you to file an affidavit (a statement that what you are saying is true to the best of your knowledge) that the debits are in fact unauthorized.

Step Three: Do NOT do a stop payment on an ACH debit! This is costly (\$25-\$35 each) and is ineffective at stopping ACH debits by companies operating outside the law, such as internet payday lenders who will run the amount through for slightly more or less, wiping away any benefit of the stop payment.

Step Four: Open a new bank account at a different financial institution and move any direct deposits.

- This is a very important step!
- Opening a new account at the same bank or credit union can result in the lender getting access to the new account and the bank or credit union charging you more fees. Many borrowers have had their bank or credit union transfer the charges over to the new account, or have had the lender simply say they had “prior authorization” with many banks not checking the validity of that statement.
- It is important to start the new account with no automatic electronic withdrawals. Use the “BillPay” function that many banks and credit unions now offer or other automatic withdrawal alternatives instead. Other options include “one-time” ACH debits online.

Step Five: Close the account the offending lender or company has access to. You may be required to do this 3 days before any automatic payments or withdrawals occur.

- You must require a “Hard” close on the account. If not, some banks will re-open a closed account, which allows them to assess fees which you will later owe.
- Remember to challenge any unauthorized debits until the account is completely closed.

Step Six: If the bank or credit union continues to allow debits, or doesn’t allow you to close your account because of overdraft or NSF fees due to unauthorized debits, file a complaint with the Consumer Financial Protection Bureau.

- Go to <http://www.consumerfinance.gov>
- Click on “Submit a Complaint”
- Click on the bank symbol and walk through the questions.
- It is always a good idea to write or type out what happened in chronological order ahead of time to make this easy.
- You will get a complaint number and the agency will actually follow up on your complaint
- If your issue isn’t resolved, notify the agency using your complaint number.

THE ORDER OF THESE STEPS DOES MATTER!

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