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Charging Consumers for Merchant Payments

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Standing on the shoulders of a giant: The impact of BHIM-UPI

Charging Consumers for Merchant Payments

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Executive Summary

1. The concept of convenience fee is common in the e-commerce payments space. Convenience fee, which is payment method agnostic, is a fee for facilitating or providing a service and is not related to methods of payments. Payment-surcharge, on the contrary, is a fee imposed onto consumers by merchants for accepting payments through digital means. The concept of payment-surcharge arose due to merchant's unwillingness to bear the costs towards the digital payment acceptance services provided by banks. Payment-surcharging is prohibited under extant regulations and laws in India for merchants accepting payments via debit/credit card and BHIM-UPI.[1] Moreover, the BHIM-UPI law specifically prohibits banks and other system providers to even charge a merchant for accepting payments through BHIM-UPI.

2. It is important to understand what 'convenience' is provided by a merchant, for which the convenience fee is applied. If this convenience is provided under all circumstances, then there is no real need to show it as a convenience fee and instead, can be added in the comprehensive selling price/service charge of the merchandise/service. However, if the merchant is selling a third-party product/service, the price of which has already been determined by the third party, then there is a scope of incorporating a uniform convenience fee, which is payment method agnostic.

3. We study five major airlines in India (i) Vistara, (ii) Spice Jet, (iii) Indigo, (iv) GoAir, and (v) Air India, selling their airline tickets through websites/apps. Other than Air India, the rest impose a convenience fee. TATA SIA Airlines' Vistara imposed a payment-surcharge for

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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.

[1] For credit cards, payment-surcharge is prohibited by the rules of the card networks and that RBI, the regulator of the card networks, has not consciously overruled these extant rules for India.

debit/credit card payments until mid-November 2020, though they called it convenience fee. To protect the consumers under the extant regulations, HDFC Bank, as the acquirer bank, had taken necessary precautions to keep Vistara apprised of the prohibition of payment-surcharging via a legal agreement at the time of on-boarding them as a merchant.

4. Another important merchant is the Indian Railways' IRCTC selling train tickets through their website/app. IRCTC imposes a convenience fee in its true spirit. However, in this case, instead of the merchant (IRCTC), the acquirer banks and payment aggregators (PAs) themselves impose an implicit payment-surcharge for debit cards. This is a breach of extant regulations. There are three major banks (Kotak Mahindra Bank, ICICI Bank and HDFC Bank) that directly provide the payment gateway services to IRCTC and acquire transactions for payments made by debit/credit cards. There are also PAs providing payment acceptance service to IRCTC. Unlike HDFC Bank, we see that Kotak Mahindra Bank and ICICI Bank, instead of policing against a debit card payment-surcharge, have been themselves imposing a payment-surcharge onto the consumers.

5. While extant RBI regulations prohibit payment-surcharge for debit cards, RBI, in a recent regulation, prompts that a fee (what they call *convenience fee, handling fee, etc.*) may be imposed onto consumers by PAs. This acts as a surrogate for payment-surcharge. RBI needs to move towards creating an environment where for pull payments[2], initiated by a merchant, the acquirer banks/PAs are not allowed to thrust consumers to pay for making digital payments. Consumers have a relationship only with the core merchant and the issuer bank. As such, it is grossly questionable for RBI to prompt acquirer banks/PAs to explicitly charge the consumers for merchant-initiated acceptance of digital payments, in the name of convenience fee.

6. Against the above backdrop, we try to see what convenience fee should actually mean. Selling price (inclusive of convenience fee) of a merchant includes its profit margin and its expenses, *inter alia*, towards infrastructure, labour, electricity, telecommunication, bank charges and taxes. Amongst these, the bank charges essentially pertain to merchant's debit/credit card acceptance charges levied by banks. However, there are no costs to the merchant associated with acceptance of payments via BHIM-UPI. When the merchant passes on these bank charges in form of convenience fee to consumers, he does not distinguish between card (debit/credit) and BHIM-UPI payments. Since convenience fee needs to be payment method agnostic, the merchant has an option to offer a token discount for accepting payments via BHIM-UPI, since he incurs no expenditure for the same. This would promote the asset-lite BHIM-UPI and would be win-win for merchants, consumers and, more importantly, the country.

[2] Pull payments are effected by acquirer banks/PAs on behalf of the merchants, to whom they serve by means of a legal agreement.

7. Mastercard/VISA advocate that merchants may offer discounts for payments made in cash instead of cards (while not allowing increase in price of a merchandise if paid specifically through cards). By the same logic, the government can nudge e-commerce merchants and encourage them to offer a discount for payments made through BHIM-UPI. This would popularise the perfectly innovated 'Made in India' payments product – the BHIM-UPI.

8. RBI, being the administrator[3] of the Payment and Settlement Systems (PSS) Act, 2007, had been kept informed of the situation pertaining to payment-surcharge as early as March 2019.[4] The objective of this report is to reiterate some of the ideas on payment-surcharge, put forth the learnings demonstrated from the findings of Vistara/IRCTC, and formulate some salient guidance for policy. We hope that the findings of this report would benefit consumer education and protection initiatives of the government and RBI through some prudent policy interventions.

Key suggestions and remarks:

a) Akin to the concept of MDR imposed by acquirer banks/PAs onto merchants, apparently a new concept of Consumer Demand Rate (CDR) is being advocated by RBI, where PAs charge the consumers for merchant initiated digital payments. **RBI should refrain from creating an environment where, for pull payments initiated by merchants** (effected by acquirer banks/PAs on behalf of merchants), **the acquirer banks/PAs charge the consumers.**

b) The present advocacy of promoting "*cash payments*" embedded in the rules[5] set by mastercard/VISA depicts a serious policy disconnect. Furthering efforts for less cash society, the mastercard/VISA rules could at least remain silent on that front or, **for India the rule should get replaced by "*A Merchant may provide a discount to its customers for BHIM-UPI payments*"**. In case the networks do not replace it voluntarily, the government and RBI must intervene.

c) The government and RBI should also prompt for discounts in a merchant's selling price/convenience fees/ etc., when payment is through BHIM-UPI instead of any other payment modes that are relatively expensive. **Like IRCTC that offers such an explicit discount for accepting payments through BHIM-UPI, prominent e-commerce merchants Amazon, Flipkart, Zomato, Swiggy, Airtel, Makemytrip, to**

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[3] Section 3 of the Payment and Settlement Systems Act, 2007, states "The Reserve Bank shall be the designated authority for the regulation and supervision of payment systems under this Act.".

