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Charges imposed on UPI transactions and much more…

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"…the biggest asset on the balance sheets of banks today is the ignorance of customers of their own rights, and their reluctance to fight for them"
(Shri M. R. Pai, 2001)

Charges imposed on UPI transactions and much more…

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Executive Summary

For long, in violation to extant Laws and Regulations, two banks continued to charge excessive fees towards services that include UPI/NEFT transactions and ATM cash withdrawals. From even before January 2020, Canara Bank and IDBI Bank collected, in a discriminatory manner, Rs 5 and Rs 20 respectively, which was *in addition to* the normal charges applied for these services. This discrimination was hurled towards none other than holders of the Basic Savings Bank Deposit (BSBD) Account, also popularly known as the Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts.

A BSBD Account provides four free *withdrawals* a month and banks can reasonably charge for additional *withdrawal/s* done through various *withdrawal modes*. Such *modes of withdrawal* include UPI, NEFT and ATM *withdrawals*, among others. This means that whenever a bank charges for a *withdrawal*, it is for the *withdrawal* through a certain *mode*, be it the ATM/ NEFT/ UPI, etc. However, mandates are in place stipulating how much can be charged. Banks have been mandated not to charge their savings bank account customers for mobile based UPI/NEFT *withdrawal*, while a maximum of Rs 20 (lately, Rs 21) can be charged for ATM cash *withdrawal*.

We deep-dive to assess the reasonability and correctness of such extended fees especially for the PM-promoted PMJDY account holders. Supervisor's inaction adversely impacted 187 lakh Canara Bank's and 15 lakh IDBI Bank's BSBD Account holders who, on the call of the government and RBI, embraced digital means of financial transactions.

In April 2021, it was unequivocally highlighted to RBI that IDBI Bank considered it reasonable to impose an effective charge of Rs 20 for a non-cash digital debit transaction (that includes UPI/NEFT) and Rs 40 for ATM cash withdrawal. Although not by intent, RBI let these BSBD Account customers be victimised. This continued over years despite laws, rules and regulations being already in place for 'ensuring reasonableness of service charges'. Moreover, many account holders were dissuaded to effectively use the account (even digitally) due to this intimidating and exorbitant charge of Rs 20 for their day-to-day digital transactions.

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The views expressed in the report are those of the author and not necessarily of the institution to which he belongs.

Independently, in October 2021, RBI was apprised that Canara Bank was charging the BSBD Account customers Rs 5 for a non-cash digital debit transaction (that includes UPI/NEFT) and Rs 25 for ATM cash withdrawal.

Apart from lack of empathy on part of the banks, lack of prompt supervisory intervention raises concerns on RBI's customer centricity, transparency and accountability. Though RBI worked towards correcting the situation, it has not ensured that the improperly collected fees are refunded along with the due interest on the withheld amounts.

While the RBI recommends conducting surveys to assess the current impediments to financial inclusion (such as "issues faced while using digital services, knowledge of customer rights and attitude of service provider"), it let enforcement of the UPI-Law lag despite being its administrator under the PSS Act. The reluctance in addressing the issue meant the aggrieved remain cheated. *It appears that the supervisor allowed breach of Law because of its indecisiveness.*

In their internal correspondence, RBI highlighted the query *"Clarification on words 'directly or indirectly' in provision 10(A) of PSS Act that may result in banks reversing huge corpus of money levied in the name of Service Charges"*, and wrote that *"it could be opined that DPSS, CO as such is not empowered to interpret the words made use of in the Act and hence the captioned"* query *"may be forwarded to DoR/Legal Department for necessary action at their end"*. If supervisors cannot interpret the Law that they are required to administer, how can they ensure compliance? Just because some banks have to reverse huge corpus of money, the regulator cannot say that they would not interpret or clarify the matter.

At least with effect from February 2023, Canara Bank stopped these charges, while IDBI Bank continued to charge. Since January 2020, towards service charges on BSBD Accounts, Canara Bank collected over Rs 200 crore while IDBI Bank collected over Rs 12 crore. RBI's commitment and perseverance towards consumer protection led to Canara Bank finally refunding over Rs 100 crore in the first half of September 2023. However, such refunds were made without covering for the due interests (to the tune of Rs 10 crore) on the amounts inappropriately held back. RBI is yet to ensure the truthful payoffs of such interests to the marginalised depositors.

1. Introduction

1. For long, in violation to extant Laws and Regulations, two banks continued to charge excessive fees towards services that include UPI/NEFT transactions and ATM cash withdrawals. From even before January 2020, Canara Bank and IDBI Bank collected, in a discriminatory manner, Rs 5 and Rs 20 respectively, which was *in addition to* the normal charges applied for these services. This discrimination was hurled towards none other than holders of the Basic Savings Bank Deposit (BSBD) Account, also popularly known as the Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts.

2. A BSBD Account provides four free *withdrawals* a month and banks can reasonably charge for additional *withdrawal/s* done through various *withdrawal modes*. Such *modes of withdrawal* include UPI, NEFT and ATM *withdrawals*, among others. This means that whenever a bank charges for a *withdrawal*, it is for the *withdrawal* through a certain *mode*, be it the ATM/ NEFT/ UPI, etc. However, mandates are in place stipulating how much can be charged. Banks have been mandated not to charge their savings bank account customers for mobile based UPI/NEFT *withdrawal*, while a maximum of Rs 20 (lately, Rs 21) can be charged for ATM cash *withdrawal*.

3. In April 2021, it was unequivocally highlighted to RBI (see reference [10]) that IDBI Bank considered it reasonable to impose an effective charge of Rs 20 for a non-cash digital debit transaction (that includes UPI/NEFT) and Rs 40 for ATM cash withdrawal. Although not by intent, RBI let these BSBD Account customers be victimised. This continued over years despite laws, rules and regulations being already in place for 'ensuring reasonableness of service charges'. Moreover, many account holders were dissuaded to effectively use the account (even digitally) due to this intimidating and exorbitant charge of Rs 20 for their day-to-day digital transactions.

4. Independently, in October 2021, RBI was apprised that Canara Bank was charging the BSBD Account customers Rs 5 for a non-cash digital debit transaction (that includes UPI/NEFT) and Rs 25 for ATM cash withdrawal.

