

NPCI/UPI/OC No.171/2023-24

20th September 2023

To,

All Member-Unified Payments Interface (UPI)

Dear Sir/Madam,

Subject: Operating circular for Pre-Sanctioned Credit Lines at Banks through UPI

With reference to the notification issued by RBI on 4th September, 2023 vide Circular No: RBI/2023-24/58 CO.DPSS.POLC.No.S-567/02-23-001/2023-2024 with subject 'Operation of Pre-Sanctioned Credit Lines at Banks through Unified Payments Interface (UPI)'.

RBI has expanded the scope of UPI by enabling transfer to / from pre-sanctioned lines at banks. Currently, savings account, overdraft account, prepaid wallets and RuPay credit cards can be linked to UPI. The scope of UPI is now being expanded by inclusion of credit lines as a funding account. Under this facility, payments through a pre-sanctioned credit line issued by a Scheduled Commercial Bank to individuals, with prior consent of the individual customer, are enabled for transactions using the UPI system. Banks may, as per their Board approved policy, stipulate terms and conditions of use of such credit lines. The terms may include, among other items, credit limit, period of credit, rate of interest, etc.

This shall provide a seamless, UPI enabled credit lifecycle experience for the customers. Customers shall benefit from the ease and the increased opportunity to use their credit lines. Merchants shall benefit from the increase in consumption by being part of the credit ecosystem with acceptance of credit lines using asset lite QR codes and other payment acceptance methods. Credit line can now be linked to a UPI ID, thus directly enabling safe and secure payment transactions.

To enable linking of credit line on UPI, the ecosystem shall enhance their tech platforms. While the permitted lenders, will enable the linking of existing/ standard credit line products and also innovate new credit line products, the acquirers will enable acceptance of linked credit line at merchant's end.

To operationalize the same, following shall be the construct:

- Customer shall be able to discover credit line accounts from the issuer, based on registered mobile number and shall be able to link to a UPI Id (existing or new) on any UPI enabled app.
- UPI Apps shall be able to link credit line accounts.
- All the existing device binding controls shall be applicable.
- Disputes shall be resolved through Online Dispute Resolution (UPI Help)

- Credit line transactions shall be settled as per existing UPI settlement process.
- Credit line issuers shall comply with extant regulatory guidelines.
- Inward payments to this UPI Id (when new, and exclusive to a specific credit line account) paid by debiting a current or savings account shall be treated as credit line repayment. AutoPay can be a valuable service platform for the payment of credit line dues.

To operationalize the same, following are the rules:

1. During credit line on-boarding on the apps, the device binding and UPI PIN setting process shall include and be construed as customer consent for credit line enablement and acceptance for all types of transactions on UPI. For international transaction enablement on UPI, the existing process from the UPI app shall apply.
2. Acquirers shall ensure that cash withdrawal at merchants shall not be permitted.
3. Acquirers shall ensure overall compliance, monitoring and hygiene for merchant ecosystem such as tagging of MCC, online/ offline merchants as per the regulatory compliance. Members shall not permit transactions for all the restricted categories as per the extant regulations.
4. Acquirers shall inform and educate merchants, to enable all merchants for credit line accounts through UPI acceptance and shall ensure transparency.
5. Members shall follow standard transaction limits as defined in NPCI circular NPCI/UPI/OC-120/2021 dated 24th September 2021, and as updated from time to time.
6. Apps shall ensure complete transparency on transactions made by customer using credit line, by means of easily accessible transaction history and clearly visible user interface, while making the payment. Credit line issuers and apps shall send appropriate notifications / communications to the customer, during each event of credit line lifecycle for such transactions.
7. The customer shall be able to set the default option between any linked accounts for merchant transactions.
8. While making a payment to a merchant, if customer has not set up a default debit account, app shall provide option for customer to select any of their linked accounts with account type to be debited.
9. Merchant shall get an instant notification that the transaction carried out using linked credit line account.
10. Apps and issuers shall provide functionality to check available balance, total outstanding and other relevant information, based on credit line product, on real time basis.
11. Members shall be enabled on UPI Help for online resolution of customer complaints.
12. Refunds/ Reversals shall be directly credited into the credit line account.
13. All UPI features/ functionalities shall be applicable for Credit line accounts linked on UPI apps.

With reference to the above, Member Banks (Payee PSP), Third Party App providers (TPAPs), Merchants and other payment providers are requested to take note of the same.

Yours faithfully,

SD/-
Kunal Kalawatia
Chief of Products