[4] "*To surcharge or not to surcharge! The plight of small and medium merchants*". IIT Bombay Technical Report. March 3, 2019. http://dspace.library.iitb.ac.in/jspui/handle/100/25212

[5] The rule set by mastercard/VISA towards card payments states "*A Merchant may provide a discount to its customers for cash payments*".

name a few, may take a cue to promote BHIM-UPI. This would boost BHIM-UPI volumes.

d) Being a simple and efficient smart phone-based means of payment, Indians have taken to BHIM-UPI like fish to water. There were over 221 crore BHIM-UPI transactions in November 2020 alone. Other modes of digital payments stand no competition to BHIM-UPI. As BHIM-UPI gets further fillip, in order to maintain its performance in terms of robustness and efficiency, banks and system providers will have to invest more towards upgrading their infrastructure and security, bring about product innovations (R&D) and further awareness among the people of India. Ideally, expenditures to develop and promote asset-lite BHIM-UPI – an apposite digital alternative to cash – should be borne by the government and RBI. **A budgetary support to the tune of Rs 2500 crore, annually, would on the one hand support BHIM-UPI and on the other render substantial savings on handling cash[6]**.

e) Though RBI has taken several good initiatives to promote awareness building, what is missing is to develop a simple awareness among the merchants and consumers of India, on the rules/regulations/laws on payment-surcharging and the redressal mechanism therefor. A specific action-point on part of banks/PAs/payment networks/RBI/government should be to ensure that the 'no surcharge rule' is strictly applied and enforced for all merchant payments. Public awareness against surcharging should be promoted along with developing streamlined processes of reporting a payment-surcharge and getting appropriate redressal.

f) The letter and spirit behind the RBI regulation prohibiting MDR charges being passed, directly or indirectly, onto the customers, should guide RBI to protect the end-consumers for debit card transactions done at IRCTC. **RBI needs to assess why Kotak Mahindra Bank and ICICI Bank need not refund the unduly charged amounts for debit card transactions acquired by them at ITCTC?**

g) For TATA SIA Airlines Limited, RBI needs to assess whether HDFC Bank faulted; and if not, was it Vistara who did not comply with the specific clause in the agreement between HDFC Bank and Vistara (the basis of which is the RBI regulation invoking the PSS Act, 2007)? If the latter holds, **should Vistara not refund the unduly charged amounts, collected exclusively for accepting debit card, as a mode of payment?**

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[6] Cash management expenses include security printing/minting of banknotes and coins, disposal of soiled banknotes and coins, detection of counterfeit banknotes and coins, and management of banknotes and coins for circulation across India by RBI and the government.

h) Presently, where we also see merchants being overcharged by acquirer banks/PAs, the Consumer Education and Protection Department of RBI has a responsibility to protect the small and medium merchants. These merchants are consumers availing the banking services. Having a mandate to educate and protect the consumers, RBI needs to address systematic issue relating to breaches in extant payment system regulations/laws hurting the merchants.

i) Credit card MDR is not controlled by RBI though it is a digital payment alternative. To mitigate potential concerns, **the issues surrounding MDR and payment-surcharge for credit cards should not be ignored by RBI and the government for long.**

j) Given the extant chaos that persists in the payment systems policy formulation, in the interest of the country's payment systems, it may be appropriate for the government to reconsider the "*The Payment and Settlement Systems Bill, 2018*" that proposes consolidation and amendment of the law relating to payments. The government needs to weigh the gains (vis-à-vis losses) in bringing the Bill back on table.

k) Finally, RBI and the government need to work a bit harder to bring in more disincentives where excessive cash is still in use. Just to give one example, there are a lot of cash exchanges at the wholesale market (*Mandi*) of fruits and vegetables. It is observed that though BHIM-UPI is gaining popularity with retail fruit and vegetable vendors, at the end of the day they go to the ATM to withdraw cash so as to use the same for purchasing their next day's fruit and vegetable supplies from the *Mandis*. This is a classic example where, instead of cash, BHIM-UPI should be promoted for accepting sale payments at the *Mandis*, and for that the Agriculture Ministry along with the Department of Financial Services should take some core initiatives.

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I. Introduction

The government's initiative

1. In order to set catalysts for the digital payment systems, Government of India on February 29, 2016 came out with cabinet approved guidelines for the '*Promotion of Payments through Cards and Digital* means'. The Finance Ministry's office memorandum provides broad guidelines on the way forward for promotion of digital payments (see, reference [5]). We quote specific provisions therein, which is the focus of this report.

"…
Government Departments/ Organizations/ Central Public Sector Undertakings/Anchor Networks shall take steps to
(a) withdraw convenience fee/service charge/surcharge on customers who prefer to make card/ digital payments for essential commodities, utility service providers, petrol pumps, gas agencies, railway tickets /IRCTC, tax department, museums, monuments etc.;
(b) take appropriate steps to bear MDR cost like other merchants;
…"

2. Earlier, in September 2012, Reserve Bank of India (RBI) mandated banks to cap debit card Merchant Discount Rate[7] (MDR) at 0.75% for transactions up to Rs 2000 and 1% for transactions above Rs 2000. Moreover, since their inception in India, the '*no surcharge rule*' had been put in place by the card payment networks (like mastercard/VISA) for card-based POS transactions[8]. The 'no surcharge rule' states that no merchant must require any cardholder to pay a surcharge or any part of any merchant discount or any contemporaneous finance charge in connection with a transaction.

RBI's and the government's move

3. Effective January 1, 2018, RBI tweaked MDR rules claiming that such tweaks would encourage some small businesses to accept debit card payments. For businesses with annual turnover below Rs 20 lakh[9], RBI capped the debit card MDR at 0.4% of the transaction amount or Rs 200, whichever is lower. For others, i.e., businesses with annual turnover of Rs 20 lakh or more, the debit card MDR was capped at 0.9% of the transaction amount or Rs 1000, whichever is lower. For QR-code based debit card acceptance, the MDR caps were set 10 basis points lower. In parallel, effective January 1, 2018, the government made MDR zero for the merchants and decided to bear the MDR cost for

[7] Merchant Discount Rate or Merchant Discount Fee is a service charge that banks take from merchants accepting card/digital payments, which is usually a certain percentage of the transaction amount.
[8] "POS transaction" is a Point of Sale (POS) transaction that occurs at a merchant location, whether in a Card-present environment at an attended or unattended POS terminal, or in a Card-not-present environment. In a Card-not-present environment, this may include electronic commerce ("e-commerce"), mail order, phone order, or recurring payment transactions.
[9] 100 lakh = 1 crore = 10 million

two years only (January 2018 through December 2019) on every debit card transaction with ticket size not exceeding Rs 2000.

4. The acquirer banks[10] are governed by the extant rules and regulations that provide safeguards against digital payments being subjected to surcharges. RBI's December 6, 2017 directive issued under Section 10(2) read with Section 18 of Payment and Settlement Systems (PSS) Act, 2007 (Act 51 of 2007) states that "*Banks are also advised to ensure that merchants on-boarded by them do not pass on MDR charges to customers while accepting payments through debit cards.*". Furthermore, the government's December 27, 2017 Gazette of India: Extraordinary notification says "*In line with the RBI instructions dated 6.12.2017, the agreements should include a clause that MDR charges should not be passed on by the merchants to the customers while accepting payments through debit cards/BHIM UPI/Aadhaar Pay.*".

5. Finally, the government under Section 10A of the PSS Act, 2007, has mandated that **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. Currently, the prescribed electronic modes are the RuPay debit card and the BHIM-UPI.

Payment-surcharge

6. In what follows, we shall use the term *payment-surcharge* to mean any fee charged to a consumer by a merchant (or a financial intermediary facilitating the merchant) for accepting a certain payment mode that is otherwise not imposed, at par, on all like transactions if another payment mode is used. Payment-surcharge is a charge that can be attributed to the mode of payment.

