

Using banks to make payments

Using payment services provided by banks can help you.

This pamphlet is a general guide to these services. It sets out the various ways you can pay money, and when money received through the banking system is available to you.

At different times, you will be the:-

Payer – that's the person or organisation making a payment; and the

Payee – that's the person or organisation getting the payment.

Important Note: The information in this pamphlet is a general guide. Precise terms and conditions and costs may vary from bank to bank. Please check with your bank about their products and services.

Every day we pay money to other people or businesses. It happens when we use the bus, buy lunch, clothing, groceries and many other things. People and businesses pay us wages, benefits, allowances and other things. Banks offer lots of different ways to pay and receive money. Which way is best may depend on the type of transaction, how much money is involved and when you want the money to be available.

Ways to pay

Cash

You can use cash (notes and coins) to pay anyone, anywhere, at any time. For large payments though, cash may not be very safe or convenient. Other ways may be better.

Cheque

A cheque is a written instruction which lets your bank transfer money from your account to someone else, even if you do not know their account details. The payee has to deposit the cheque into an account (or cash it at a bank), and allow up to three business days for the cheque to "clear" before using those funds.

There are two types of cheques in New Zealand - those issued by an individual or business, and those issued by a bank (known as bank cheques).

You can purchase a bank cheque to pay for high value goods or services instead of writing a personal cheque, as it can provide the payee with a higher level of comfort.

Credit and Debit Card Payment

An EFTPOS or an ATM card can be used to withdraw money from your account and to make purchases via EFTPOS. Generally, the transaction will be reflected against your account that day (often immediately). If you use your card overseas, it can take a few days for the transaction to appear against your account.

Credit cards and some debit cards can also be used to pay for goods and services over the phone or the

Internet. There may also be a delay of a few days before these transactions are processed.

Electronic Payments

An electronic payment is where money is transferred between two bank accounts using electronic means. This is a good way of paying regular bills like rent, power, council rates and hire purchase. You will need to know things like the payee's full bank account number (bank/branch/account/suffix) and the payment reference of the person or organisation you are paying money to. Your landlord or power company etc may give you a form with that information on it. You can set these up easily with your bank or perhaps through your bank's Internet banking service.

There are a range of electronic payment methods:-

Bill Payment, Direct Credit: These are used for making payments of a one-off or recurring nature for different amounts each time for things like power, phone, gas, etc direct to a payee's account. Note: The "pay anyone" options on Internet banking services are a form of direct credit.

Automatic Payment: This is used for making recurring payments, usually of the same amount each time for things like rent, hire purchase, loans, etc direct to a payee's bank account.

Same Day Cleared Payment: This is used for making high value or urgent payments, where the payee needs irrevocable funds within the day. This is useful for things like paying for a house settlement.

Direct Debit: This is a convenient way to pay for regular bills usually when the amount is different each time. With a direct debit, you are authorising the payee (eg: your power company, telco, etc) to take money from your bank account to pay what you owe them. The payee will tell you in advance how much you owe and when your account will be debited. If you want to stop the direct debit you will need to call the payee and your bank straight away. You can stop or cancel a direct debit authority at any time.

When can I use funds deposited in my account?

Usually funds deposited in your bank account have to be “cleared” before you can rely on them. Being “cleared” means that the payer’s bank no longer has the right to reverse or dishonour the payment (eg: for lack of funds). Interest, if applicable on your account, usually applies immediately while funds are clearing.

Some types of deposit are cleared immediately; others take more time as the summary at the end explains.

Cheque

A cheque is not ‘clear’ until after the payer or payer’s bank can no longer stop or dishonour the payment.

There are two exceptions to this:-

- i) You may request your bank to seek a “special answer” from the paying bank. A positive answer means that the funds are clear from that time, and the decision cannot be reversed.
- ii) A cheque drawn on a bank outside New Zealand or a New Zealand dollar draft issued by an overseas bank will take longer to clear. Please ask your bank about the time involved.

Electronic Payment

Automatic Payments, Bill Payments and Direct Credits, including payments made via Internet Banking

Deposits to your account using these payment methods are not ‘clear’ until after the payer’s bank can no longer dishonour the payment.

In some instances funds are sent ‘cleared’ so that on arrival your bank may provide you with immediate access to them.

Same Day Cleared Payments

Funds received to your account through this payment method are clear and available to you immediately.

Summary

This table below sets out when funds deposited in an account are considered to be cleared. It also shows when a payer can stop a payment, and when the payer’s bank can dishonour a payment. The table refers to **business days** which exclude national public holidays and weekends. Day 1 represents the day the deposit or payment is processed.

Payment method	When can the payer stop a payment?	When can the payer’s bank dishonour payment?	When are funds clear for the payee?
Cheques	Before the end of day 2		
Bank Cheques	Before the end of day 2 and only by the issuing bank		
Electronic Credit Payments	Never		
Direct Debit Payments	Before the end of day 2	Before the end of day 2	By the end of day 3
Same Day Cleared Payments	Never	Never	Immediately
Card Payments (Domestic EFTPOS)	Credit card purchases can be ‘reversed’ in some situations		
Card Payments (Other)	Special rules apply – please see your bank		

Want more Information?

Please visit your bank’s website or nearest branch to find out more about these payment options and any terms, conditions and fees that may apply.

Member Banks

ANZ National Bank Limited, operating as:-

- ANZ Bank
- The National Bank of New Zealand

ASB Bank Limited

Bank of New Zealand

Citibank, N.A.

The Hongkong and Shanghai Banking Corporation Limited

Kiwibank Limited

TSB Bank Limited

Westpac Banking Corporation (New Zealand division)