5. We deep-dive to assess the reasonability and correctness of such extended fees especially for the PM-promoted PMJDY account holders, who are striving to come equal through RBI's support in the form of BSBD Accounts designed, and the government's earnest push for financial inclusion. We also assess the adverse impact on these BSBD Account holders who, on the call of the government and RBI, embraced digital means of financial transactions.

2. The UPI-Law and NEFT regulation

6. The government introduced Section 10A in the Payment and Settlement Systems (PSS) Act, 2007, which states that

> *"10A. Notwithstanding anything contained in this Act, no bank or system provider shall impose, whether directly or indirectly, any charge upon a person making or receiving a payment by using the electronic modes of payment prescribed under section 269SU of the Income-tax Act, 1961."*[1]

[1] The Finance (No. 2) Act, 2019 inserted section 269SU in the Income-tax Act, 1961, with effect from November 1, 2019, namely: — "269SU. Every person, carrying on business, shall provide facility for accepting payment through prescribed electronic modes, in addition to the facility for other electronic modes, of payment, if any, being provided by such person, if his total sales, turnover or gross receipts, as the case may be, in business exceeds fifty crore rupees during the immediately preceding previous year.".

7. The Central Board of Direct Taxes (CBDT) notified UPI as a prescribed electronic mode of payment.[2] Effective January 1, 2020, banks and system providers were prohibited to impose any direct or indirect charges to a person for making or receiving payments through UPI.

8. Before we proceed further, clarity is required as to what constitutes imposition of direct and indirect charge for using UPI? Any charge imposed by a bank or system provider for using UPI would be a direct charge if that gets attributed directly. However, *any charge imposed by a bank or system provider due to the occurrence of an event, which is a guaranteed consequence of the UPI transaction, would be an indirect charge.*

9. A debit entry or a *withdrawal* in a bank account due to an UPI transaction is a guaranteed consequential event. Therefore, the '*withdrawal*' that is a guaranteed consequence of an UPI payment cannot be charged – else it would result in an indirect charge for using UPI. Engineering of any such indirect charges that are a guaranteed consequence of making or receiving an UPI payment, whether in the name of handling fee, or convenience fee, or digital fee, or network fee, or debit fee, or withdrawal fee, etc., are inherently prohibited under Section 10A of the PSS Act.

10. However, charges imposed for non-maintenance of minimum balance requirements, or monthly rentals on POS terminals and value-adds like UPI sound-box, etc., cannot be associated as consequential events for making or receiving an UPI payment, and hence would not fall under the purview of indirect charges for using UPI. Moreover, a *withdrawal* that is not a consequence of an UPI transaction, e.g., NEFT transaction, would also not fall under the purview of Section 10A of the PSS Act.

11. However, in a related development, to give further impetus to digital payments, effective January 1, 2020, RBI invoked the PSS Act and mandated banks not to levy any charges from their savings bank account holders for funds transfers done through NEFT system, which are initiated online (viz. internet banking and/or mobile apps of the banks).[3]

3. UPI charges imposed *only* on special category BSBD (PMJDY) Account holders

12. Since 2020, Canara Bank and IDBI Bank have charged their BSBD (PMJDY) Account holders for transacting digitally via UPI. These charges got imposed for nearly three years despite RBI being aware of the same. The charges are as follows:

> **Canara Bank**: BSBD (PMJDY) Accounts (In effective since 01.01.2020 or earlier)
> CHARGE RS 5 + GST ON ALL DEBIT TRANSACTIONS BEYOND FOUR A MONTH
> The above charge is related to per debit transaction beyond 4 withdrawals of BSBD Account. Accordingly, beyond 4 debits in a month, Rs 5 + GST is applied on each UPI/NEFT debit transaction, which is in addition to zero fees for UPI/NEFT transactions.
> This implies a charge of Rs 5 per UPI/NEFT transaction beyond 4 withdrawals a month.

[2] The CBDT inserted rule 119AA in the Income-tax Rules, 1962, wherein, with effect from January 1, 2020, Debit Card powered by RuPay and the UPI were notified as prescribed electronic modes.
[3] For NEFT withdrawals initiated at branch, RBI-mandated service charge caps are in the range of Rs 2.50 - 25.

IDBI Bank: Basic Savings Accounts (In effective since 01.01.2020 or earlier) First 4 Customer Induced Debit transactions per month free; thereafter Rs 20 per transaction will be charged over & above the respective transaction charges. This implies a charge of Rs 20 per UPI/NEFT transaction beyond 4 withdrawals a month.

13. Banks have the freedom to decide on service charges subject to regulatory and legal provisions. Accordingly, they are bound by the extant statutory stipulations on imposition of charges, and that includes Section 10A of the PSS Act and the RBI regulations on NEFT.

14. The PSS Act mandates, not the government but, RBI as the administrator of the Law. Despite so, in an earlier occasion the government had to pitch-in as certain non-compliant banks then, were charging directly or indirectly for UPI transactions. The need for the government to pitch-in arose because of RBI's hesitance to administer the specific Section 10A of the Law. When the issue was explicitly raised with RBI, they advised that the government be approached for the same. Accordingly, the government had to reiterate that UPI being a prescribed electronic mode of payment, the banks and system providers cannot impose a charge, directly or indirectly, onto the users of UPI (see, Annexure 1: Direction from the Government).

15. Thus, by letting banks continue to indirectly charge (@ Rs 5 to Rs 20 per transaction) from this special category of individuals for their UPI/NEFT usage, RBI let the banks violate Section 10A of the PSS Act and their own regulations on NEFT. Contrary to the letter and spirit of the National Strategy for Financial Inclusion (NSFI) 2019-2024, such charges made transactions unaffordable and dissuaded many to carry out such digital transactions.