7. Since their inception, the card payment networks have clearly enforced the 'no surcharge rule' in India with full responsibility vested onto the acquirer banks for compliance. The card payment networks have set procedures for acquirer banks to acquire merchants through execution of proper *merchant agreements*. All provisions required to be included in a merchant agreement have been laid down by the card payment networks. It is considered a failure on the part of an acquirer bank not to include the substance of any one or more of the network standards in the merchant agreement. The RBI and the government are in sync with the card payment networks on the payment-surcharging standards, at least explicitly for debit cards and, implicitly for credit cards. RBI highlighted the no surcharge rule for debit cards as early as September, 2013 (see, reference [4]). Department of Banking Supervision of RBI brought out a 2013 circular which stated that:

> *"Levying fees on debit card transactions by merchants- There are instances where merchant establishments levy fee as a percentage of the transaction value as charges on customers who*

[10] Acquirer banks are banks that on-board a merchant and acquire their payment transactions, while issuer banks are banks that issues the debit/credit cards used in such transactions.

are making payments for purchase of goods and services through debit cards. Such fee are not justifiable and are not permissible as per the bilateral agreement between the acquiring bank and the merchants and therefore calls for termination of the relationship of the bank with such establishments.
Though many banks have appreciated our concerns and have discontinued with the above mentioned practices/ products, some of them still seem to persist with them. These practices/ products thwart the very principle of fair and transparent pricing of products which beholds customer rights and customer protection, especially, in the more vulnerable retail segment. Such practices thus violate, both in letter and spirit, various provisions of our MC on Interest Rate on Advances and therefore, you are advised to strictly desist from these practices hence forth."

8. Since January 2018, by invoking the PSS Act, 2007, both the government and RBI, through the prohibition of payment-surcharge, have vested the responsibility onto the acquirer banks to ensure that their on-boarded merchants do not pass on any fee (payment-surcharge) onto the customers that can be attributed as a fee for accepting payments through debit cards and BHIM-UPI. However, RBI and the government remain unsure of the approach for credit card payment-surcharges and are therefore silent on the same. Their silence thus implicitly endorses the extant card payment network rules in India that prohibit acquirer banks to on-board merchants who disregard the prohibition of surcharging credit card transactions.

9. Finally, RBI in their recent regulation on the "Guidelines on Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs)", effective September 30, 2020, indicates under the general instructions that "*12.1. PAs shall ensure that the extant instructions with regard to Merchant Discount Rate (MDR) are followed. Information on other charges such as convenience fee, handling fee, etc., if any, being levied shall also be displayed upfront by the PA.*". Just to illustrate, entities like PhonePe, Razorpay, PayU, etc. are examples of PAs. In the subsequent sections, we shall dwell on the implications of RBI's regulation that prompts PAs to charge from the end-consumers directly, in addition to PAs charging their on-boarded merchants for the digital payment acceptance services rendered to them.

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II. Convenience fee and Payment-surcharge

Convenience fee

10. '*Convenience fee*', in the payments space, got coined with respect to card payments while defining payment-surcharge. Card corporations mandate[11]

> *"A Merchant must not directly or indirectly require any Cardholder to pay a surcharge or any part of any Merchant discount or any contemporaneous finance charge in connection with a Transaction. A Merchant may provide a discount to its customers for cash payments.* ***A Merchant is permitted to charge a fee*** *(such as a bona fide commission, postage, expedited service or* ***convenience fees****, and the like)* ***if the fee is imposed on all like transactions regardless of the form of payment used****, or as the Corporation has expressly permitted in writing.*
> *For purposes of this Rule:*
> *1.* ***A surcharge is any fee charged in connection with a Transaction that is not charged if another payment method is used.***
> *2. The Merchant discount fee is any fee a Merchant pays to an Acquirer so that the Acquirer will acquire the Transactions of the Merchant."*[12]

11. Thus, convenience fee that a merchant imposes is just like a charge for a service, and it remains a merchant's prerogative to apply such a charge for rendering the service. As such, convenience fee comes into play independent of the modes of payment.

When does a convenience fee become a payment-surcharge?

12. Many acquirer banks and their on-boarded merchants, either by design or unintentionally, try to misguide by claiming a payment-surcharge as being a *convenience fee*. Though surcharging card payments is prohibited, convenience fee is technically allowed. The subtle difference between a payment-surcharge and a convenience fee needs to be clear in everyone's mind.

13. For the purpose of illustration, BookMyShow (an online ticketing platform) imposes a convenience fee for purchase of cinema tickets on their website, which is payment method agnostic. Such a convenience fee, having nothing to do with modes of payments, is declared much before the

[11] The card payment networks have allowed surcharging in India for only two merchant specific categories – fuel and railways. Accordingly, the same is communicated under the MOST IMPORTANT TERMS AND CONDITIONS OF CREDIT/DEBIT CARD and under the *Schedule of Charges*. However, this got partially overruled by RBI's December 2017 mandate, prohibiting surcharging for debit cards.

[12] The sentence in red depicts a serious policy disconnect. In today's date, India may not desire to see promotion of cash by the card networks (like mastercard/VISA) when they continue to keep such sentences in their rule book. Furthering efforts for less cash society, the mastercard/VISA rules could at least remain silent on that front or, **for India the rule should get replaced by** "*A Merchant may provide a discount to its customers for BHIM-UPI payments*". In case the networks do not replace it voluntarily, the government and RBI must intervene.

payment page comes up. For that matter, many more online merchants – MakeMyTrip, GoAir, etc. – do the same which, as on date, is perfectly in order. However, **just calling a merchant's fee as 'convenience fee' does not necessarily mean that it is not a payment-surcharge unless, of course, the convenience fee satisfies the explicit definition as laid down by card payment networks (and that includes a condition that convenience fee needs to be payment method agnostic).**

14. As mentioned earlier, imposition of convenience fee is just like a charge for a service, and it remains a merchant's prerogative to apply such a charge for rendering the service. Acquirer banks have no business to either workout such convenience fees for merchants or explicitly reflect such fees in their payment related activity. Whatever a merchant decides as his net selling price (within extant business rules) is transmitted by the merchant to the acquirer bank either directly, or via a PA/PG that facilitates bank acquire transactions. Thereafter, the acquirer bank or the PA/PG cannot manipulate or influence the selling price amount while processing the transaction.

RBI's veiled introduction of convenience fee applicable for PAs (as a layered merchant)

15. In their recent regulation on the "Guidelines on Regulation of Payment Aggregators and Payment Gateways", effective September 30, 2020, RBI indicates that

> "*12.1. PAs shall ensure that the extant instructions with regard to Merchant Discount Rate (MDR) are followed. Information on other charges such as convenience fee, handling fee, etc., if any, being levied shall also be displayed upfront by the PA.*".

In other words, a PA that acts as an added layer (facilitator) between the merchant and the acquirer bank can add their fee (convenience fee, handling fee, etc.) onto the merchant's selling price amount while processing the transaction. In such a situation, the consumer gets involved with two independent merchants – one the original merchant selling his merchandise/service and then the PA (as a layered merchant) providing his payment services. However, unless there is an otherwise sufficiently reasoned rationale, the PAs would be required to decide on their handling fee that is payment method agnostic. Or else, it may attribute to merchants indulging in indirectly passing on the MDR charges to customers, with the PA acting as a conduit.

16. It is important to understand that MDR is a fee that merchants pay their acquirer bank (or a PA, if involved) for the payment acceptance services rendered. This fee gets distributed among acquirer bank (and the PA, if involved), the issuer bank and the payment network. In case the acquirer bank or the PA is not providing the payment gateway service, the PG involved also gets a share of the MDR in some suitable form. The sharing proportion and the mechanism involved is decided internally by banks/PAs/PGs/Payment networks.

17. Now, when a PA, as an additional layer, decides to charge a convenience fee onto the end-consumers, this fee is in addition to the share of the MDR that they are entitled to receive from the merchant they have on-boarded. Nevertheless, there exists a not-so-healthy scenario where despite

a merchant not paying the MDR, the merchant is still provided with the payment acceptance service by the acquirer banks/PAs. Such non-remunerating support provided by the acquirer banks/PAs to the merchants has a vested interest, which would now be in form of an (undue) ability enjoyed by acquirer banks/PAs to extract a kind of pseudo-MDR charges directly from the end-consumers. It may intrigue us to know how or why this can happen. We discuss more on this later in the report.

