

NPCI/2014-15/NACH/Circular No.57

October 07, 2014

To,
All NACH Debit Participating Banks

Dear Sir/Madam,


Dishonour of NACH transaction for insufficiency of funds in the bank account - Clarification

You may be aware that section 25 of the Payment and Settlement Systems Act, 2007 accords the same rights and remedies to the payee (beneficiary) against dishonour of electronic funds transfer instructions for insufficiency of funds in the account of the payer (remitter), as are available to the payee of a cheque under section 138 of the Negotiable Instruments Act, 1881 on dishonor of a cheque for insufficiency of fund in the bank account of the drawer of the cheque.

2. Sub-section (5) of section 25 of the Payment and Settlement Systems Act, 2007 provides for punishment with imprisonment for a term which may extend to two years or with fine which may extend to twice the amount of electronic funds transfer, or with both, for dishonor of electronic funds transfer which is on par with the penalties stipulated for dishonor of cheques under the Negotiable Instruments Act, 1881.

3. We accordingly advise you to popularize electronic clearing under NACH amongst your customers by allaying any apprehensions on the rights and remedies available to the payees against dishonor of electronic funds transfer instructions.

Yours faithfully,



Giridhar G M
VP & Head NACH and CTS Operations