

## Right of Offset

Generally, a bank may take money from your deposit account to make a payment on a separate debt that you owe to the bank, such as a mortgage loan, if you are not paying that loan on time. The bank may take funds from one account to settle a debt in another account if both accounts are with the same bank. This is called the right of offset. In some situations, the bank can exercise the right of offset without letting a customer know in advance that it is going to do it. They have a right of offset from the following accounts:

- any account in your name,
- a joint account with you as a joint owner
- an account in someone else's name where you are an 'authorized to sign checks' on the account.

When accepting a mortgage, a customer enters into a contract with a financial institution. This contract may give the institution the "right to offset" the mortgage debt from the customer's bank account. If your bank withdrew funds from your account without your consent to pay an overdue mortgage payment, you should look at your mortgage agreement and the mortgage note to see if it includes a "right-to-offset" clause. You should also talk to your branch manager or service centre for information about your financial institution's right-to-offset policy.

### Preventing a 'Right of Offset'

Your lender cannot exercise a right of offset if your bank account is with a completely different financial institution. For example, if you have a mortgage with Bank of America there is no "right of offset" for Bank of America when your checking and savings accounts are with a local bank not owned by Bank of America.



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