16. While the RBI-prepared NSFI 2019-2024 recommends conducting surveys to assess the current impediments to financial inclusion (such as "issues faced while using digital services, knowledge of customer rights and attitude of service provider"), it let enforcement of the UPI-Law lag despite being its administrator under the PSS Act. Though being aware of these bottlenecks, none of the departments of RBI involved (DPSS/DoR/DoS/CEPD)[4] showed any promptness in addressing them (see, Annexure 2: Internal correspondence of RBI, along with Yellow highlights added by author). The departments' reluctance in addressing the issue meant the aggrieved remain cheated (see, Annexure 3: Desperate expressions of masses charged Rs 5 for UPI transactions). *It appears that the supervisor allowed breach of Law because of its indecisiveness.*

17. In their internal correspondence, RBI highlighted the query *"Clarification on words 'directly or indirectly' in provision 10(A) of PSS Act that may result in banks reversing huge corpus of money levied in the name of Service Charges",* and wrote that *"it could be opined that DPSS, CO as such is not empowered to interpret the words made use of in the Act and hence the captioned"* query *"may be forwarded to DoR/Legal Department for necessary action*

[4] DPSS (Department of Payment and Settlement Systems); DoR (Department of Regulation); DoS (Department of Supervision); CEPD (Consumer Education and Protection Department)

at their end". If supervisors cannot interpret the Law that they are required to administer, how can they ensure compliance? Just because some banks have to reverse huge corpus of money, the regulator cannot say that they would not interpret or clarify the matter.

18. As per government's PMJDY portal, Canara Bank has opened over 187 lakh PMJDY Accounts, while IDBI Bank has opened over 15 lakh such accounts. At the banking industry level, about 35% of the saving bank accounts are BSBD Accounts. These two crore deprived account holders expected RBI to provide reliance. However, lack of swiftness and surgical analysis makes RBI unreliable to handle consumer protection in banking.

19. RBI is the guardian of our country's payment systems and is duty bound to protect the vulnerable people holding normal savings bank accounts and BSBD (PMJDY) Accounts. However, by tossing around the issue of imposition of indirect charges for UPI/NEFT transactions, across departments, the supervisor is shedding their responsibilities. This is detrimental to the PM's PMJDY and digital India.

4. The BSBD Account

20. RBI frames regulations under the Banking Regulation Act, 1949. Though originally introduced in 2012, RBI brought in a regulation (effective July 1, 2019) where it reintroduced BSBD Account with modified-characteristics. The BSBD Account was designed as a savings account which will offer certain *minimum* facilities, free of charge, to the holders of such accounts.

> RBI directed the Banks to offer the following basic ***minimum* facilities** in the BSBD Account, free of charge, without any requirement of minimum balance.
>
> (a) The deposit of cash at bank branch as well as ATMs/CDMs
> (b) Receipt/credit of money through any electronic channel or by means of deposit /collection of cheques drawn by Central/State Government agencies and departments
> (c) No limit on number and value of deposits that can be made in a month
> **(d) *Minimum* of four withdrawals in a month, including ATM withdrawals**[5]
> (e) ATM Card or ATM-cum-Debit Card
>
> Furthermore, while emphasising that the BSBD Account shall be considered a normal banking service, RBI made it clear in their directive that "*Banks are free to provide additional value-added services, including issue of cheque book, beyond the above minimum facilities, which may/may not be priced (**in non-discriminatory manner**) subject to disclosure.*".

21. While defining BSBD Accounts, RBI has taken care of ensuring that (i) BSBD Account shall be considered a **normal banking service**, and (ii) any value-added service provided,

[5] Note the double use of the word "*minimum*". Basic *minimum* facilities, required to be offered, include *minimum* of four withdrawals in a month. In other words, if a bank decides to offer six withdrawals in a month, it satisfies the requirement of *minimum* facilities. Moreover, *minimum* facilities are to be provided free of charge.

beyond the minimum facilities, may be priced in a ***non-discriminatory manner***. Furthermore, RBI has clearly indicated that "Minimum of four withdrawals in a month, including ATM withdrawals" need to be provided free of charge. Accordingly, RBI mentions that

> "*the instructions issued on free transactions available for normal savings bank account in own-bank/other bank ATMs vide DPSS circulars dated August 14, 2014 and October 10, 2014 are not applicable to BSBD Accounts. The minimum free withdrawals available to the BSBD Account holders can be made at all ATMs (own-bank/other bank ATMs).*"

All other RBI instructions issued for savings bank account hold for a BSBD Account. A specific Query-15 under RBI's FAQs on BSBD Accounts explains this further.[6]

22. Thus, only the aspect related to the number of free cash-withdrawal transactions (as mentioned in the two DPSS circulars) are not applicable to BSBD Accounts. The other aspects in the DPSS circulars that relate to the mandate on ceiling/cap on customer charges of Rs 20 (plus service tax, if any) for ATM cash withdrawals, apply to all savings bank accounts.[7]

23. Moreover, the specific Query-15 under the FAQs on BSBD Account, makes it amply clear that the banks are given freedom to either offer free or charge for additional *withdrawal/s* done through various *withdrawal modes*. In other words, whenever a bank charges for a *withdrawal*, it is for the *withdrawal* through a certain *mode*, be it the ATM/ RTGS/ NEFT/ Clearing/ Branch cash withdrawal/ transfer/ internet debits/ standing instructions/ EMI, etc. However, there are mandates that restrict banks on how much they can charge for certain *withdrawal modes*, which include *modes* like NEFT, UPI and ATM *withdrawals*.

5. Canara Bank and IDBI Bank – ATM cash withdrawal charges?

24. For BSBD Accounts, beyond 4 withdrawals a month, Canara Bank and IDBI Bank imposed Rs 5 and Rs 20, respectively, on ATM cash withdrawals, which was in addition to the ATM cash withdrawal charges of Rs 20. So, when the banks thrust(ed) a charge of 20+5 = Rs 25 or 20+20 = Rs 40 for ATM cash withdrawals, it should amount to non-compliance of not only the extant DPSS circular dated August 14, 2014 on ATM cash withdrawal charges for savings bank accounts but also, the RBI mandate that any value-added service provided and priced in a BSBD Account, beyond the minimum facilities, should be priced in a non-discriminatory manner.

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[6] **15. Query** Whether the existing facility available in a normal saving bank account of Five free withdrawals in a month in other banks ATMs as per IBA (DPSS) instructions will hold good for BSBDA?
Response No. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/transfer/internet debits/standing instructions/EMI, etc. It is left to the banks to either offer free or charge for additional withdrawal/s. However, in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner by banks.

