

NPCI/UPI/OC No. 125/2021-22

25th November, 2021

To,

The Members - Unified Payments Interface (UPI)

Dear Madam / Sir,

Subject: Dishonor of UPI AutoPay transaction due to insufficiency of funds

AutoPay for recurring payments was launched on 22nd July 2020. AutoPay service can be used by the customers to create recurring electronic mandate(s) using any UPI application including for making payment of money for discharge of a debt or other liability such as repayment of loan or credit facilities.

2. Referring to the declines due to insufficiency of funds in customer's bank account for recurring payments for categories which fulfills the requirement of 'Promise to Pay a debt or a liability' for e.g. EMI (Equated Monthly Installment), Loan repayment, you may be aware that Section 25 of the Payment and Settlement Act, 2007 (PSS Act) provides that dishonor of any electronic funds transfer due to insufficiency of funds in a customer's bank account or due to the electronic fund transfer exceeding the amount arranged to be paid from the customers' bank account by an agreement made with the customers' bank, shall be deemed to be an offense committed by the customer. The aforesaid section accords the same rights and remedies to the payee (beneficiary) against the aforesaid dishonor of electronic fund transfer as are available to the payee of a cheque under Chapter XVII of the Negotiable Instruments Act, 1881, provided the electronic funds transfer was initiated in accordance with the procedural guidelines issued by the system provider.

3. Accordingly, a decline of AutoPay transaction initiated under the category codes specified below and to make payment of money for discharge of any legally enforceable debt or other liability, due to insufficiency of funds in customers' bank account as outlined in Section 25 of the PSS Act, for the defined categories will be dishonor of electronic fund transfer as per the said section.

The relevant categories codes are as follows:

1. Loan Payments – MCC 7322
2. EMI Collection – MCC 7322

4. We accordingly advise Members to popularize AutoPay and educate their customers by allaying any apprehensions on the rights and remedies available to the payees against dishonor of AutoPay transactions initiated to make payment of money for discharge of any legally enforceable debt or other liability.

Yours sincerely,

SD/-

Kunal Kalawatia

Chief Products