



Title	NACH and Cheque Dishonour Policy
Current Version/ Review Date	Version 2.0/ 4 th Sept'24
Previous Version/ Review Date	Version 1.0/ 29 th Sep 2023

Ownership	Liabilities and Channel (Business)
User Department(s)	Business Product Operations
Validated By:	Business Product Operations Risk Compliance
Reviewed By:	NA
Approval By:	Approved by Board on Sept 4 th , 2024
Validity:	September 2025
Document contact point	Business.query@paytmBank.com

Version Control

Version	Effective Date	Valid Till	Ownership	Change/No Change
1.0	29/09/2023	29/09/2024	Business	New Document Created
2.0	04/09/2024	04/09/2025	Business	Changed

Table of Contents

1.	SCOPE.....	4
2.	OBJECTIVE	4
3.	INTRODUCTION.....	4
4.	NACH DISHONOUR POLICY	5
5.	CHEQUE DISHONOUR POLICY	5
6.	CHEQUE AND NACH/ECS DISHONOUR CHARGES	5
7.	RECORD KEEPING	5
8.	REVIEW OF DISHONOURED CASES	5
9.	REVISION OF POLICY.....	6

1. Scope

- i. The policy for dishonour of cheques and ECS/NACH Mandates has been devised in line with the terms of RBI Circular No. DBR.No.Leg.BC.3/09.07.005/2016-17 dated August 04, 2016.
- ii. **Highlights of the guidelines:**
 - a. Banks should put in place an appropriate policy approved by the Board or its Committee taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalizing customers for unintended dishonour of cheques.
 - b. It has been decided to leave it to the discretion of the banks to determine their response to dishonour of cheques of the account holders.
- iii. Accordingly, this policy has been drawn for dealing with incidents of dishonour of Cheques and failed NACH/ ECS.

2. Objective

- i. The policy is framed to define process for dealing with dishonoured cheques and NACH/ECS Mandates and taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalizing customers for unintended dishonour of cheques.

3. Introduction

- i. **National Automated Clearing House (NACH)** is a payment system operated by National Payments Corporation of India (NPCI) on the lines of ECS, where Corporations and Banks are members. The physical mandates are obtained by Corporates/ Sponsor Banks and sent to NPCI through Mandate Management System (MMS). The destination Banks receive the mandates through MMS and authorize the same in their CBS. On the strength of the mandates, the future debits are raised by Sponsor Banks.
- ii. **Cheque** as per Negotiable Instruments Act, 1881, is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a cheque and a truncated cheque.
- iii. Dishonour of cheque is governed by the Section 138 of the Negotiable Instruments Act, 1881 whereas the matter of failed NACH/ ECS mandate (the dishonour of electronic fund transfer for insufficiency of funds in the account) is governed by the Section 25 of Payment and Settlement System Act, 2007. As per Section 25 of the Payment and Settlement Systems Act, 2007, where an electronic funds transfer initiated by a person from an account maintained by him cannot be executed on the ground that the amount of money standing to the credit of that account is insufficient to honour the transfer instruction or that it exceeds the amount arranged to be paid from that account by an agreement made with a bank, there is provision to prosecute such person as per the above act.
- iv. A cheque is dishonoured when the bank refuses to pay the amount mentioned on the cheque deposited by the payee.
- v. In reference to RBI circular RBI/2016-17/33 DBR.No.Leg.BC.3/09.07.005/2016-17, paragraph (i), in the event of dishonor of cheque valuing rupees one crore and above drawn on a particular account of the drawer on four occasions during a financial year for want of sufficient funds in the account, no fresh cheque book would be issued. Also, PPBL may consider closing current account at its discretion.
- vi. *Please note – The bank has stopped issuing new cheque books to all customers since December 2021.*
- vii. A cheque may be dishonoured due to
 - a. Financial reasons - ‘Insufficient funds’
 - b. Non-financial reasons - “Mismatched signature”, “overwriting”, “Wrong date”, “damaged cheque” and others.

4. NACH Dishonour Policy

- i. **NACH Financial Dishonour** - If **Destination Bank** (the bank where the Destination **Account holders** maintain their bank account from which NACH payments are debited – Paytm Payments Bank in our case) is not in a position to debit a particular transaction for insufficiency of funds
- ii. Customer will be notified when a NACH mandate presentation fails due to insufficiency of funds via electronic medium like SMS or Email. The Bank will be entitled to impose a penal charge on customers for dishonour of NACH mandates owing to insufficiency of funds in the first instance itself. Bank at its sole discretion may choose to revise the penalty as and when required.
- iii. A caution notification will be sent to the customer via electronic medium (for instance, SMS or email) after 2nd consecutive NACH mandate presentation failure due to insufficiency of funds
- iv. In case of failed NACH due to insufficiency of funds the third time, a communication is to be sent to the customer (Destination Account Holder) intimating him about the dishonour via electronic medium. On reaching the threshold, the customer will not be able to set up a new mandate through an automated product flow unless sufficient funds are added in the account.
- v. Customers will be informed about the changes in NACH Dishonour Policy and the penalty charges via bank's website.
- vi. In case the customer account has insufficient funds to charge the penalty, a lien will be put on the account till the full penalty is recovered completely.

5. Cheque Dishonour Policy

- i. The below cheque dishonour clauses outline the treatment of repeated dishonours of cheques.
 - a. Currently, Paytm Payment Bank Ltd. (PPBL) supports only inward clearing of cheques. As the bank has discontinued the issuance of new cheque books, the current inward clearing process will continue till the time the outstanding cheque leaves are exhausted.
 - b. On each dishonour, a notification shall be sent to the customer informing them about the dishonour. Customers will be informed about board approved charges via PPBL Website.

6. Cheque and NACH/ECS Dishonour Charges

- i. The Bank shall levy charges for dishonour of cheques and NACH as per the schedule of charges placed on bank's website and revised by the bank from time to time.
- ii. In case the NACH dishonour is due to Financial Reasons i.e., insufficiency of funds in the account (Destination Bank Account), charges will be automatically deducted from the account holder's account/wallet real time completely or partially as per the availability of funds. In case the funds are insufficient to debit the charges, a lien will be marked on the account and charges will be debited as and when funds are added.
- iii. For more details on charges visit website - <https://www.paytmbank.com/ratesCharges>

7. Record keeping

- i. The Bank will maintain a record of all dishonoured cheques, and such records will be made available to the RBI or any other regulatory authority as and when required.

8. Review of dishonoured cases

- i. Instances of cheque dishonoured for the amount of 1 crore or above for the same user on four occasions in the same FY will be made part of bank's MIS. The same shall be reviewed in

Audit / Management Committee every quarter.

9. Revision of policy

- i. The bank may review and revise this policy from time to time as per the changing regulatory and business environment.

----- End of Document -----