[7] Based on a review of Customer Charges, effective January 1, 2022, RBI allowed banks to increase the customer charges to a maximum of ₹21 per ATM cash withdrawal.

25. In other words, the effective ATM cash withdrawal charges for BSBD Account holders are in excess of the cap mandated by RBI. Moreover, such charges are discriminatory since for the savings account holders (other than BSBD Account holders) the effective price is Rs 20 only, as against Rs 25 or Rs 40 that got charged to BSBD Account holders. Accordingly, the regulatory violations appear to stand. This was brought to RBI's knowledge in August 2022.

26. A bank imposes a charge for providing the service of ATM cash withdrawal. However, while rendering the ATM cash-withdrawal service to their customers, Canara Bank and IDBI Bank cannot set a pricing structure that give rise to customers paying a net effective amount of Rs 25 or Rs 40 (plus GST), unless the bank's intention is to deviate from the extant DPSS directive on how much, at-max, the ATM cash withdrawal service should cost the customer. The regulation on the quantum of ATM fees have been brought in with prudence and the DoR's 2019 circular on BSBD Accounts or DPSS's 2014 circular have not countered it (except for the number of free ATM cash withdrawals).

27. A clear thought process went behind the formulation of the regulations and Canara Bank/IDBI Bank cannot justify the deviation. Moreover, common sense tells that something is amiss, else other banks in the Indian banking system would appear so dumb. The gamut of banks would have learned from such smart moves of Canara Bank/IDBI Bank, and thus, solve their disagreements (if any), towards service charge caps mandated by RBI. However, the question remains whether the other banks are dumb or wise?

28. This raises question on the reasonability and correctness of imposition of such extended fees especially for the PM-promoted PMJDY account holders, who are striving to come equal through RBI's support in the form of BSBD Accounts designed, and the government's earnest push for financial inclusion (see Annexure 4: Ensuring Reasonableness of Bank Charges). The true product features on extended charges for ATM cash withdrawals that has been adopted by Canara Bank and IDBI Bank can be a lesson towards the product features of normal savings bank accounts, through engineering of direct or indirect charges in the name of ATM visit fee, or convenience fee, or digital fee, or debit fee, or withdrawal fee, etc.

6. Concluding remarks

29. Slackness in supervisor's inaction had adversely impacted the BSBD Account holders of Canara Bank and IDBI Bank who, on the call of the government and RBI, embraced digital means of financial transactions. Despite Section 10A of the PSS Act, for long RBI remained noncommittal towards a bank's freedom to charge for every UPI *withdrawal*.

30. Contrary to how RBI defines the word "*withdrawal*", what RBI tried to portray is that UPI transaction cannot lead to bank charging a person making the UPI payment, **but** the bank can charge for the consequential *withdrawal* from the account due to the UPI transaction. The intent of Section 10A of PSS Act is very clear, which was brought in to ensure that any associated bank-fees that may get imposed, when one tries to transact through UPI, is eliminated. Despite

such an intent, so that no one is dissuaded to make or receive UPI payments, we find some deviations. RBI should not have encouraged such deviations when knowing very well that it can only impede demand for making UPI payments. RBI remaining non-committal, across their departments, had been more of a problem than a solution.

31. Apart from lack of empathy on part of the banks, lack of prompt supervisory intervention raises concerns on RBI's customer centricity, transparency and accountability. Though RBI worked towards correcting the situation, it has not ensured that the improperly collected fees are refunded along with the due interest on the withheld amounts. The nature of the discrimination against the BSBD Account holders led these banks to excessively charge for UPI, NEFT and ATM withdrawals.

Charges exclusive of GST (Rs)	Canara Bank		IDBI Bank	
	UPI/NEFT withdrawals	ATM cash withdrawals	UPI/NEFT withdrawals	ATM cash withdrawals
Normal savings bank account	0	20	0	20
BSBD Account	5	25	20	40
Excessive charges	**5**	**5**	**20**	**20**

32. At least with effect from February 2023, Canara Bank stopped these charges, while IDBI Bank continued to charge.[8] Since January 2020, towards service charges on BSBD Accounts, Canara Bank collected over Rs 200 crore while IDBI Bank collected over Rs 12 crore.[9] Though there had been some slackness, RBI's commitment and perseverance towards consumer protection led to Canara Bank finally refunding over Rs 100 crore in the first half of September 2023. However, such refunds were made without covering for the due interests (to the tune of Rs 10 crore) on the amounts inappropriately held back. RBI is yet to ensure the truthful payoffs of such interests to the marginalised depositors.[10]

Acknowledgments

This note got inspired by the extensive correspondence that Sh. Mohan Chandramouli had with RBI and Canara Bank. The author is thankful to Sh. Mohan Chandramouli, RBI, Canara Bank and IDBI Bank for providing valuable insights.

During October 2023, this report was shared with DPSS of RBI for discussion. It was also shared with Deputy Governor overseeing CEPD of RBI for necessary action. The report was also shared with Canara Bank and IDBI Bank for their comments.

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IDBI Bank's schedule of service charges https://www.idbibank.in/pdf/soc/Basic-Saving-account-with-complete-KYC.pdf (The links provide the information as accessed on 04-11-2023)
[9] Based on responses received from the banks under the RTI Act.
[10] A Customer Centric Approach-Navigating the Path to Excellence in Customer Service (Speech by Shri Swaminathan J, Deputy Governor, Reserve Bank of India - September 21, 2023 - at the Conference on Customer Service held in Mumbai). https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1386

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[4] Usage of ATMs – Rationalisation of number of free transactions. RBI/2014-15/179 DPSS.CO.PD.No. 316/02.10.002/2014-2015 dated August 14, 2014. https://rbidocs.rbi.org.in/rdocs/notification/PDFs/URS140814FS.pdf

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[6] Master Circular on Customer Service in Banks. RBI/2015-16/59 DBR No. Leg. BC. 21/09.07.006/2015-16 dated July 1, 2015. https://rbidocs.rbi.org.in/rdocs/notification/PDFs/59FM04072F58B1DD44DFADD486B9B0A59E9D.PDF

