



HONG KONG MONETARY AUTHORITY
香港金融管理局

Our Ref: B1/15C
B9/67C

5 November 2024

The Chief Executive
All Authorized Institutions

Dear Sir/Madam,

Payment Card Direct Debit Authorisation

I am writing to outline the expectations of the Hong Kong Monetary Authority (“HKMA”) on Authorized Institutions operating payment card issuing and/or merchant acquiring businesses (referred to as “Card Issuing Banks” and “Merchant Acquiring Banks” respectively hereafter) in respect of payment card direct debit authorisation (“DDA”) at times of suspension or closure of merchants, from the perspective of consumer protection. Such expectations have been communicated to the Card Issuing Banks and Merchant Acquiring Banks on various previous occasions, and are set out in this circular in a collective manner for ease of reference and holistic implementation.

DDA, or more commonly referred to as “autopay”, arranged through payment cards (mainly credit cards and also debit cards) has gained popularity over years for its convenience, in particular for paying recurring fees and charges such as utility, tuition, subscription or membership fees. Such arrangement typically involves a payment card DDA agreement between the cardholder and the merchant, whereby the cardholder authorises the merchant to deduct funds from the cardholder’s designated payment card account directly. Once the agreement has been entered into and the merchant has been so authorised, the right to cancel the DDA arrangement usually rests with the merchant, and the cardholder may not be able to do so unilaterally.

Having said that, in the event of suspension or closure of business (or other similar events) of a merchant, cardholders would often have the expectation to stop further payments to the merchant as soon as possible as services from the merchant may have been discontinued, and at the same time it is not uncommon that cardholders may have difficulty in contacting the merchant to request cancellation of the payment card DDA or suspension of future payment card DDA payments. In view of the above, from consumer protection perspective, the HKMA sets out below the expectations on Card Issuing Banks and Merchant Acquiring Banks in respect of payment card DDA arrangements in order to render appropriate assistance to cardholders and handle their requests in a reasonable and pragmatic manner, with a view to achieving better consumer protection.

Card Issuing Banks

In the event of suspension or closure of business of a merchant, Card Issuing Banks should at all times ensure proper handling of enquiries from cardholders and provide assistance to them, among other things. Specifically:

- **Enquiries** – Card Issuing Banks should ensure effective cardholder communication channels to handle cardholder enquiries (e.g. on payment card DDA cancellation or chargeback requests), and ensure prompt and clear responses to the enquirers (e.g. whether chargeback is applicable, how a chargeback request is to be handled and details of supporting information to be submitted, time limit for filing chargeback requests).
- **Requests for assistance** – Card Issuing Banks should provide prompt and appropriate assistance to customers, and handle their requests for assistance in a reasonable and pragmatic manner.
- **Resources for handling enquiries and requests for assistance** – in case there are signs leading to a possible surge in cardholder enquiries (e.g. news related to possible or actual closure of merchant coming out in the media), Card Issuing Banks should ensure resources can be geared up as soon as practicable to handle the related cardholder enquiries and requests. In particular, manpower support to all channels, including not only hotline(s) but also e-mail box(es), internet banking platform(s) and/or mobile app(s) where applicable, should be sufficient such that cardholder enquiries can be attended to within reasonable time.

- **Explanation about DDA to the cardholder** – in case a cardholder informs the Card Issuing Bank of the difficulties experienced with attempts to cancel a payment card DDA made by the cardholder directly to a merchant, or in case a cardholder requests the Card Issuing Bank to assist in cancelling such DDA, Card Issuing Banks should explain to the cardholder the nature of the payment card DDA and the fact that, even if the cardholder has made a request for cancellation of the DDA to the Card Issuing Bank, this does not mean that the service contract or agreement that the consumer has entered into with the merchant is cancelled.
- **Actions in following up with requests for assistance** – despite the limitation that the DDA agreement may not be cancelled by a cardholder unilaterally, Card Issuing Banks should still provide reasonable assistance to the cardholder by contacting the merchant acquiring institution(s) to cancel the DDA and request for reimbursement of any disputed amount (if applicable).
- **Staff training** – Card Issuing Banks should provide proper guidance and training to frontline staff for handling relevant cardholder enquiries and requests for assistance in a reasonable and pragmatic manner. In particular, when a merchant has already announced suspension or closure of business and become uncontactable, frontline staff should not simply continue to ask cardholders to directly contact the merchant for cancellation of DDA without considering any difficulty of cardholders in approaching the merchant and other possible options (such as filing chargeback requests, where applicable).

Merchant Acquiring Banks

In the event of suspension or closure of business of a merchant, the Merchant Acquiring Bank(s) of the merchant should suspend or cease collecting payment card DDA payments for the merchant as soon as practicable. This would help contain possible continued card payments from cardholders to the merchant for the purpose of customer protection, and alleviate the pressure of the Card Issuing Banks in handling influx of enquiries and requests for assistance from cardholders with respect to such DDA payments.

Should you have any questions regarding this circular, please send them to consumerprotection@hkma.iclnet.hk.

Yours faithfully,

Alan Au
Executive Director (Banking Conduct)

c.c.: The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
Secretary for Financial Services and the Treasury
(Attn: Mr Justin To and Mr Kelvin Lo)