PAYMENTS CANADA

RULE H3

CORRECTION OF ELECTRONIC BILL PAYMENT ERRORS

2025 CANADIAN PAYMENTS ASSOCIATION

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IMPLEMENTED

January 2, 2014

AMENDMENTS POST-JANUARY 2014

1. Consequential amendments to accommodate the use of ISO 20022 Messages, approved by the Board February 18, 2016, effective April 18, 2016.

2. Amendments to replace references to Standard 017 with the Canadian ISO 20022 Usage Guidelines, approved by the Board December 1, 2016, effective January 30, 2017.

3. Consequential amendments to reflect the introduction of AFT Transaction Code 453 – Bill Payment Error Corrections, to Standard 007, approved by the Board February 22, 2018, effective April 23, 2018.

4. Amendments to accommodate the ACSS clean-up exercise, approved by the Board February 27, 2025, effective April 28, 2025.

Scope

1. This Rule governs Bill Payment Error Correction Debits made to correct Electronic Bill Payment errors.

   Nothing in this Rule obligates a Bill Payee to Authorize a Bill Payment Error Correction Debit request. If Authorization is not provided, recourse for the error may be handled between the Bill Payor and the Bill Payee outside of the Rules.

References

2. This Rule must be read in conjunction with the following Rules and Standards:

   a. The Introduction to the ACSS Rules;

   b. Rule A1;

   c. Rule A4;

   d. The F Rules;

   e. Standard 005;

   f. Standard 006;

   g. Standard 007; and

   h. The ISO AFT Usage Guidelines.

Definitions

3. In this Rule,

   a. "Authorization" means the explicit Written or Recorded consent of the Bill Payee for the purpose of debiting its account with the amount of a Bill Payment Error Correction Debit(s) and "Authorize" has a corresponding meaning;

   b. "Bill Payee" means the entity that was credited with the original Electronic Bill Payment and whose account is to be or has been debited with the amount of a Bill Payment Error Correction Debit;

   c. "Bill Payee Authorization Indicator" means authorization reference information provided by the Bill Payee to the Bill Payor FI, which may be in the form of the name or ID number of the Bill Payee representative who is Authorizing the Bill Payment Error Correction Debit, reference to the Standing Authorization, or the Bill Payee case number;

d. "Bill Payee FI" means the Member that holds the account of a Bill Payee;

e. "Bill Payment Error" means an error caused by a Bill Payor (or a Person acting on behalf of the Bill Payor) when making an Electronic Bill Payment that resulted in the over-payment of a bill or the incorrect Bill Payee or bill being paid.

f. "Bill Payment Error Correction Debit" means a Payment Item (paper-based or electronic), issued by a Bill Payor FI and drawn on an account of a Bill Payee to correct a Bill Payment Error;

g. "Bill Payor" means the Person who initiated the original Electronic Bill Payment and is seeking to correct a Bill Payment Error;

h. "Bill Payor FI" means the Member that holds the account of a Bill Payor;

i. "Electronic Bill Payment" means an electronic credit transfer made for the payment of a bill in the form of an AFT Transaction or an EDI Payment Item;

j. "Recorded" means any form of representation of information or of concepts in any medium that is accessible so that it may be used for subsequent reference and can be read or otherwise perceived by a Person;

k. "Standing Authorization" means a continuing but revocable Written or Recorded authority, which has been signed or otherwise Authorized by a Bill Payee and a Bill Payee FI, that provides an Authorization for the Bill Payee FI to debit the account of the Bill Payee upon receipt of a Bill Payment Error Correction Debit; and

l. "Written" means any form of representing or reproducing words in visible form, and includes an electronic document, provided the electronic document is under the control of the intended recipient, the information contained in the electronic document is substantially in the same form as a paper copy, and the information contained in the document is accessible if requested.

General

4. Where a Member elects to offer a Bill Payment Error Correction Debit service to its clients, the Member will be responsible and liable for every such Bill Payment Error Correction Debit that it initiates and must indemnify the Association and its Members for any direct loss, costs or damages incurred by virtue of the Exchange of that Item for the purpose of Clearing and Settlement.