[7] Financial Inclusion- Access to Banking Services – Basic Savings Bank Deposit Account (BSBDA). RBI/2018-19/206 DBR.LEG.BC.No.47/09.07.005/2018-19 dated June 10, 2019. https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT206B907C2CDEA744542826A19D64D360A27.PDF

[8] Furthering Digital Payments – Waiver of Charges – National Electronic Funds Transfer (NEFT) System. RBI/2019-20/116 DPSS (CO) RPPD No.1140/04.03.01/2019-20 dated December 16, 2019. https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NOTI1169DCDE01D21BB468995499AEF5AE1F5B9.PDF

[9] Das, Ashish (2020). Deviating from the BHIM-UPI Law. IIT Bombay Technical Report. August 24, 2020. http://dspace.library.iitb.ac.in/jspui/handle/100/25215

[10] Das, Ashish (2021). Regulating Basic Savings Bank Deposit Accounts - Do we need to care for these marginalized depositors? IIT Bombay Technical Report, April 11, 2021. http://dspace.library.iitb.ac.in/jspui/handle/100/36650

[11] Usage of Automated Teller Machines / Cash Recycler Machines – Review of Interchange Fee and Customer Charges RBI/2021-22/52 DPSS.CO.OD.No.S-182/06.07.011/2021-22 dated June 10, 2021. https://rbidocs.rbi.org.in/rdocs/notification/PDFs/ATMINTERCHANGEF1B27B06FE09452FA1D395BF67718CD6.PDF

[12] Das, Ashish (2022). Charges in the UPI System. IIT Bombay Technical Report. October 30, 2022. http://dspace.library.iitb.ac.in/jspui/handle/100/36655

Annexure 1: Direction from the Government

Circular No. 16 /2020

F.No.370142/35/2019-TPL-Pt
Government of India
Ministry of Finance
Department of Revenue
Central Board of Direct Taxes
****

Dated: 30th August, 2020

Subject: Imposition of charge on the prescribed electronic modes under section 269SU of the Income-tax Act, 1961 – reg.

In furtherance to the declared policy objective of the Government to encourage digital transactions and move towards a less-cash economy, the Finance (No. 2) Act 2019 inserted a new provision namely section 269SU in the Income-tax Act, 1961 (**"the IT Act"**), which provides that every person having a business turnover of more than Rs. 50 crores during the immediately preceding previous year shall mandatorily provide facilities for accepting payments through prescribed electronic modes. Further, a new provision namely section 10A was also inserted in the Payment and Settlement Systems Act 2007 (**"the PSS Act"**), which provides that no Bank or system provider shall impose any charge on a payer making payment, or a beneficiary receiving payment, through electronic modes prescribed under section 269SU of their IT Act. Subsequently vide notification no. 105/2019 dated 30.12.2019 (i) Debit Card powered by RuPay; (ii) Unified Payments Interface (UPI) (BHIM-UPI); and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code) were notified as prescribed electronic modes under section 269 SU of the IT Act.

2. A circular no. 32/2019 dated 30.12.2019 was issued by the Board to clarify that based on section 10A of the PSS Act, any charge including the MDR (Merchant Discount Rate) shall not be applicable on or after 01st January, 2020 on payment made through prescribed electronic modes. However, representations have been received that some banks are imposing and collecting charges on transactions carried out through UPI. A certain number of transactions are allowed free of charge beyond which every transaction bears a charge. Such practice on part of banks is a breach of section 10A of the PSS Act as well as section 269SU of the IT Act. Such breach attracts penal provisions under section 271DB of the IT Act as well as section 26 of the PSS Act.

3. Banks are, therefore, advised to immediately refund the charges collected, if any, on or after 1st January, 2020 on transactions carried out using the electronic modes prescribed under section 269SU of the IT Act and not to impose charges on any future transactions carried through the said prescribed modes.

Goyal 30.08.2020

(Ankur Goyal)
Under Secretary to the Govt. of India

Annexure 2: Internal correspondence of RBI

(Source: Sh. Mohan Chandramouli and RBI; Yellow highlights added by author)

Chronological from latest to oldest correspondence

From:
Sent:
To:
Cc:
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376
Attachments: Action history of registration number DEABD_E_2023_0030376.pdf; DEABD_E_2022_81975-Mohan Chandramouli.pdf; DEABD_E_2022_81975-Annex.pdf; DEABD_E_2023_0030376.pdf; FW: CPGRAMS complaint - DEABD_E_2023_0030376

Please refer to your CPGRAM complaint DEABD/E/2023/0030376.

2. In this regard, our reply is as under.

Sl. No.	Query	Reply
1.	CBDT Directive that banks cannot levy any extra charge on transactions made through electronic modes on or after January 1, 2020. "... based on section 10A of the Payment and Settlement Systems Act 2007, any charge including the MDR (Merchant Discount Rate) shall not be applicable on or after 1st January 2020 on payment made through prescribed electronic modes," CBDT said in a statement	The information sought is not clear as no reference to any particular transaction is made in the complaint.
2.	Clarification about the words "directly or indirectly" in provision 10 (A) of PSS Act would clear the doubt in the air.	The information sought is not clear as no reference to any particular transaction is made in the complaint

Regards

भुगतान और निपटान प्रणाली विभाग / Department of Payment and Settlement Systems
केंद्रीय कार्यालय/Central Office
भारतीय रिज़र्व बैंक / Reserve Bank of India

1

Author's note: The query re-framed by RBI and the concluding reply (as above) are in complete disagreement with what RBI has internalised, as seen in the internal correspondence that follows. This is detrimental to RBI's thrust towards consumer protection and fairness to truthfully handle such issues.

Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376
Attachments: Action history of registration number DEABD_E_2023_0030376.pdf; DEABD_E_2022_81975-Mohan Chandramouli.pdf; DEABD_E_2022_81975-Annex.pdf; DEABD_E_2023_0030376.pdf; FW: CPGRAMS complaint - DEABD_E_2023_0030376 ; CPGRAM -C Mouli.docx

From: [redacted]
Sent: [redacted]
To: [redacted]
Cc: [redacted]
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Madam,

DRAFT REPLY FOR CPGRAM DEABD_E_2023_0030376 is enclosed for approval

Regards

[redacted]

भुगतान और निपटान प्रणाली विभाग / Department of Payment and Settlement Systems
केंद्रीय कार्यालय/Central Office
भारतीय रिज़र्व बैंक / Reserve Bank of India
मुंबई / Mumbai





From: [redacted]
Sent: [redacted]
To: [redacted]
Cc: [redacted]
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Madam,

The complainant, Shri Mohan Chandramouli had lodged 1st complaint on October 10, 2022 vide DEABD/E/2022/81975 wherein the following matters were highlighted –

a. CBDT's move to disarm banks by prohibiting levying extra-charges on e-transactions carried out on or after January 1,2020.
b. Government's move directing banks to reverse charges levied such as MDR.
c. A paper written by a IIT Bombay professor highlighting probable levy of indirect charges by banks that indirectly impedes digital ecosystem growth.
d. Clarification on words "directly or indirectly" in provision 10 (A) of PSS Act that may result in banks reversing huge corpus of money levied in the name of Service Charges.

1 [redacted]

2. The said CPGRAMS was closed vide DPSS, HelpDesk's reply dated stating the issues flagged were under examination.

3. Policy Division had received email dated [redacted] from DOR seeking clarification on whether DPSS has issued any guidelines/instructions with respect to the CBDT directions and if DPSS has received any references flagging the issue of non-compliance of the CBDT directions by banks or payment system providers and PD clarified DOR that DPSS has not issued any specific guidelines in connection with the subject and the department has also not received any references flagging the issues pertaining to non-compliance of the CBDT directions.

4.The complainant has freshly lodged another CPGRAMS vide DEABD/E/2023/0030376 on March 31, 2023. The contain of the complaint is about **banks levying services charges on exempted digital transactions violating the CBDT guidelines and RBI is yet to take action**.

As advised by Policy Division the complaint was forwarded to DOR in [redacted] for direct reply to complainant. However, DOR has again forwarded the complaint to DPSS on and the same was again referred to Policy Division. Policy Division has advised us on to transfer the complaint to DoR (mail enclosed).

Submitted for orders please.

Regards

[redacted]

भुगतान और निपटान प्रणाली विभाग / Department of Payment and Settlement Systems
केंद्रीय कार्यालय/Central Office
भारतीय रिज़र्व बैंक / Reserve Bank of India
मुंबई / Mumbai





From [redacted]
Sent:
To:
Subject: Re: CPGRAMS complaint - DEABD_E_2023_0030376

आदरणीय महोदया,

The complainant had initially lodged CPGRAMS vide DEABD/E/2022/81975 wherein the following matters were highlighted –

a. CBDT's move to disarm banks by prohibiting levying extra-charges on e-transactions carried out on or after January '20.
b. Government's move directing banks to reverse charges levied such as MDR.
c. A paper written by a IIT Bombay professor highlighting probable levy of indirect charges by banks that indirectly impedes digital ecosystem growth.

2

d. Clarification on words "directly or indirectly" in provision 10 (A) of PSS Act that may result in banks reversing huge corpus of money levied in the name of Service Charges [redacted]

2. The said CPGRAMS was closed vide DPSS, HelpDesk's reply dated stating the issues flagged were under examination. The complainant has freshly lodged another CPGRAMS vide DEABD/E/2023/0030376 on March 31, 2023.

3. DPSS, CO vide its mail dated [redacted] has already clarified that as such no guidelines have been issued with respect to non-compliance of CBDT directions.

4. Pertaining to query 'd', it could be opined that DPSS, CO as such is not empowered to interpret the words made use of in the Act and hence the captioned CPGRAMS may be forwarded to DoR/Legal Department for necessary action at their end.

Thanks & Regards,

[redacted]
भुगतान और निपटान प्रणाली विभाग/Department of Payment and Settlement Systems
केंद्रीय कार्यालय, मुंबई / Central Office, Mumbai
भारतीय रिज़र्व बैंक / Reserve Bank Of India

From: [redacted]
Sent:
To: [redacted]
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Regards

[redacted]
भुगतान और निपटान प्रणाली विभाग / Department of Payment and Settlement Systems

केंद्रीय कार्यालय/Central Office

भारतीय रिज़र्व बैंक / Reserve Bank of India

मुंबई / Mumbai

3





From: [redacted]
Sent:
To: [redacted]
Cc:
Subject: CPGRAMS complaint - DEABD_E_2023_0030376
Importance: High

Madam,

We have earlier received the said reference in [redacted] and we had transferred the same to DOR in as advised by PD.

Action history of the same is enclosed.

From: [redacted]
Sent:
To: [redacted]
Cc:
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376
Importance: High

महोदया,

With reference to the captioned CPGRAMS complaint, the response from policy division is mentioned below.

4

2. We may, if approved forward the complaint to Department of Regulation with comments:

"

कृपया शिकायत की जांच समयबद्ध रूप से करने की व्यवस्था करें और शिकायतकर्ता को उपयुक्त उत्तर भेजें और उसके निपटान के तुरंत बाद शिकायतकर्ता को भेजें गए उत्तर को सीपीग्राम्स पोर्टल पर भी अपनी टिप्पणी/ कार्रवाई के साथ अपलोड करें।

Kindly arrange to examine and redress the grievance and give an appropriate reply to the complainant within a time-bound manner. After redressal, a copy of the reply given to the complainant along with your comments/action may be uploaded on the CPGRAMS portal

"

For approval please.

सादर I Regards

[redacted]

भुगतान और निपटान प्रणाली विभाग (केंद्रीय कार्यालय)I DPSS, CO

भारतीय रिज़र्व बैंक I Reserve Bank of India

मुंबई I Mumbai

☎ 022 2260 2511

From: [redacted]
Sent:
To: [redacted]
Cc: [redacted]

Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376
Importance: High

5

महोदय / महोदया,

PFA the earlier responses requesting to forward the same to DoR, as the subject case was dealt by the department.

