

NPCI/UPI/OC No.78 /2019-2020

January 27, 2020

To,
All Member Banks- Unified Payments Interface (UPI)

Dear Sir/Madam,

Sub: Reconciliation and handling declined / timed out transactions in UPI for One Time Mandate block transaction types.

1. Background

UPI One Time Mandate block functionality facilitates blocking of funds in the customer's bank account on approving the mandate block request using his/her UPI PIN. Subsequent debit/unblock against the blocked funds is initiated by the originator of mandate request.

SEBI has vide their circular no. **SEBI/HO/CFD/DIL2/CIR/P/2018/138** dated 01-November-2018 allowed the UPI One Time Mandate block for Application Supported by Blocked Amount (ASBA) process in Initial Public Offering (IPO) from January 01, 2019.

The volume in UPI One Time Mandate block is increasing as customers are opting for this channel to participate in the IPO process. With similar use cases envisaged in coming days, it is imperative that the process for this functionality is further streamlined.

2. Objective

It is observed that customer complaints in UPI One Time Mandate transaction arise on account of unsuccessful or 'failed' transactions.

"UPI mandate failed transactions are on account on timeout sessions or when the response is not received at NPCI within Turn Around Time (TAT) or any other technical issues."

The objective of this Circular is to explain handling and the controls to be built in UPI One time mandate block transactions. The following inconsistencies are observed currently;

- a) For mandate failed transactions banks do not unblock the funds to the customer's account either online (basis the failed response) or during reconciliation process.
- b) Member banks are not downloading the mandate related (financial/non-financial) raw file from UPI-RGCS portal and performing 3 way reconciliation to initiate suitable action wherever it is applicable post reconciliation.

Member banks are to conform to the process for handling failed mandate block transactions as defined in the Annex enclosed with this circular. This will ensure customer confidence and bring uniformity among member banks in processing of the failed / timed out UPI mandate block transactions.

Yours faithfully,

Praveena Rai
COO

(Annex to circular_NPCII/UPI/OC No.78 /2019 -2020 dated January 27, 2020)

Reconciliation and handling declined / timed out transactions in UPI for One Time Mandate block transaction types.

1. Daily reconciliation

Member banks to refer UPI Circular NPCII/UPI/OC No. 9/ 2016-17 dated December 1, 2016 and ensure following compliances for One Time Mandate related transactions as well;

- a) For the purpose of reconciliation, member banks to download all financial & non-financial mandate transaction files cycle-wise from RGCS.
- b) Banks are expected to perform three way reconciliation of mandate transactions cycle-wise, basis the feed file (Raw Data) from NPCII, banks switch and CBS extract.
- c) The reconciliation process for mandate transactions should be automated completely.

2. 24 x 7 availability of mandate functionality across all banks

All member banks in UPI are to allow One Time Mandate block functionality 24x7 including at the time of banks daily/monthly scheduled Start of Day (SOD) and End of Day (EOD) activities.

3. Online Blocking of funds in customer's bank account for mandate creation

The issuer bank to post a success response only after the funds in the customer's bank account is successfully blocked online. If the funds in the customer's bank account do not remain blocked after issuer has posted a success response, the issuer bank will be liable. The onus is on issuer bank to recover the funds from the customer's account in case of subsequent debit request to such blocks.

4. Procedure to handle online failure/time out scenarios in UPI One Time Mandate block transactions

i. Mandate transaction Type – 'Create' :

For mandate type - **CREATE**, where the transaction is declined / failed online/ timed out at the issuer bank, the funds in the customer's bank account should not remain blocked.

UPI times out the mandate create transaction and the final status will be failed when the issuer bank does not send ack for **ReqMandate** or does not send the **RespMandate** within Turn Around Time (TAT). For all declines, UPI will send **RespMandate** and **ReqMandateConfirmation** with failure response to payer/payee PSP. UPI will also send **ReqMandateConfirmation** with failure to issuer bank.

Issuer bank to further initiate 'check status API' with NPCII to confirm the final status of the UPI One time mandate block transaction in case the bank receives a negative ack.

Action: If the funds remain blocked in the customer's bank account, the same should be unblocked online basis the **ReqMandateConfirmation** sent by UPI switch to issuer bank. If the online unblocking of funds fails at issuer bank's end in CBS due to any reason, then issuer bank is expected to identify the failed transactions (based on reconciliation) and unblock the same manually in CBS and ensure customer's funds are unblocked for such failed transactions.

ii. Mandate transaction Type – ‘Update’ :

For mandate type - UPDATE, where the update transaction is declined / failed online / timed out at the issuer bank, the funds in the customer’s bank account should not remain blocked with the amount as in the failed update request.

UPI times out the mandate update transaction and the final status will be failed, if the issuer bank does not send ack for **ReqMandate** or does not send the **RespMandate** within TAT. For all declines, UPI will send **RespMandate** and **ReqMandateConfirmation** with failure response to payer/payee PSP. UPI will also send **ReqMandateConfirmation** with failure to issuer bank.

Issuer bank to further initiate ‘check status API’ with NPCI to confirm the final status of the UPI One time mandate modify transaction in case the bank receives a negative ack.

