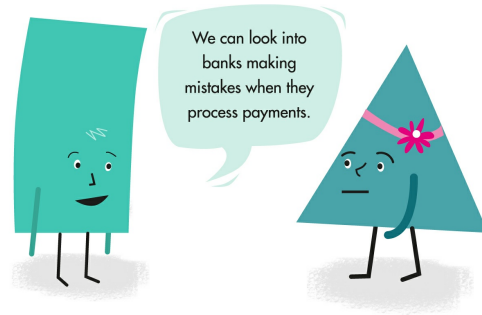


# Processing payments

We explain how banks make electronic payments, and give examples of typical process-related complaints.



We can consider complaints about banks making mistakes when they process payments. This includes wrongly delaying or failing to make a payment, repeating payments, or giving the wrong information about payments. We don't have the power to set rules about how banks process payments.

## Steps

Electronic payments to accounts at the same bank happen straight away. Those to accounts at most other banks will happen on the same day, and the exact time of the day will depend on the bank. Payments between banks consist of the following steps:

- A customer instructs his or her bank (the sending bank) to make a payment.
- The sending bank checks the customer has enough money in the account for the payment.
- The sending bank prepares an electronic file, along with other transactions, for the bank whose customer is receiving the payment. This collection of individual transactions is called a "batch".
- The sending bank forwards the batch to the Reserve Bank, which transfers the value of the batch between the sending and receiving banks' accounts at the Reserve Bank. This is called "settlement".
- Once settlement is complete, the Reserve Bank forwards the batch to the receiving bank. This is called "interchange".
- The receiving bank credits the payment to its customer's account.

## Timing

Most banks now process payments to accounts at other banks every day (as of May 2023), including weekends and public holidays. Banks batch and process payments frequently each day. This gives customers fast access to

deposits made into their accounts and means banks are likely to take the money for scheduled or future-dated electronic payments earlier in the day. Make sure you have funds available if a future payment falls on a weekend or public holiday.

If such payments aren't successful the first time because there isn't enough money in an account, a bank may try again later in the day. This could incur a fee, so be sure to check you have enough money available. Also check that your bank does try a second time. Some don't.

High value transactions and foreign exchange payments to and from other countries are processed on business days only.

If you set up a payment late in the day, the bank will generally send your payment the next day. Banks stop sending payments at a certain time each night so they can update your account and transaction information. Cut-off times depend on the payment type and can vary bank to bank. Check with your bank.

Once you set up and confirm a payment, your bank will take the money from your account and put it into a batch to await processing. This immediately reduces the available balance in your account. If your account pays interest, you will usually continue to earn interest until the batch is sent to the receiving bank for processing to the recipient's account. The amount of interest may depend on the timing of processing.