You may forward the complaint on the portal to DoR. It had the approval of the CGM

धन्यवाद।

[redacted]

भुगतान और निपटान प्रणाली विभाग / Department of Payment & Settlement Systems

केन्द्रीय कार्यालय / Central Office

14 वी मंज़िल, केन्द्रीय कार्यालय भवन / 14th Floor, Central Office Building

भारतीय रिज़र्व बैंक / Reserve Bank of India

फोर्ट / मुंबई / Fort, Mumbai-400001

From: [redacted]
Sent:
To: [redacted]

Cc:

Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376
Importance: High

महोदय,

6

Please find attached the interim reply provided to CPGRAMS complaint - DEABD/E/2022/81975

2. In this regard, the complainant has raised a new complaint - DEABD_E_2023_0030376 regarding Clarification in the matter and order refund of wrongly collected service charges to all the customers. The current complaint is coming under pending

3. In view of the CPGRAMS review by Ministry and top management of RBI on [redacted], it is requested to kindly provide reply to complaint DEABD_E_2023_0030376 by today evening.

4. Kindly treat this is most urgent.

सादर I Regards

[redacted]

भुगतान और निपटान प्रणाली विभाग (केंद्रीय कार्यालय)I DPSS, CO

भारतीय रिज़र्व बैंक I Reserve Bank of India

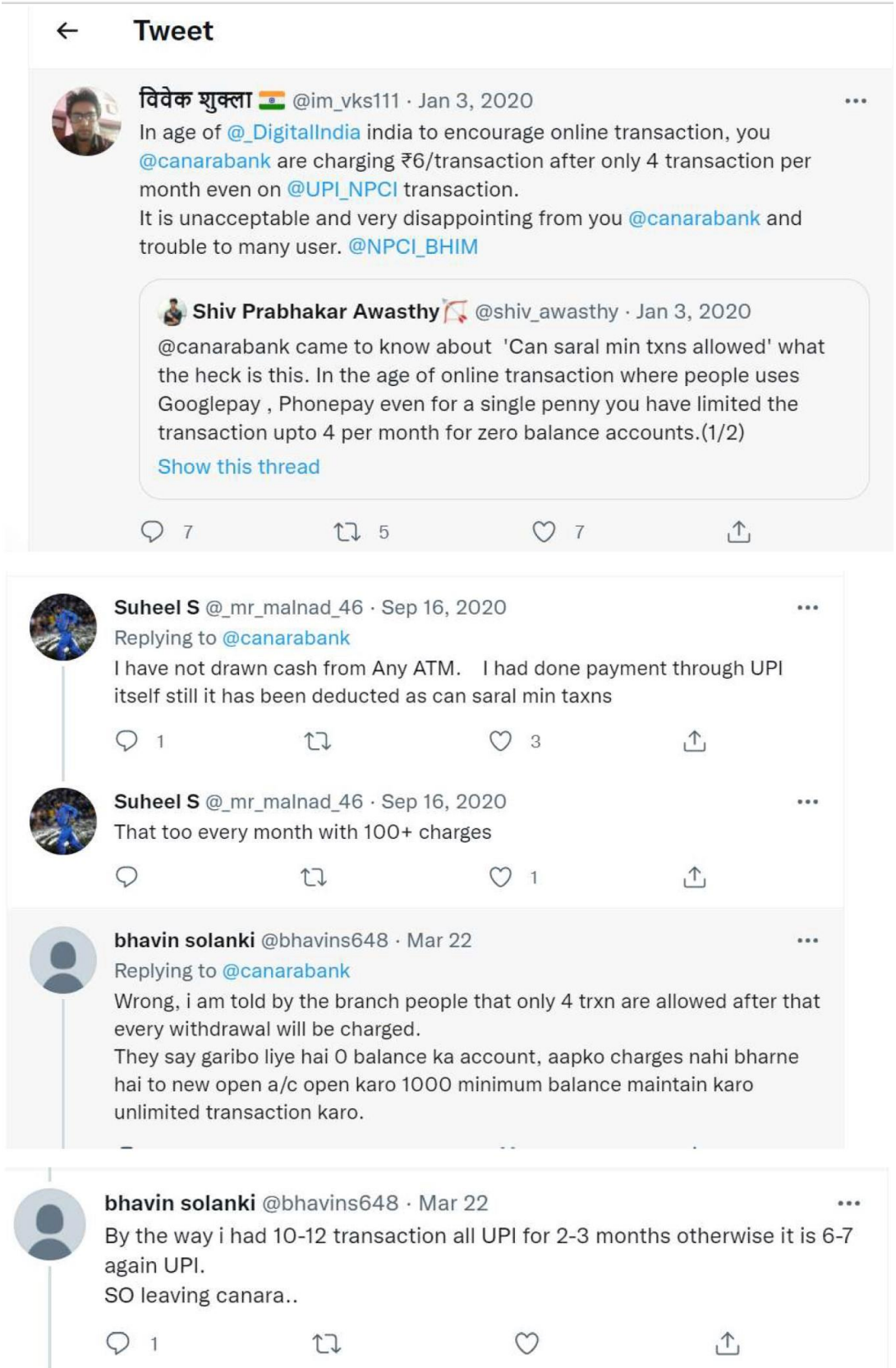
मुंबई I Mumbai

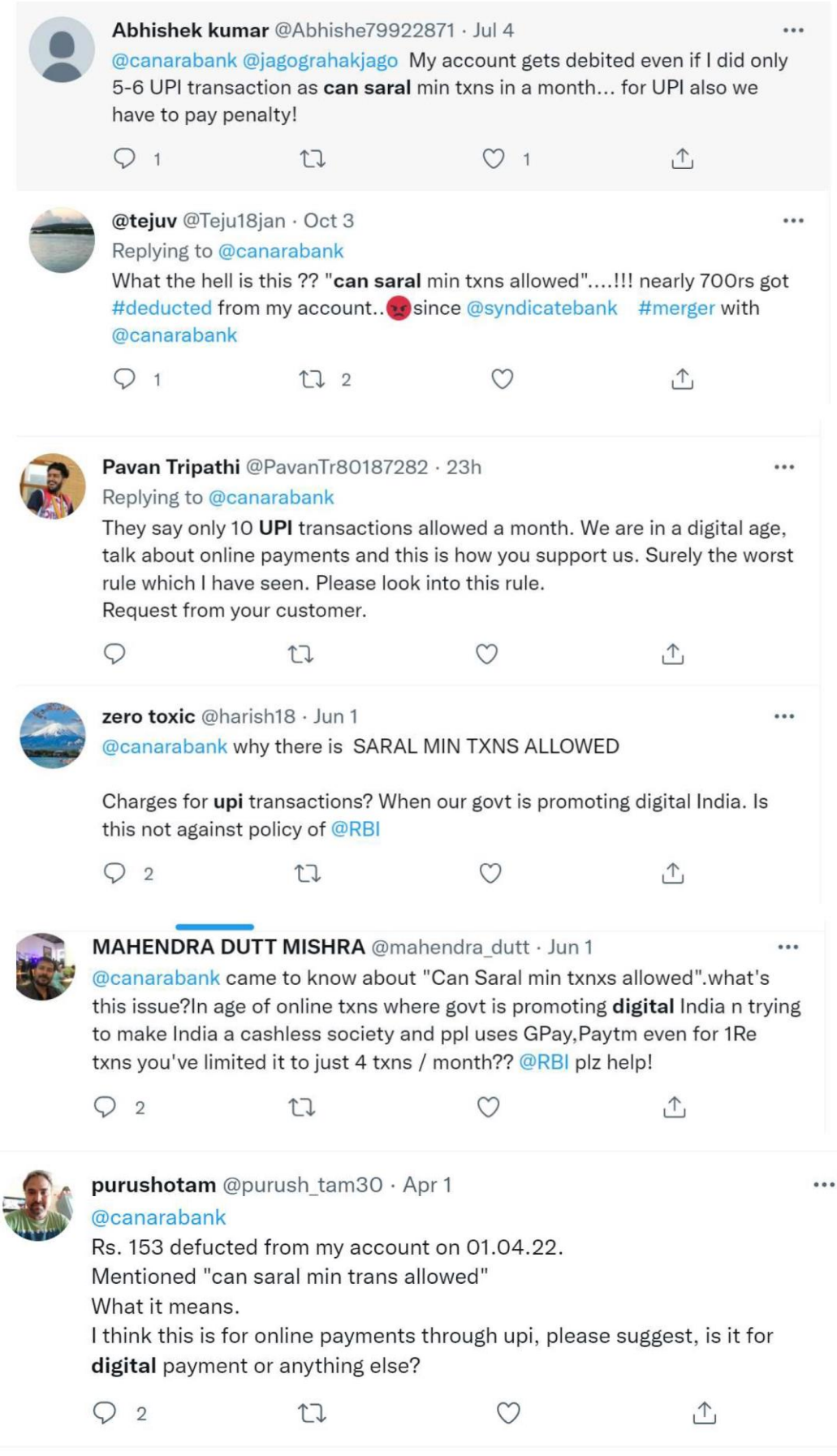
Caution: The Reserve Bank of India never sends mails, SMSs or makes calls asking for personal information such as your bank account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers, however official or attractive they may look.

7

Annexure 3: Desperate expressions of masses charged Rs 5 for UPI transactions

(Source: Sh. Mohan Chandramouli)





Abhishek kumar @Abhishe79922871 · Jul 4

@canarabank @jagograhakjago My account gets debited even if I did only 5-6 UPI transaction as **can saral** min txns in a month… for UPI also we have to pay penalty!

1 1

@tejuv @Teju18jan · Oct 3

Replying to @canarabank

What the hell is this ?? "**can saral** min txns allowed"....!!! nearly 700rs got #deducted from my account..😡since @syndicatebank #merger with @canarabank

1 2

Pavan Tripathi @PavanTr80187282 · 23h

Replying to @canarabank

They say only 10 **UPI** transactions allowed a month. We are in a digital age, talk about online payments and this is how you support us. Surely the worst rule which I have seen. Please look into this rule.
Request from your customer.

zero toxic @harish18 · Jun 1

@canarabank why there is SARAL MIN TXNS ALLOWED

Charges for **upi** transactions? When our govt is promoting digital India. Is this not against policy of @RBI

2

MAHENDRA DUTT MISHRA @mahendra_dutt · Jun 1

