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RBI ENHANCES TRANSACTION LIMITS FOR PROCESSING OF E-MANDATES FOR RECURRING TRANSACTIONS: FROM INR 5,000/- TO INR 15,000/-

27 June 2022

Background

On 21 August 2019, the Reserve Bank of India (RBI) had issued a framework for processing of e-mandates for recurring online transactions (merchant payments) applicable for all types of cards (debit and credit) and Prepaid Payment Instruments (PPI), including wallets with a maximum transaction limit of INR 2,000/-.

Under the existing framework, an Additional Factor of Authentication (AFA) is required during the first transaction as part of the e-mandate registration, its modification, and revocation. The user is required to enter the card details on the merchant platform and validate the transaction by using the One-time Password (OTP) (or the set PIN) received on their mobile, however, automatic subsequent successive transactions in the series, are permitted.

On 10 January 2020, this framework was extended to cover the Unified Payments Interface (UPI) transactions. On 4 December 2020, the transaction limit for such recurring automated subscriptions payments was further enhanced to INR 5,000/-, with effect from 1 January 2021. Initially the stakeholders were given time until 31 March 2021 to complete the migration process. Subsequently, a one-time extended timeline was provided till 30 September 2021 to ensure full compliance with the e-mandate framework.

The e-mandate framework prescribed, that an individual can give standing instructions (on cards, PPI, and UPI) to the bank to debit a specific amount automatically for recurring payment requests. For subsequent transactions up to INR 5,000/- the AFA requirement was waived.

Analysis

Now, upon a review of the implementation of the e-mandate framework and the protections available to customers, RBI has with immediate effect, by way of a circular issued on 16 June 2022, increased the aforesaid AFA limit from INR 5,000/- to INR 15,000/- per transaction, under Section 10 (2) read with Section 18 of the Payment and Settlement Systems Act, 2007.

As a risk mitigation and customer facilitation measure, the framework mandates a pre-transaction notification to be provided to the cardholder, at least 24 (twenty four) hours prior to the actual charge or debit to the card, in the chosen mode (SMS, email, etc.) of the user, with an option to change the mode of notification. Furthermore, a user has the right to opt-out from the particular transaction or an e-mandate by way of an AFA validation. Finally, a post-transaction alert / notification is also provided to the cardholder with the requisite details along with a dispute resolution and a grievance redressal mechanism in place.

Comments

For over a decade, the RBI has systematically eased the customer experience and successfully implemented multiple safety and security measures for card payments, including the requirement of AFA, for 'card-not-present' transactions. By virtue of this hike in the limit for recurring payments, users can conveniently pre-schedule automated debits up to INR 15,000/- without the need for an additional authentication.

In this digital payment ecosystem, this framework duly accommodates the dynamic customer payment requirements by effectively addressing and harmoniously amalgamating the need for safety, security, and expedient conduct of financial transactions.

In line with the monetary policy committee outcome released earlier this month, over 62.5 million mandates having been registered, including for over 3,400 international merchants, this framework by increasing the AFA limit, for the processing of e-mandate-based recurring payments (and inter-alia, providing for an AFA during registration, a pre-debit and post-transaction notification, subsequently permitting recurring transactions to be executed without AFA, and a more convenient mechanism to revoke such mandates), should be viewed as a laudable step, in offering a smooth digital experience to the consumer.

This will provide an impetus to additional subscription payments, leveraging the existing benefits, encourage hassle-free higher ticket digital payments, and thereby augment customer convenience through seamless recurrent transactions for utility bills, insurance premiums, education fees etc.

- *Achint Kaur (Counsel)*

For any queries please contact: editors@khaitanco.com