Action: In case mandate type update request is failed due to any reason, the funds in the customer’s account should remain blocked with the previous success mandate amount. The customer’s account should not remain blocked with the amount as in the failed update request. If the online update fails at issuer bank’s end in CBS, then the issuer bank is expected to identify (based on reconciliation) the failed transactions and revise the same manually in CBS.

iii. Mandate transaction Type – ‘Revoke’ :

For **Mandate Type – Revoke**, all transactions should be approved except for declines at Issuer bank’s end on account of time out sessions / technical declines. In case of failure, UPI will send **RespMandate** and **ReqMandateConfirmation** with failure response to payee/payer PSP. UPI will also send **ReqMandateConfirmation** with failure to issuer bank.

Further, PSPs and the issuer/acquiring bank to keep a check at their end to ensure that no other mandate type transactions like Create , Update and Debit is allowed, once revoke is initiated against the same mandate.

Issuer bank to further initiate ‘check status API’ with NPCI to confirm the final status of the UPI One time mandate block revoke transaction in case the bank receives a negative ack.

Action: If the online ‘Revoke’ fails at issuer bank’s end in CBS and the funds in the customer’s account remains blocked then the issuer bank is expected to identify such failed transactions(based on reconciliation) and unblock the same in-offline. The payee PSP shall re-initiate failed revoke transactions online to minimise dependency on the offline settlement process.

iv. Mandate transaction Type – ‘Financial Mandate Execution-Debit’ :

In case of financial mandate execution – Debit, all transactions should be approved except for declines at Issuer bank’s end on account of time out sessions / technical declines.

When NPCI sends debit request message to issuer bank and the bank does not respond back to NPCI within TAT, then NPCI will send debit reversal request message to the issuer bank. Debit Reversal request to issuer is initiated in the following scenarios:

- Failed financial mandate execution (Debit) or
- When an acquiring bank sends a successful credit reversal for which UPI raises a debit reversal.

Basis the debit reversal as cited above, the issuer bank is expected to re-block the funds in the customer's account, if unblocked, and ensure a success response to the Debit Reversal Confirmation (DRC) raised by UPI. In case DRC fails, the issuer bank to act in the following manner in reconciliation;

- If the customer's account is re - blocked online successfully, however, bank failed to respond properly then the fund remains blocked, hence no issue.
- If the customer's account was not re- blocked online, bank to re-block the account offline.
- If the customer's account was not debited in the first place itself, the fund remains blocked.

Action: The funds in the customer's account should not be released when the online mandate debit execution fails, as this may result in out of fund scenarios for the Issuer bank. Further, it is advised that the payee / acquirer/ initiates the mandate financial execution-debit well before the mandate 'End Date' so that the issuer bank has sufficient time to reconcile and recover the funds from the customer's account.

In case the online mandate execution-debit fails, basis the request received from the payee/acquiring bank, the issuer bank is expected to identify such failed transactions and recover the funds offline and credit the acquiring bank.

The above process shall be applicable till the time the 'Deemed Debit' in case of mandate execution is introduced, which was approved in the UPI SCM dated August 20, 2019.

In case of Deemed Debit, as the customer has already authorized debit to the account by accepting the mandate request, the financial mandate execution transaction, if failed, shall be treated as Deemed debit and to be settled offline. For deemed debit cases, bank will not be able to verify the digital signature offline and bank shall debit the customer account without verifying the signature and details. NPCI shall communicate the deemed debit process through OC, once the necessary developments and testing is done.

- 5. Partial Debit:** UPI One time mandate has the option of partial debit against the total funds blocked in the customer's bank account. In case of partial debit, debit is done for the requested partial amount, and the remaining fund should be unblocked to the customer's bank account (Online/Offline or both).
- 6. Auto Unblock of Funds on Mandate Expiry**

One Time Mandate block request comes with a start date and a corresponding end date that defines the life span of the mandate. The acquiring bank/payee PSP to ensure that the execution/revoke of the mandate is initiated and settled within the life span of the mandate. On the end date of the mandate the issuer bank should release the funds blocked in the customer's account through an automated process on real time.

- 7. Decline of Duplicate Transaction**

Issuer bank/ Payer PSP to ensure that multiple mandate blocks are not allowed in the customer's account for the same mandate. The following to be taken into consideration;

When an issuer bank/payer PSP receives a mandate create request it has to ensure that there is no existing mandate request that is already created basis a unique identifier for the mandate. In case of UPI based ASBA process, the issuer bank/payer PSP to check on the refID tag that contains the IPO identifier and the application number and avoid multiple mandate blocks.

8. SMS alerts to the customer for all the mandate transaction type

Member banks to send post transaction alert / notification to customers for all mandate type transactions of Create/Update/Revoke/Debit and any actions initiated after reconciliation is done. This notification shall, at the minimum, inform about the payee details, transaction reference number, transaction amount, mandate type, date/time of debit, etc.

9. Maker & Checker

Banks to reconcile all mandate transactions with proper maker and checker process as defined in this document.