@canarabank came to know about "Can Saral min txnxs allowed".what's this issue?In age of online txns where govt is promoting **digital** India n trying to make India a cashless society and ppl uses GPay,Paytm even for 1Re txns you've limited it to just 4 txns / month?? @RBI plz help!

2

purushotam @purush_tam30 · Apr 1

@canarabank

Rs. 153 defucted from my account on 01.04.22.
Mentioned "can saral min trans allowed"
What it means.
I think this is for online payments through upi, please suggest, is it for **digital** payment or anything else?

2

Annexure 4: Ensuring Reasonableness of Bank Charges

RBI in their extant July 2015 notification on 'Master Circular on Customer Service in Banks' sets mandates onto banks towards ways and means of Fixing Service Charges and Ensuring Reasonableness of Bank Charges. The actions required to be taken by banks is indicated under the column 'action points for banks' in the Annex I to the above-mentioned master circular. The actions include:

A. While **Fixing Service Charges for various types of services** like charges for cheque collection, etc., banks should ensure that the **charges are reasonable and are not out of line with the average cost of providing these services**. The Bank's Board of Directors has been vested with the responsibility to ensure the reasonableness of such charges.

B. Regarding **Ensuring Reasonableness of Bank Charges**, in order to guarantee fair practices in banking services, RBI had constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges. Based on the recommendations of the Group, action required to be taken by banks is indicated in the Master Circular. The actions include:

i) When transactions occur in different delivery channels, for the purpose of pricing, they are to be treated on a separate footing. **(This had been in breach.)**

ii) In so far as the basic services are concerned, the banks' objective should be to ensure that these are made available to the users at reasonable prices/charges and towards this, the basic services should be delivered outside the scope of the bundled products. **(This had been in breach.)**

iii) Principles for ensuring reasonableness in fixing the service charges include

a. For basic services rendered to special category of individuals (such as individuals in rural areas, pensioners and senior citizens), banks will levy charges on more liberal terms than the terms on which the charges are levied to other individuals. **(This had been in breach.)**

b. For the basic services rendered to individuals, banks will levy charges only if the charges are just and supported by reason. **(This had been in breach.)**

c. For the basic services to individuals, the banks will levy service charges ad-valorem only to cover any incremental cost and subject to a cap.