Bill Payment Error Correction Initiation

5. A Bill Payment Error Correction Debit may be initiated where:

    a. a Bill Payor FI is requested by a Bill Payor to correct a Bill Payment Error; or

b. a Bill Payor FI becomes aware of a Bill Payment Error caused by that Bill Payor FI.

6. a. Subject to subsection (b), a Bill Payor FI seeking to initiate a Bill Payment Error Correction Debit must obtain confirmation of the following information from the Bill Payor:

i. name of the Bill Payor;

ii. amount of the Bill Payment Error Correction Debit;

iii. amount of the original Electronic Bill Payment;

iv. date of the original Electronic Bill Payment;

v. Bill Payor's account /reference number/identifier with the Bill Payee; and

vi. name of the Bill Payee.

b. Where a Bill Payor FI is seeking to initiate a Bill Payment Error Correction Debit under subsection 5(b), confirmation of the information required in subsections (a) need not be obtained from the Bill Payor but may instead be obtained from the Bill Payor FI's internal records.

7. A Bill Payment Error Correction Debit may not be initiated for a value of less than $20.

8. A Bill Payment Error Correction Debit may not exceed the amount of the original Electronic Bill Payment.

Authorization

9. A Bill Payor FI may not seek to initiate a Bill Payment Error Correction Debit without Authorization from the Bill Payee and a Bill Payee Authorization Indicator.

10. The Authorization must include a statement Authorizing the Bill Payor FI to debit the account of the Bill Payee upon receipt of a Bill Payment Error Correction Debit.

11. a. Authorization may be obtained on a per transaction basis or provided for a Standing Authorization.

b. Where Authorization is obtained on a per transaction basis, the Authorization must be made in reference to a specified amount.

c. A Standing Authorization may be subject to additional terms as decided by the Bill Payee and the Bill Payor FI (e.g., amount limits and timing of debits).

12. Where a Bill Payor FI requests Authorization to initiate a Bill Payment Error Correction Debit and the Authorization is not provided within 10 Business Days, the Bill Payor FI may treat the request as denied.

Bill Payment Error Correction Debit Processing

13. Bill Payment Error Correction Debits must be Exchanged and processed as follows:

    a. i. Bill Payment Error Correction Debits effected through the AFT System must be processed in accordance with the F Rules and Standards 007 and 005 or Part B of the ISO AFT Usage Guidelines, and must be identified in the dedicated Transaction Code element (ISO AFT) or field (Standard 005) with Transaction Code "453"; and

    ii. where a Bill Payment Error Correction Debit is effected through AFT system, the Bill Payor FI must provide to the Bill Payee the information required under section 6 within a reasonable time following a request from the Bill Payee.

    b. A Bill Payment Error Correction Debit issued on paper must be Exchanged in accordance with the "A" Rules and Standard 006 and must be identified with the words "Bill Payment Error Correction" on the face of the Item.

Audit Trail

14. The Bill Payor FI must ensure that an audit trail, including a copy of the Authorization, the Bill Payment Authorization Indicator and all other information needed to retrieve or trace a Bill Payment Error Correction Debit is maintained for a minimum of 12 months following the date the Bill Payment Error Correction Debit was processed.

Dishonoured Bill Payment Error Correction Debits

15. Subject to the recourse provisions outlined in section 16, where a Bill Payment Error Correction is dishonoured for any reason, it must be returned in accordance with the next day time limitation for return using the procedures set out in Rules A4, F1 or F4 as applicable.

Reimbursement and Recourse

16. A Bill Payment Error Correction Debit may be returned in accordance with the procedures outlined in Rules A4, F1 or F4, as applicable, up to and including 90 calendar days for the following reasons:

    a. The Bill Payment Error Correction Debit was not processed in accordance with the Authorization; or

b. The Bill Payment Error Correction Debit was not Authorized.