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III. Distortions – payment-surcharge and convenience fee

Airlines

18. We look into five major airlines that operate in India. These airlines are, (i) Vistara, (ii) Spice Jet, (iii) Indigo, (iv) GoAir, and (v) Air India. These airlines sell their tickets on their websites/apps. We studied these airlines to establish distortions, if any, in the payments space.

(i) Vistara had been the only airline that imposed a payment-surcharge for debit (and credit) cards, which they named as convenience fee.[13] A payment-surcharge of Rs 300/700 was imposed per passenger for Domestic/International flights, on credit and debit card transactions. However, no convenience fee was applicable for payments made via Netbanking/Wallet/Paytm/UPI. The payment-surcharge imposed by Vistara for debit/credit cards had been in breach of the agreement, specifically agreed between them and their acquirer bank, to protect the consumers availing the services of Vistara. The government and RBI has specifically provided this protection to the consumers in India under extant laws and regulations.

(ii) Spice Jet imposes a convenience fee of Rs 300/500 per passenger per sector for Domestic/International flights on all online payment modes. However, no convenience fee is applicable for payments made via SpiceCash, SpiceJet Gift Cards and Vouchers.

(iii) Indigo imposes a convenience fee of Rs 300/500 per passenger per sector for Domestic/International flights on all online payment modes, except IndiGoCash. However, for Vouchers, a convenience fee of Rs 100/200 per passenger per sector is charged for Domestic/International flights.

(iv) GoAir is the only airline that imposes a flat convenience fee (Rs 300/500 per passenger per sector for Domestic/International flights), which is uniform across all payment modes. They are technically correct in their approach.

(v) Air India is the only airline that does not impose any fee in form of convenience fee.

19. It is important to understand what 'convenience' is provided by a merchant, for which the convenience fee is applied. If this convenience is provided under all circumstances, then there is no real need to show it as a convenience fee and instead, can be added in the comprehensive selling price/service charge of the merchandise/service. However, if the merchant is selling a third-party product/service, the price of which has already been determined by the third party, then there is a scope of incorporating a uniform convenience fee, which is payment method agnostic.

[13] Vistara defined their convenience fee as follows: "A convenience fee is a ticketing/reservation fee that is charged on all tickets purchased through any airport ticketing office and the Customer Service Centre and on tickets purchased through our website www.airvistara.com or Mobile App, where the form of payment is debit or credit card.". Subsequently, during late November 2020, Vistara changed the definition to: "A convenience fee is a ticketing/reservation fee that is charged on all tickets purchased through any airport ticketing office and the Customer Service Centre and on tickets purchased through our website www.airvistara.com or Mobile App.".

20. RuPay debit cards and BHIM-UPI have been mandated under section 269SU of the Income-tax Act, 1961 as the prescribed payment modes. Effective February 2020, there is a penalty of Rs 5000 per day for not accepting payments through RuPay debit cards and BHIM-UPI. Incidentally, till date Vistara does not have a provision to accept payments through RuPay debit cards, while Spice Jet and GoAir do not have a provision to accept payments through BHIM-UPI.

IRCTC

21. The Indian Railways through IRCTC[14] facilities sale of online train tickets. The Indian railways additionally has the facility of selling train tickets at physical booths across India, more specifically at or near railway stations, select post offices, etc. Usually, IRCTC sells over 8 lakh tickets per day. IRCTC is one of the largest merchants in terms of daily sale volumes. Others of their kind, in terms of sale volumes, are Amazon, Flipkart, Zomato, Swiggy, to name a few.

22. When it comes to payments, IRCTC imposes a convenience fee. This fee, in the true sense, is the recovery of costs (and some profit) in selling a third-party service (that of the Indian Railways). Such a convenience fee applies to all payment modes. However, there is a very innovative move by IRCTC unlike online merchants in general. IRCTC gives a discount in their convenience fee if one wishes to choose BHIM-UPI as a payment mode. This is a smart move to promote an asset-lite payment product that is 'Made in India'.

23. IRCTC imposes a convenience fee of Rs 15 per ticket for booking non-AC class and Rs 30 for AC class. However, if one chooses to pay using BHIM-UPI, IRCTC gives a discount in their convenience fee of Rs 5 for non-AC class and Rs 10 for AC class. In other words, the convenience fee is reduced to Rs 10 for non-AC class and Rs 20 for AC class if one chooses to make the payment using BHIM-UPI. In effect, IRCTC has already seen a shift towards payments received via BHIM-UPI, with an increase in their BHIM-UPI traffic from 5% among all payment modes, to over 20% and increasing.

24. Though IRCTC does not pay anything directly to the acquirer banks/PAs, one may still tend to argue that their differentiated convenience fee amounts to payment-surcharge. The only strong point against such an argument is that IRCTC's convenience fee is a fixed amount, but they choose to offer a discount to promote the country's specific initiative (BHIM-UPI), to the benefit of all.[15] However, what we observe here is that instead of the merchant (IRCTC), the acquirer banks/PAs

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[14] Indian Railway Catering and Tourism Corporation (IRCTC) is a subsidiary of the Indian Railways that handles the catering, tourism and online ticketing operations of the latter.

[15] As a caveat, in general, merchants, banks or other system providers should be restrained from artificially influencing the choice of a digital payment mode by enticing through incentives, unless it can be established that (i) a more efficient digital payment mode is being promoted devoid of any other vested interest, and (ii) it is for public good.

themselves impose an implicit payment-surcharge for debit cards. This is a breach of extant regulations. We discuss more on this later in the report.

25. There are three major banks (Kotak Mahindra Bank, ICICI Bank and HDFC Bank) that directly provide the payment gateway services and acquire transactions for IRCTC. However, for Net Banking, multiple banks participate. Then, there are PAs providing payment acceptance service to IRCTC. Table 1 provides some of the salient payment modes accepted by IRCTC and the corresponding payment-surcharge that is usually a percentage of IRCTC's payment invoice amount. Other than payments made by a credit card, the payment modes are devoid of any credit (loan) component towards a payment. Accordingly, credit cards provide a direct lending convenience to consumers and thus, a reasonable charge could still be justified. However, the same is not true for the other payment modes.

<u>Table 1: Salient payment acceptance modes setup by banks and system providers</u>

Payment modes at IRCTC	Charges
BHIM-UPI	Nil
RuPay debit cards	Nil
Mastercard/VISA debit cards	0.9% + GST
E-wallet	1.8% + GST
Net Banking	Rs 10 + GST
Credit cards	1% + GST

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IV. TATA SIA Airlines Limited (Vistara)

HDFC Bank – the acquirer

26. HDFC Bank is the acquirer bank for the merchant TATA SIA Airlines Limited (Vistara) that accepts debit card payments, as a mode of (digital) payments among other digital means of payments, from consumers. The merchant (Vistara) charged an explicit fee while accepting debit/credit cards, while the same is not charged when accepting payments through other digital means.

27. As per information disseminated by Vistara, the airline commenced operations on January 9, 2015 and has carried more than one crore passengers till June 2018. It is also informed on their website that till date Vistara has already flown more than two crore customers since starting operations. That makes it around one crore passengers since July 2018, or about 5 lakh passengers flown per month during their active months of operation. The numbers for 2018-19 and 2019-20 shot up considerably, after Jet Airways lost ground.

