

New credit, debit card rule for recurring payments kicks in from next month. Details here

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Customers who use the auto-debit facility on their debit and credit cards for recurring payments may see some transactions fail from October 1. This is due to a rule mandated by the Reserve Bank of India (RBI).

Many banks including Axis and HDFC have already started informing their customers about the change in the mandate for auto-debit payments.

"To safeguard consumers, the Reserve Bank of India (RBI) has put in place new safety and security measures for card payments. Please note: Effective 1st Oct 2021, the Bank will NOT approve any Standing Instruction (e-Mandate for processing of recurring payments) given at Merchant Website / App, on HDFC Bank Credit card/Debit Card, unless it is as per RBI compliant process," HDFC Bank mentioned on its website.

"As per RBI's recurring payment guidelines, w.e.f. 20-09-21, Standing Instructions on your Axis Bank Card(s) for recurring transactions will not be honoured. You can pay the merchant directly using your card for uninterrupted service," read a communication sent by Axis Bank.

What is RBI's new order on recurring payments?

The Reserve Bank of India (RBI) had issued a framework for processing e-mandates on recurring online transactions. It has made AFA (Additional Factor of Authentication) mandatory for all recurring transactions below ₹5,000 on debit cards, credit cards, UPI, and other Prepaid Payment Instruments (PPIs), and all stakeholders are required to ensure full compliance with the framework by September 30, 2021.

This directive is applicable to all recurring payments which were earlier debited automatically from customers' cards (credit/debit/prepaid) for mobile, utility, other recurring bills as well as subscription payments like OTT streaming services.

Banks will send a notification to a customer via SMS and email before the transaction. Customers will be notified by banks 24 hours before a mandate will be debited, providing enough time for a consumer to alter or cancel a payment

The notification will contain details about the name of the merchant, transaction amount, date of debit, reference number of transaction and the reason for the debit.

The cardholder will have the option to either disapprove or approve the transaction.

You should ensure that your correct mobile number is linked with your debit/credit cards so that you can receive a notification for approval.

"Further to the Reserve Bank of India's guidelines on e-mandates for all recurring merchant payments/subscriptions via credit and debit cards, Kotak Mahindra Bank (Kotak) is fully geared up to ensure compliance with the regulations that come into effect on October 1, 2021. To ensure a smooth

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transition, the merchant/merchant aggregators' ecosystem also needs to be in a state of readiness. The Bank is closely working with merchant/merchant aggregators to ensure minimal disruption for customers. Kotak is already live on UPI-based mandates and initial user adoption is encouraging. We expect a surge in card and UPI-based mandates as more merchants start offering and more consumers start setting up e-mandates," Spokesperson, Kotak Mahindra Group said.