

All You Need to Know About the RBI's New Auto Debit Rule

Recurring payments make it convenient for customers to pay subscription fees, utility bills, insurance premiums, and other regular expenses without making each payment manually. However, the Reserve Bank of India (RBI) introduced new rules for recurring transactions on credit and debit cards to improve security and give customers greater control over these payments.

Effective October 1, 2021, the framework requires banks and businesses to follow additional authentication and pre-debit notification requirements for eligible recurring transactions. Customers receive advance information about upcoming payments and can review or decline a transaction when required.

These changes also affect businesses and payment gateways, which must update their systems to comply with the RBI guidelines.

Although the transition may initially cause some inconvenience, the new rules are designed to strengthen payment security, improve transparency, and give customers better control over recurring transactions while making the payment process safer and more predictable.

Key Changes Under RBI's New Auto-Debit Guidelines

The Reserve Bank of India has announced new guidelines of auto debiting payments effective from Oct 1, 2021. Businesses ought to comply with the new standards to protect auto charging the membership amount on credit and debit card.

As per the most recent rules, it is necessary for the approval by Additional Figures Authentication (AFA) or an One Time Password (OTP), to continue the transaction.

All businesses following the **digital payment system**, will have to communicate to the customers about the auto debiting 24 hours prior to the due date of transaction of up to Rs. 5000.

Non-compliant exchanges on one's credit card or debit card will be declined by banks, from Oct 1, 2021. Be that as it may, those executing on managing account stages stay unaffected. Additionally, businesses ought to give customers an opt-out option, along with the auto debit notice. If the customer does not approve of the payment, the transaction would not take place.

Two circulars in this respect were issued to banks – one in August 2019 and another in December 2020 and they were given a due date of 31st March, to follow the modern rules. In any case, the RBI chose afterward to amplify the due date to September 30 as the banks weren't ill-prepared for its execution.

It may cause some disturbance for a short period of time, the new standards will eventually guarantee a helpful, and easy way to transact. It will also add and enhance the security of the **payment gateways**. Customers have more control over the exchanges and permit them to manage their membership effortlessly from the bank itself.

For this, customers need to register for e-mandate at the merchants website for the initial transaction with a legitimacy period and maximum amount.

How RBI's New Auto-Debit Rules Affect Payment Gateways and Customers?

All subscription-based businesses from all the greatest OTT platforms to upcoming subscription based companies are under the same umbrella of auto-debiting policy.

Having said that, institutions carrying out transactions such as mutual funds and SIPs, loans based EMI, and NetBanking will remain unaffected.

Industry specialists say that this move is to protect one's information and maintain a strategic distance from digital frauds, particularly in case of naive customers who frequently drop prey to information breaches. A few specialists also said that the RBI's later rules might be a bit of a burden and inconvenience in the initial days, but it gives more control to the customers as far as transactions of the services are concerned. All they have to do is some alterations.

The auto debiting rules are likely to affect customers who make payment through cards for OTT subscription, and other online transactions. Google, Facebook, YouTube and other web merchants following **digital payment system**, have advised customers the norms may lead to disturbance in e-mandate based recurring transactions.

In any case, the new rules of auto-debits are mandated only on those merchants who are compliant with RBI rules. The list of such billers and merchants would be available on your bank's website.

Banks and merchants are hurrying to adhere and act in accordance with the new auto-debit regulations initiated by the Reserve Bank of India. Banks like HDFC and Axis have already started notifying their customers through push notifications and SMS, about the alterations in the rules. Experts also suggest that not all banking institutions may succeed in meeting the

deadline of the central bank, but some banking institutions are moving towards the smooth transaction; however, it may cause some disturbances to the customers.

The **payment gateways** like **Zaakpay**, have a high standard of security and convenience for the customers and service provider. With the new guidelines in the picture, a little disturbance would be there, however customers would be able to make easy and secure payments in the near future, and it would enable the transaction to go smoothly between the customers and the merchants. The customer also doesn't have to enter the card details over and over again for the transactions.

Payment Gateway Transaction Process and Customer Notifications

For a transaction to take place on a [payment gateway](#), such as [Zaakpay](#) :

- The portals should be compliant to the RBI.
- They need to send a notification or SMS to the customers five days prior to the due date, and one day prior to the due date as well, to notify them for the upcoming due date.
- They also need to send them the option to 'opt-out', and 'part pay', along with the 'pay' option.
- On the date of payment, an OTP will be sent to the customers, so that they can make the payment securely.

Important Facts

If your bank directly gives out the information for payment of utility, mobile, and any other bills, it is recommended to continue with the same, however if you are using any **digital payment system** like Zaakpay, then you might need to re-enroll after the due date is over.

If you have already subscribed to services like Amazon Prime, Netflix, Spotify, or any other utility bills, the new rule is not applicable, but it won't affect your current and ongoing subscription as well.

It has been indicated that the new rules would apply only for the transaction exceeding Rs 5,000. So, if you have any memberships or bills exceeding Rs 5,000, at that point such an amount will not be auto-debited. It'll require your approval before making any payment. In any case, for those transactions below Rs 5,000, the repeating installments will proceed as of some time recently.

Final Thoughts

Major private banks are ready to comply with the RBI's guidelines, though there are some initial disruptions which are likely to happen. It was not effective immediately because the banks needed some time to notify their customers, as the customer also needed time to process and understand.

During the initial days the customers might face issues in transaction, however with time, this would be a new normal. It is also cleared that EMIs and SIPs will not face any turbulence.

Reference sites :

- <https://www.google.com/amp/s/scripbox.com/blog/all-you-need-to-know-about-the-rbis-new-auto-debit-rule/%3famp>
- <https://www.google.com/amp/s/www.indiatoday.in/amp/business/story/rbi-auto-debit-mandate-october-1-impact-on-automated-payment-services-1856741-2021-09-24>
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