

NPCI/UPI/OC No. 184/2023-24

December 05, 2023

Subject – Modification in UPI chargeback rules and procedures

UPI has been most preferred method of payment for online as well as offline purchases. The volume has been growing substantially along with that there is considerable increase in the number of charges backs and disputes. It has been observed that a section of the users are trying to exploit the chargeback procedure to gain unduly. In order to bring more discipline and efficacy into the process it has been decided to implement the following changes in the chargeback rules.

1. Total chargebacks per customer (basis originating VPA) 10 in 30 days rolling.
2. Payer & Payee (basis VPA) combination – Max 5 chargebacks in 30 days rolling.
3. Reduction of TAT to 30 days for raising chargeback on Small + Offline merchants.

This logic and condition shall be implemented in the UPI back-office system (URCS) which will validate and accordingly either it processes successfully or decline as the case may be. The technical specification for declined chargebacks is provided in Annexure I

Any customer based on the logic provided above breaches the limits then such VPAs will be included in the negative list in URCS and all further chargebacks pertaining to the VPAs that are part of such negative list shall be declined with appropriate reason as provided in Annexure I. It may be noted that the chargebacks already raised by the customer (before the VPA getting included in the negative list) shall continue to be in open state, acquiring banks should verify and take appropriate action.

If any customer wants to raise a charge back beyond the set limit then the issuer should do due diligence, if the claim is found to be in order then raise the charge back in good faith mode.

A provision will be provided in the back office for the issuer banks to remove any VPA from the negative list provided the bank does all due diligence of credentials and be satisfied with the genuineness of such customers. Separate communication will be sent on the workflow to be followed for removing any VPA from the negative list.

Further to the above, it is expected that the Issuer has to carry out desired due diligence before raising the chargeback on the Acquirer.

Some recommended best practices are:

1. Posing “challenging questions” related to the disputed transactions.
2. Reaching out to the customer who are raising unduly high number of chargebacks and understanding the issue.
3. If the customer appears to be trying to exploit the system, then further course of action as may be required should be initiated.

On similar lines the Acquirers also need to be in control of the merchants. Periodic analysis should be carried out to identify the merchants who are receiving excessive number of chargebacks, especially more so in offline cases. Wherever required, the

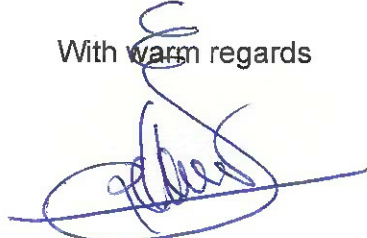
Acquiring bank should do deeper analysis and also reach out to such merchants who are receiving large number of chargebacks for necessary due diligence. It is necessary to weed out the merchants that are facilitating any misdeeds so that the genuine customer interests are taken care.

The issuer banks should develop necessary controls in place to ensure adherence to the revised charge back rules. It may be noted that all the existing policies and procedures continue to be applicable for chargeback and disputes. The Issuers and Acquirers are advised to implement the modifications, as may be applicable, before January 31, 2024.

The controls and process changes shall be implemented in URCS with effect from January 31, 2024, all banks are advised to make necessary changes in the recon systems wherever it is applicable.

The information contained herein may please be disseminated to the officials concerned.

With warm regards



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Annexure I

1. BACK-OFFICE DISPUTE FLAG & REASON CODES:

When chargeback is rejected with the compliance rules, below reason code will be used by the URCS, basis the logical conditions and declines for such chargebacks using following reason codes: -

Dispute Flag CCD (Chargeback Compliance Decline):

URCS will decline such chargebacks using CCD dispute flag and the same will be published in the existing re-presentment report in URCS.

Reason Codes:

- CD1 (Compliance Decline) for declining the 11th Chargeback (IFSC + Account Number based).
- CD2 (Compliance Decline) for declining the 6th Chargeback (Payer + Payee based VPA).

2. COMPLIANCE BASE REJECTION OF CHARGEBACK REPORT

In the existing re-presentment report URCS shall publish the compliance-based rejection of chargebacks with the aforesaid dispute flag and reason code. There will be no change in the format.