Vistara's convenience fee prior to November 16, 2020

28. Prior to November 16, 2020, the Vistara's ticketing website, very boldly mentioned that they charge a fee if one uses a debit card. They write, "*A non-refundable convenience fee of INR 300 per passenger will be applicable for travel within India and INR 700 for travel outside India, on credit and debit card transactions.*". Furthermore, they make it clear that they do not charge this fee if one uses the other payment modes, i.e., Netbanking, Wallet, Paytm and UPI. Vistara accepts six payment modes (Debit/Credit/Netbanking/Wallet/Paytm/UPI) and charges Rs 300/700 for card payments, but not for the other four modes of payment.

29. This is inconsistent with extant policy and regulations for payments made through debit cards (in breach of extant RBI regulations). A clarification was sought earlier from the management of Vistara in September 2019, and after five long months, their answer in clear terms is that 'bank charge us so we charge you for your explicit debit card based payment'. Vistara's response is provided in Appendix A. An immediate attempt was made to make Vistara understand their error. However, Vistara out rightly rejected the same, and instead advised us to understand. It was a sour final resolution on Vistara's part.

30. Technically, we should not mind a fee being imposed onto the consumers by a merchant (or even an acquirer bank) for usage of a credit card, more so since both RBI and the government themselves are yet to take a call on surcharging credit card transactions. Though RBI is silent on the aspect, they have implicitly permitted mastercard/VISA to officially prohibit acquirer banks to allow imposition of any sort of credit card usage fees by the on-boarded merchants onto the consumers. Nevertheless, how much Vistara can charge their consumers (even if allowed) for credit card usage

can be something, which again relates to the payment systems and consumer protection. If banks charge 1% as MDR on credit cards, can the merchant charge as high as 6% (of the transaction amount) as fees onto the consumers under the pretext of fees that they pay banks for credit card acceptance?

Vistara's convenience fee had been a payment-surcharge

31. Coming back to our focused contention, RBI and the government have been promoting digital payments through prudent regulations and laws. In this regard, RBI has made it clear to all banks that while the acquirer banks on-board the merchants, they should ensure that the merchants on-boarded do not pass on MDR charges to customers while accepting payments through debit cards.

32. In other words, the gist of this RBI regulation is that the consumers should not get a feel of being charged for using a debit card. The merchants who accept such a digital means of payment would pay (MDR + other charges) for the payment services provided by their acquirer banks/PAs, or in the worst scenario, the acquirer banks/PAs themselves absorb the cost of such services that they provide to the on-boarded merchants. The spirit and the rationale behind this is that under no circumstance consumers should get a feel of paying extra for using a debit card, vis-à-vis any other modes of digital payment, or cash.

33. As such banks do not put any restriction on the selling price of a merchant's merchandise/service (which is based on several input and operational costs including taxes, and of course profit margins). However, once the selling price is decided, the price cannot increase just because a debit card is used for making the payment (while it is showcased that the price would not increase if some other payment mode is used). A merchant like Vistara is free to decide its selling price (within their extant rules and regulations), which may include any fee that a merchant feels appropriate to impose, including a convenience fees, say, for providing the convenience of purchasing an air ticket on-line, instead of walking up to their physical booking counters at the airports. But such a fee cannot be attributed to usage of a digital means of payment – debit card per se.

34. However, since Vistara (under their FAQs) defined convenience fee as "*a ticketing/reservation fee that is charged on all tickets purchased through any airport ticketing office and the Customer Service Centre and on tickets purchased through our website www.airvistara.com or Mobile App, where the form of payment is debit or credit card*", the fee is more of a handling fee across all front-ends rather than a convenience fee that is applied for a specific convenience.

The liability

35. Now, since HDFC Bank is acquiring the debit card transactions, responsibility vests with them to ensure that there is a clear understanding between the bank and the merchant of not passing (onto consumers) the explicit cost associated with merchant's acceptance of debit cards. The acquirer bank

is required to include a similar clause in their merchant agreement to enforce the mandate imposed by RBI that protects debit card users. The liability to ensure the same vests with the acquirer bank and the liability of a default, in adhering to this important clause (thereby hurting the consumers), lies with the merchant.[16]

36. While preparing this report, top managements of **Vistara and HDFC Bank were approached on November 2, 2020** to clarify the position. More specifically, they were asked as to,

(i) *Why the bank (or Vistara) feels that their approach is in line with the true spirit of the RBI's December 2017 directive issued under Section 10(2) read with Section 18 of Payment and Settlement Systems Act 2007 (Act 51 of 2007), where it states that "Banks are also advised to ensure that merchants on-boarded by them do not pass on MDR charges to customers while accepting payments through debit cards."?*

(ii) *Why would the bank feel that the merchant (Vistara) is correct while they charge from the consumers Rs 300/700 for a debit card based merchant transaction?*

(iii) *And if not correct (done in error), why would the bank plan not to refund all such unduly charged amounts for debit card transactions carried out, specific to the merchant 'Vistara'?*

However, the third point may not be easy for HDFC Bank to implement since they do not receive the breakup of the convenience fee (debit card usage fee) component in the overall amount that is charged to a debit/credit card. In such a situation, it is more of a question to Vistara as to,

Why would TATA SIA AIRLINES LIMITED plan not to refund all such unduly charged amounts for debit/credit card transactions carried out by them?

With about 5 lakh passengers flown per month during their active months of operation, even if we associate an average of Rs 100 per passenger towards Vistara's ill-framed convenience fees, that would amount to about Rs 60 crore annually (a rough estimate) for the past two financial years. Surely, Vistara would be in a better position to assess the exact amount for possible dissemination of the same.

37. Given the HDFC Bank-Vistara tie-up that had led to imposition of debit card usage charges onto consumers for digital payments (in breach of extant regulations), and more importantly, given that it is detrimental to the promotion of debit cards, as a means of digital payments in India, it was important to see swift and appropriate actions.

Vistara understands their lapse and takes corrective steps

38. Finally, after two weeks of having written to HDFC Bank and Vistara, effective November 16, 2020, we see that Vistara has corrected their stance. Vistara's website now mentioned that "*A non-refundable convenience fee of INR 300 per passenger will be applicable for travel within India and INR 700 for travel outside India. **Convenience fee is chargeable for all modes of payment**.*".

[16] For Vistara's debit/credit card acceptance, there is no PA involved. However, mastercard Payment Gateway Services (MPGS) is the likely PG involved, though HDFC Bank is the acquiring bank that is acquiring the debit card transactions for the merchant (Vistara).

Accordingly, Vistara has now started charging a uniform convenience fee of Rs 300 for domestic flights and Rs 700 for international flights across all payment modes that includes debit/credit cards, Netbanking, Wallet, Paytm and UPI. In other words, now their convenience fee is payment method agnostic. Until November 15, 2020, Vistara did not charge this Rs 300/700 for Net Banking, Wallet, Paytm and UPI, since their convenience fee had been a fee only for accepting a debit/credit card at the time of purchase.

39. Vistara has since modified their statement. They have dropped the redundant sentence "*Convenience fee is chargeable for all modes of payment*", after the same was pointed out to them. Though Vistara has now introduced a convenience fee in its true spirit, however, Vistara may take a cue from IRCTC and provide a discount of Rs 50, say, for payments received via BHIM-UPI. That would demonstrate Vistara's true support of promoting a '*Made is India*' payment product that is asset-lite. Furthermore, it would be a win-win for all.

