



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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April 18, 2012

The Chairman and Managing Director / Chief Executive Officer
of member banks participating in ECS

Madam / Dear Sir,

ECS (Debit) mandate management procedure by the banks – adherence to Procedural Guidelines

Electronic Clearing Service (ECS), introduced by Reserve Bank of India in 1994 is now being widely used across many centres in the country for making and receiving bulk payments. The ECS (Debit) system was introduced with the objective of providing an alternative method for effecting payment transactions electronically in respect of the utility bill payments, insurance premia, card payments, loan repayments, etc., which would obviate the need for issuing and handling paper instruments such as cheques. This would also facilitate improved customer service by banks / companies / corporations / government departments, etc. that are collecting / receiving the payments. The ECS (Debit) Procedural Guidelines prescribes the procedure to be followed by the different stake holders in the process.

The ECS (Debit) system works on the strength of the mandates given by the destination account holders to the User institution for effecting payment from their accounts. The destination bank branches can debit their customers' account only on the basis of the mandates executed by them and the amount, time-limit, frequency etc. prescribed therein. Further, the account holder / customer is also entitled to withdraw the mandate / ECS Debit instructions from his / her bank without involvement of the User institution. The above safeguards have been put in place to ensure the smooth functioning of the system and also protect the interest of the customers.

However, it is observed that the banks are not adhering to these instructions to the desired extent, thereby resulting in unsatisfactory customer service. In particular, it is found that banks are not accepting the withdrawal instructions from the customers as provided for under the guidelines. Accordingly, the banks are once again advised to adhere to the following instructions in the matter:

1. All the debit mandates executed by the customers authorizing debit in their accounts should be authenticated and stored by the destination banks. Any debit to customers' accounts will be raised only on the basis of a valid mandate. If such mandates are not available on their record, banks are not authorised to effect such debits to the customers' accounts.
2. The account holder may also be given the facility of putting an upper limit for each individual transaction in the mandate, and / or a time limit for operation of a particular ECS mandate (life of a mandate) by the end user / destination banker. The debit to a customer's account has to be within this amount and time limits prescribed by the customer.
3. Any instructions on withdrawal of mandate by the customer will be accepted by the destination banks without necessitating the customer to obtain the prior concurrence / approval for withdrawal from the beneficiary user institution and will be treated equal to a "Stop Payment" instruction in the cheque clearing system. After receipt of such instructions for mandate withdrawal, no debit in the account will be permitted. In view of the possibility of multiple mandates in one account, the banks should be careful to record the withdrawal of the correct mandate.

Please acknowledge receipt and ensure compliance.

Yours faithfully

(Vijay Chugh)
Chief General Manager