

NPCI/2023-24/NACH/007

August 18, 2023

To,

All NACH Member banks,

Penalty for high %age of ACH debit returns

Reference may be taken to our various communications high %age of returns of ACH debit transactions, all the stakeholders are advised to take the following measures:

1. Restrict the representation of the returned transactions to 2 times (1 presentation + 2 representations).
2. Representation of a returned transaction can be done only after 3 days from the date of return.
3. Representation to be done only after confirmation from the customer concerned on the availability of balance.
4. In case of repeated returns:
 - a. User institutions should reach out to the customer and ensure that the presentation is resumed only after confirmation is received from the customer for honouring the debit transactions.
 - b. Destination banks should review the operation of the account, advise the customer to maintain sufficient balance and in the event of no improvement follow the regulatory guidelines for handling such accounts.

It has been noticed despite repeated advisories to all the parties concerned the return %age continue to be well beyond the tolerable limits and therefore to bring in clearing discipline the following measures shall be implemented in a phased manner as per the schedule provided below:

Phase I – With effect from 1st October 2023:

1. Additional charges of Rs. 1 per return transaction to be levied on corporate with returns above 50%.

Phase II – With effect from 1st January 2024:

1. Rs. 5 per return transaction for corporate with return above 50%. Additional Charges will be for transaction over and above the threshold ie.50%

Phase III – with effect from 1st April 2024:

1. The corporates with return transaction above 30% will be barred from registering new mandates.
2. The utility code will be barred for registering further new mandates until the returns are brought down below the 30% threshold.

All stakeholders are advised to take immediate remedial measures ensure adherence to the clearing discipline and reduce the returns.

The information herein may please be disseminated to all the concerned.

With warm regards,



Girdhar G.M

(Chief Offline Products Operations & Technology)