40. While making the above statement, there is an inherent premise that Vistara till now had kept a zero convenience fee for BHIM-UPI since it had been relatively cheaper for Vistara to accept payments via BHIM-UPI than via credit/debit cards. In fact, this should be true for all merchants who apply a convenience fee that is payment method agnostic. However, there could still be some difficulty at the merchant's end if an acquirer bank/PA **indirectly** imposes a charge onto a merchant for accepting payments via BHIM-UPI. Recall that Section 10A of the PSS Act, 2007, mandates that no bank or system provider shall impose, whether **directly or indirectly**, any charge upon a person making or receiving a payment. To demonstrate, an **indirect** means of charging by a PA, which is **in breach of the Section 10A of PSS Act, 2007**, we show some Illustrations.[17]

41. Referring to Illustrations 1 and 2, a 2% service fees imposed by the PA PayU onto merchants for accepting payments via BHIM-UPI has been reasoned to be reflective of the bank charges or charges imposed by a system provider. However, both these entities (bank and system provider) have been prohibited by law (PSS Act, 2007) to charge for a BHIM-UPI transaction.

42. It is the responsibility of the Consumer Education and Protection Department (CEPD) of RBI, who has a mandate to educate and protect the consumers, to address such a systematic issue of merchants being overcharged by the acquirer banks/PAs. These merchants are consumers availing the banking services.

[17] Each and every merchant who refers to these Illustrations, may verify from their respective acquirer banks/PAs the prevailing indirect means of charging for BHIM-UPI, if any.

Explanation

- Service Fee is inclusive of technology fee, bank charges and /or fee for anyother value added services as may be specifically agreed to be provided by PayU India.

- The Service Fee charged by PayU India on Rupay debit cards and UPI are reflective of non-levy of MDR by the acquiring banks and only represents the amount payable by the you to PayU India for providing PayU services.

Note : This is a system generated invoice and does not require signature

Thank you for your business

Illustration 1: A typical explanation for charging indirectly for accepting payments via BHIM-UPI

Amount :	₹ 4,450.00
Fees :	- ₹ 89.0
GST/Service Tax) :	- ₹ 16.02
enience Fees :	- ₹ 0.0
unt settled :	**₹ 4,344.98**

	Mode	Amount
	UPI	₹ 4,450.00

Payment Break up

Total Amount :	₹ 1,800.00
PayU Fees :	- ₹ 36.0
Tax (GST/Service Tax) :	- ₹ 6.48
Convenience Fees :	- ₹ 0.0
Amount settled :	**₹ 1,757.52**

Source	Mode	Amount
PAYU	UPI	₹ 1,800.00

Illustration 2: PayU imposes 2% fees onto merchants accepting payments through BHIM-UPI

HDFC Bank's response – deceptive accountability

43. In the context of the Vistara episode, HDFC Bank states,

"*We have sent and continue to send multiple communications to merchants advising / reiterating not to levy any surcharge on customers for Debit Card / UPI transactions. Any requests from Merchants to add a surcharge on Debit Card / UPI transactions to the customer, in addition to the merchant's bill amount, are strictly not entertained. However, if a merchant adds any amount as their own convenience fee within their final bill amount which is passed to the bank's Payment Gateway, there is no way that the bank can check the same. It is also practically not possible to maintain stringent check on the millions of merchants on-boarded and only through a process of discovery, when any customer points out an anomaly on merchant side (as you have done in this case), can the bank take corrective action as per RBI guidelines, which we have duly done.*"

44. HDFC Bank had been sincere in taking swift actions. However, some salient questions arise based on HDFC Bank's response.

(a) Even today, if an individual wants to point out a payment-surcharge anomaly on the Vistara site, what avenues has HDFC Bank provided for approaching the acquirer bank (HDFC bank)? Is it that, as individuals, even the employees of HDFC Bank/ RBI are aware of what constitutes an anomaly? If yes, why did Vistara's undue charges persist for so long? If no, how does it help towards protecting digitally paying consumers?

(b) If HDFC Bank is incapable in maintaining stringent checks on the millions of merchants on-boarded, what has HDFC Bank done towards facilitating HDFC Bank's claimed statement – "…only process of discovery being, when any customer points out an anomaly on a merchant site"? Has HDFC Bank ensured to indicate, anywhere, that they provide the gateway services and acquire debit card transactions for Vistara, so that there is enough scope for the customers to know that they have to approach HDFC Bank for pointing out an anomaly?

(c) If HDFC Bank wants to give the responsibility onto the customers to do their policing work, where has HDFC Bank made the awareness for the same?

(d) Can HDFC Bank excuse themselves of their responsibilities? When it comes to the question of identifiability, why is HDFC Bank unable to even fix accountability onto anybody?

V. IRCTC

Kotak Mahindra Bank and ICICI Bank as PGs and acquirers

45. Strategically IRCTC commands a strong position of not paying anything directly, in terms of fees (MDR, etc.), for the payment acceptance services received from the acquirer banks/PAs. As a result, there is no question of IRCTC imposing a payment-surcharge. Though IRCTC does not impose a payment-surcharge, it is a fact that most acquirer banks/PAs do the needful to effect a charge onto the consumers. However, the acquirer banks/PAs do not announce such charges under the '*schedule of service charges*' on their websites, and still imposes the same without building a proper bank-customer relationship. A consumer in such a situation is the customer of the issuer bank and not of the acquirer bank. To get an idea, Appendix B provides for the '**bank transaction charges' that technically has not been announced by the banks and PAs**, but rather something that IRCTC is simply advertising, without they taking any responsibility for the same.

46. To illustrate, let us **first consider Kotak Mahindra Bank** who provides the payment gateway services to IRCTC, and acquires debit card transactions that hit the payment gateway. Here, Kotak Mahindra Bank imposes a charge over and above the amount that IRCTC passes on to the payment gateway of Kotak Mahindra Bank. This charge that is imposed onto the consumers for mastercard/VISA debit card usage is as high as 0.9% of the transaction amount plus GST. The core contention is not only because consumers have been specifically charged for use of a debit card (mastercard/VISA), but more because it is inconsistent with extant policy and regulations for debit card payments.

47. RBI's guidelines on regulation of PAs and PGs (effective September 30, 2020) applies to PAs and PGs. Whether a PA/PG or simply an acquirer bank, the concept behind the business does not change, i.e., to provide payment services to merchants and in that process earn some revenue. Furthermore, it is amply clear that there is no PA involved and that Kotak Mahindra Bank, as an acquirer bank, cannot impose onto the consumers any type of debit card usage fee for a merchant-initiated payment. The payment gateway of Kotak Mahindra Bank is clearly depicting (and executing) a charge onto the consumers for use of a debit card (mastercard/VISA). This charge is not uniform across all payment types/modes.

48. The payment receipts issued by the merchant (IRCTC) do not account for the additional unaccounted money (payment-surcharge) extracted by the acquirer bank. Whoever collects the GST (with associated GSTIN) on the additional charges levied (i.e., 0.9% of the IRCTC's invoice amount) must have a clear relationship with the consumer to do the same. The acquirer bank (Kotak Mahindra Bank) who is supposed to police against the practice of passing MDR related charges onto the consumers, are themselves unilaterally imposing a pseudo-MDR onto the consumers. The unduly taken extra amount is nothing but a payment-surcharge.

49. **Next, we consider ICICI Bank** offering Merchant Services by setting up a payment gateway for IRCTC. ICICI Bank acquires debit card transactions that hit their PG. Here, ICICI Bank imposes an additional charge over and above the amount that IRCTC passes on to the PG. This charge that is imposed onto the consumers for mastercard/VISA debit card usage is as high as 0.9% of the transaction amount plus GST. Again, this is in breach of extant RBI regulations (arrived at by invoking the PSS Act, 2007).

