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Money Management

Breaking Free From Automated Payments

by Carrie Anton

If you can't afford a personal assistant, but your life is busy enough to warrant one, then automatic payments can be a blessing. By simply preauthorizing payments with a company that provides you a service, such as your cable provider, health club, mortgage provider, or even magazine subscription service, you can save a lot of hassle. Skip remembering the mounting list of passwords for bill sites. No longer fret over annoying late fees that can wreck your credit score. And gone is the second-guessing of "Did I pay the water bill this quarter?" With automatic bill pay, worry goes away and life gets easier.

Or does it?

"I just wanted to learn to play poker since everyone I knew was playing Texas Hold'em," says Adina Sweitzer of Fort Worth, Texas. "I signed up for an online training course using auto pay, only to be auto paid to the point of closing my financial account. I had requested four times in writing, as well as by phone, for them to stop payment and refund me my money. In the end, they left me holding the bag when

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they went out of business."

Beware preauthorized plans

On the surface, automatic payment plans allow you to authorize your financial institution to schedule the use of your funds to pay a bill from another company at a specified time. While this is a helpful time saver, it can lead to a "set it and forget it" mindset of banking, which can be present some problems.

For example, consider variable rate charges, such as electric bills or minute-charging smartphone plans where one month's bill can be \$75 and the next month \$250. If you're mindlessly having different amounts withdrawn, your checking account could go into deficit. And those times when you're mischarged for services? Companies could be making out with more cash—by accident or not—from customers who go on autopilot.

Here's how to avoid mishaps:

- *Take control*—Sign up for online bill payment services through your credit union. The convenience is similar to preauthorizing payments, but you keep the control instead of handing it over to another company.

- *Be alert*—If you like autopay because it limits the risk of missing payments, but you're not great at balancing your checking accounts each month, use an alert system. Budgeting sites allow you to track spending and monitor accounts so if more money is taken for a bill than the limits you've set, you'll be notified of the situation. Your credit union might have a budgeting program in addition to its online bill payment

Memberships for dating sites, game boxes, and security software all come with auto renewals built in.

program.

- *Set it straight*—Only use autopay for bills with set amounts, such as your mortgage, car payment, or insurance premiums. You won't avoid the risk of wrongful charges, but accurate charges won't catch your budget by surprise.

The fine print

Read contracts you sign closely—and pay attention to the terms and conditions of website stipulations you agree to, usually by clicking a checkbox. Autorenewal clauses often are hidden. For example, if you've signed up for a subscription genealogy site using a preauthorized payment plan, renewal may happen automatically long after Great Aunt Alberta completes your family tree unless you remember to cancel your subscription according to company specifications.

Other charges may be lurking as well. "When looking at enrolling in autopay services, consumers need to be aware of 'gray charges,'" says Fred Creutzer, president of Creutzer Financial Services in Baltimore. "Gray charges are a growing trend of sneaky, unwanted, but completely legal fees that can catch many consumers by surprise. Companies know that people are busy and don't have time to read every page of the disclosure agreement. These charges are buried in the fine print. So it's completely legal and ends up costing consumers an average of \$356 per year."

Creutzer also recommends to be aware of "cost creep," another type of gray charge. "An example of this is when you sign up for a monthly subscription or service for a particular amount like \$5.99, but the cost creeps up slowly each month to \$6.99 or \$7.99. You may not realize

Whenever you're providing payment for a service, read the contract or terms and

because the company doesn't advertise the monthly increase, but it's in the fine print." *conditions in full.*

Avoid unwanted charges by following these steps:

- *Read now or pay later*—Whenever you're providing payment for a service, read the contract or terms and conditions in full. It might seem easier to just sign or click to agree and move on, but doing so could cost you time and money in the long run.
- *Turn it off*—Memberships for dating sites, game boxes, and security software all come with auto renewals built in. Before you forget to cancel, head to account settings to turn the renewal option off.
- *Make contact*—If there are gray charges or auto renewal clauses in the terms of service, talk to the company before agreeing to anything. If you can't escape the conditions, walk away or accept the consequences.

Dealing with autopay problems

While autopay is convenient and reliable for many people, not everyone is so lucky. If you've had your fill of payment issues, or if you decide you no longer want a service for other reasons, terminating your contract can be the only answer.

"[Ending] membership contracts may be more difficult, especially the cellphone ones," says Wayne Lewis, a professor at DePaul University in Chicago. "If you have a

Your credit union might have a budgeting program in addition to its online bill payment program.

good reason to cancel early (with gyms, that could be due to an injury, or moving to another city) call first and find out what documentation is required. If the problem is inadequate service, you should also call and explain your reasoning. The bottom line is to ask first and explain your reason. It may be easier than you think."

Try these steps to get out of an agreement:

- *Ask nicely*—Send a letter to the service provider asking to cancel your contract. If applicable, include reasons to support the cancellation request. You might not escape for free, but a small upfront fee could save you payments for months to come.
- *See what the state says*—Laws in your state could help you out of your contract. For example, Illinois allows a three-day "cooling off" period for consumers to cancel some transactions. Check the state's right to cancel policies to see what services apply.

In the end, if you have a contract for a service you don't like, you may have to wait it out. Just be sure to give notice of your desire to cancel before you get caught again in an autorenewal loop.



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