50. As such, there is no PA involved and that ICICI Bank, as an acquirer bank, cannot impose onto the consumers any type of debit card usage fee for a merchant-initiated payment. As per design, though IRCTC depicts it otherwise, to begin with ICICI Bank do not add any payment-surcharge for debit cards and also credit cards even while a transaction is authenticated. The transaction amount reflected in the issuer bank's account is devoid of any payment-surcharge.

51. The story unfolds and deepens when we realize that ICICI Bank not only camouflages their payment-surcharge, but in this process promotes a kind of deception, when they impose a systematic payment adjustment (Tips/Schgs/Exh//IRCTC) of up to 0.9% of the original authenticated debit card transaction amount, plus GST. This gets reflected in the bank account of the issuer bank after about 2-3 days of the original transaction. Though payment for this additional amount is never authorised and authenticated, the amount still gets reflected as a debit entry in the card holder's bank account. It is noted that IRCTC has indicated no involvement of theirs but for, just advertising some kind of 'bank transaction charges', without explicit liability for the same.

52. Again, the payment receipts issued by the merchant (IRCTC) do not account for the additional unaccounted money (payment-surcharge) extracted by the acquirer bank. The acquirer bank (ICICI Bank) makes a deceitful move at the time of getting a payment authorised, as if they do not impose the payment-surcharge. However, the acquirer bank (ICICI Bank) unduly extract the unauthorised money later from the issuer bank. Unfortunately, the issuer banks are not clear on how to handle such grievances of their digitally paying debit card customers.

53. Though a debit card user is not banking with an acquirer bank like Kotak Mahindra Bank and ICICI Bank, these banks are directly charging the debit card users. Does that make sense? While preparing this report, top managements of both Kotak Mahindra Bank and ICICI Bank were approached to clarify their positions. More specifically, they were asked as to,

(i) Why the bank feels that their approach is in line with the true spirit of the RBI's December 2017 directive issued under Section 10(2) read with Section 18 of Payment and Settlement Systems Act 2007, (Act 51 of 2007) where it states that "Banks are also advised to ensure that merchants on-boarded by them do not pass on MDR charges to customers while accepting payments through debit cards."?

(ii) Why would the bank feel that they (the bank) are correct while they charge @ 0.9% of the transaction amount for a merchant transaction, from the debit card users?

(iii) And if not correct (done in error), why would the bank plan not to refund all such unduly charged amounts for debit card transactions carried out, specific to the merchant IRCTC?

Kotak Mahindra Bank's deceptive response -- distorting debit card payments

54. After more than a month since Kotak Mahindra Bank was approached to clarify their position, the bank's response is

> "*As per banking regulations, no Merchant Discount Rate (MDR) is charged to customers while accepting payments through debit cards. Convenience fee charged to the customer for train booking done on IRCTC platform is as per the arrangement between IRCTC and all banks. Therefore, we request you to connect with IRCTC for further clarification.*"

Kotak Mahindra Bank's response towards the clarification sought is responsibility-shirking in nature.

55. IRCTC is not regulated by RBI under the PSS Act, 2007, for the question in hand. It is Kotak Mahindra Bank, which is regulated by RBI on the aspect that is in question. IRCTC is free to set up any arrangement with Kotak Mahindra Bank so long as the bank has agreed for the same. It is Kotak Mahindra Bank that has to ensure that the extant rules and regulations that apply to them are not violated in their arrangement with IRCTC.

56. In their response, Kotak Mahindra Bank indicates as if they have no role to play while collecting an additional amount of 0.9% of the IRCTC's invoice amount (plus GST) from the consumers, when running debit card transactions through the payment gateway of the bank, and thereafter acquiring the transactions. If the GST, on the additional amount charged while accepting payments through debit cards, is collected by IRCTC, then Kotak Mahindra Bank would become responsible for not having ensured compliance of RBI's regulation – "Banks are also advised to ensure that merchants on-boarded by them do not pass on MDR charges to customers while accepting payments through debit cards". However, if this GST is collected by Kotak Mahindra Bank (with associated GSTIN) for the additional amount in question, then from the consumers' perspective, IRCTC doesn't come into the picture (irrespective of the arrangements arrived at between IRCTC and the bank). In that case, Kotak Mahindra Bank would become responsible for the additional amount charged while accepting payments through debit cards, as it would be a surrogate for MDR charge passed onto the customers.

ICICI Bank's nonchalant response – making the government and RBI responsible

57. ICICI Bank provides a peculiar clarification in their response, which is

> "*We wish to inform you that, prior to January 2020, Government used to fund the Merchant Discount Rate (MDR) on transactions below Rs. 2,000. Hence, the surcharge was not levied for such transactions to customers. However, from January 2020, Government has withdrawn this compensation and the transactions where the merchants don't pay MDR (e.g. fuel*

companies, IRCTC, state electricity boards, etc), the Government has passed the MDR to the customers in terms of surcharge. For transactions above Rs. 2,000, the surcharge was always used to be charged to the customers for same reason."

58. ICICI Bank categorically implicates the government of having passed the MDR charged to customers (in terms of a payment-surcharge) while accepting payments through debit cards at IRCTC. Furthermore, the bank doesn't restrict this to IRCTC alone. Is it possible for a common man to doubt a bank like ICICI Bank, when they make such statements involving the government? Such hollow perceptions even for a major acquirer bank like ICICI Bank shows significant failure of awareness, not only among the bankers but more of the general public. It appears that RBI has completely failed in building the required awareness on the subject.

59. ICICI Bank has not been forced to on-board a merchant. Signing a merchant is a commercial decision for an acquirer bank. However, RBI has set rules and regulations that needs to followed while on-boarding any merchant. The intent of being non-compliant is distinct from error in ensuring compliance. ICICI Bank's deception in collecting money from the end-consumers of IRCTC now appears more of a fraud than a lapse.

HDFC Bank as a PG and acquirer

60. HDFC Bank power the IRCTC payment gateway. HDFC Bank, as an acquirer bank (unlike Kotak Mahindra Bank and ICICI Bank), **do not venture into adding a payment-surcharge** for debit cards and also credit cards while authorising a transaction. The transaction amount reflected in the issuer bank's account, corresponding to the debit card, is devoid of any payment-surcharge, and furthermore, there is no payment adjustment that hit the account later.

61. Thus, for the merchant IRCTC, the HDFC Bank, as an acquirer bank, is fully compliant, in letter and spirit, with respect to the RBI regulations (arrived at by invoking the PSS Act, 2007).

The PAs and the corresponding acquirer banks

62. The major PAs (or its kind) that provide debit card acceptance services to IRCTC are (i) PayU, (ii) Paytm, (iii) Razorpay, (iv) IRCTC iPay, (v) Atom, and (vi) PhonePe. We find that each of the PAs (i) PayU, (ii) Paytm, (iii) Razorpay, (iv) IRCTC iPay, and (v) Atom[18] have resort to payment-surcharge for debit card transactions, in breach of the RBI regulations. The RBI regulation categorically ensures to protect the consumers while mandating that "*Banks are also advised to*

[18] As a means to accept debit and credit cards, Atom powers the payment gateway only for Bharat QR. Furthermore, Atom charges a flat 1% of the transaction amount plus GST but claims that "The refund of Convenience charges and GST as may be applicable for debit card transactions will be initiated within 2 working days of transaction done and actual refund to the card will be as per Card Issuing Bank's process". In other words, Atom first executes a payment-surcharge and then returns it back after having allowed a bank/PA to enjoy monetary float.

ensure that merchants on-boarded by them do not pass on MDR charges to customers while accepting payments through debit cards.". Credibly, PhonePe appears to be the only PA that does not impose a payment-surcharge and is thus compliant to the RBI regulation.

63. Each of the five non-compliant PAs demonstrate clearly that their payment service charges are not payment method agnostic. In fact, within the debit card variants, they have differentiated their convenience fees based on RuPay on one hand and mastercard/VISA on the other. The same clarification that has been sought from Kotak Mahindra Bank and ICICI Bank applies to these PAs, as well. Accordingly, in the interest of consumer education and protection, the question arises as to why RBI should not ensure that PAs (other than PhonePe) refund the consumers all the undue amounts charged for debit card transactions done at IRCTC?

What should IRCTC ideally do?

64. Let us reiterate government's February 29, 2016 **cabinet approved** guidelines for the 'Promotion of Payments through Cards and Digital means'. The guideline categorically states that Indian Railways (IRCTC) will take appropriate steps to bear MDR cost like other merchants. Therefore, **it is pertinent and inevitable that IRCTC increases their service facility charges (or, for that matter, convenience fees) from the present Rs 15/30 (non-AC/AC class tickets) to say, Rs 50/65, and then offer a flat discount of Rs 40/45 for anyone who chooses to pay through BHIM-UPI.** The precise amounts can be worked out by IRCTC based on the average cost of providing their ticketing service, which among other costs would include the costs towards infrastructure, manpower, telecommunication services, bank services, etc.

65. That would be the most simple and appropriate approach to let the system run in a prudent fashion. Note that tickets purchased through IRCTC are either over a mobile app or over a website (needing a smart phone or a computer). Therefore, there cannot be a situation where the choice of BHIM-UPI is inconvenient or remote. However, consumers will still have a choice among all other payment modes.

RBI prompts fee imposition onto consumers by PAs – a surrogate for payment-surcharge

66. As mentioned earlier, RBI in their recent guidelines on regulation of PAs and PGs has indicated that '*Information on other charges such as convenience fee, handling fee, etc., if any, being levied shall also be displayed upfront by the PA.'*. In other words, RBI has categorically prompted the PAs that they may charge towards convenience fee, handling fee, etc. However, this could not mean that the PAs pass onto the consumers either the MDR equivalent that is not being parted by the merchant, or add their fees over and above the share of MDR received by them. In either case it would amount to a surrogate for payment-surcharge. Needless to mention, acquirer banks/PAs do not on-board end-consumers. So, in case a PA is considered a second layer of merchant, even then, they would not be able to charge a fee that can be attributed to the MDR indirectly, if not directly.

67. Technically, PAs are approached by merchants. While merchants receive the payment acceptance services from the PAs, the PAs are required to be remunerated by the merchants. Traditionally, PAs have their business with the merchants and not the consumers. Apparently, through their loosely worded regulatory guideline, RBI appears to have implicitly introduced a concept where, PAs (who serve the on-boarded merchants) are given freedom to charge the end-consumers for the acceptance facility provided to a merchant. Akin to the concept of MDR imposed by acquirer banks/PAs onto merchants, **apparently a new concept of Consumer Demand Rate (CDR) is being advocated by RBI**, where PAs charge the consumers for merchant initiated digital payments.

68. RBI's move to prompt the PAs to charge the consumers for a merchant-initiated payment is not quite healthy. PAs may be facing some challenges on the MDR/payment-surcharge front. However, just because of RBI's inability to stabilize the issues surrounding MDR/payment-surcharge, does not mean that RBI goes around and devise means for PAs to instead 'charge consumers'. Distorting standards prevailing worldwide, where acquirer banks and payment facilitators (PAs) develop relationship with merchants alone, RBI has introduced something in the passing, which may have serious implications for consumers using digital means of payments. RBI may have taken the PAs into confidence to introduce '*imposition of charges onto consumers by PAs, for merchants accepting payments digitally*', but what matters more is that it sets an environment of discrimination. A bank, which provides a similar service as a PAs, is not covered under this specific leeway clause of "*convenience fee, handling fee, etc.*" provided to PAs. RBI doing things in a roundabout manner by adding a layer of new acquirer banks/PAs as merchants/service providers to serve the consumers has its own pitfalls.

69. Also if such convenience fees are not payment method agnostic, it would amount to a payment-surcharge unduly charged by the acquirer banks/PAs. As such there is no bank-customer relationship developed between the consumer and the acquirer bank/PA, for them to receive such extra money. An agreement between a merchant and the acquirer bank/PA cannot automatically create a relationship between the acquirer bank/PA and the end-consumer.

70. To promote a PA's brand there is always a tendency to build important merchant cliental. This may lead to offering free or discounted rates to acquire merchants and then charge consumers instead. This would be in line with RBI's guideline, where RBI prompts the PAs to impose convenience fees onto consumers. In fact, this may be a good strategy towards the valuation game for PAs as they get to show the payment volumes to their Venture Capital firms. RBI's move is a distortion in the digital payments space, which to the author's knowledge does not exist anywhere in the world. At best, an issuing bank can charge onto their customers for a payment facility or there exists a concept of payment-surcharge, as has been adopted for credit card payments by many countries.

71. Is it appropriate for RBI to introduce the concept of consumers paying for digital payments, where the merchant initiates a pull payment? Furthermore, for executing such pull payments, merchant sets up an agreement with an acquirer bank/PA for the payment acceptance services. As such, though an acquirer bank/PA sets up no agreement with a consumer, they still thrust themselves onto the consumers without properly building a relationship. As such, it is grossly questionable for RBI to prompt acquirer banks/PAs to explicitly charge the consumers for a merchant-initiated acceptance of digital payment. Apparently, this concept mooted and executed by RBI, in its present form, appears to be inappropriate. **RBI should refrain from creating an environment where, for pull payments initiated by merchants** (effected by acquirer banks/PAs on behalf of merchants), **the acquirer banks/PAs charge the consumers.**

RBI's approach towards credit cards

72. Credit card MDR is not controlled by RBI though it is a digital payment alternative. Thus, to mitigate potential concerns, **the issues surrounding MDR and payment-surcharge for credit cards should not be ignored by RBI and the government for long.** For a more detailed discussion on this topic, we refer to the papers Das and Das (2016) and Das (2019) (see, references [9] and [14]).

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VI. The way forward

Changing the approach

73. The concept of convenience fee is common in the e-commerce payments space. Convenience fee, which is payment method agnostic, is a fee for facilitating or providing a service and is not related to methods of payments. Payment-surcharge, on the contrary, is a fee imposed onto consumers by merchants for accepting payments through digital means. The concept of payment-surcharge arose due to merchant's unwillingness to bear the costs towards the digital payment acceptance services provided by banks. Payment-surcharging is prohibited under extant regulations and laws in India for merchants accepting payments via debit/credit card and BHIM-UPI. Moreover, the BHIM-UPI law specifically prohibits banks and other system providers to even charge a merchant, either directly or indirectly, for accepting payments through BHIM-UPI.

74. Selling price (inclusive of convenience fee) of a merchant includes its profit margin and its expenses, *inter alia*, towards infrastructure, labour, electricity, telecommunication, bank charges and taxes. Amongst these, the bank charges essentially pertain to merchant's debit/credit card acceptance charges levied by banks. However, there are no costs to the merchant for acceptance of payments via BHIM-UPI. When the merchant passes on these bank charges in form of convenience fee to consumers, he does not distinguish between card (debit/credit) and BHIM-UPI payments. Since convenience fee needs to be payment method agnostic, the merchant has an option to offer a token discount for accepting payments via BHIM-UPI, since he incurs no expenditure for the same. This would promote the asset-lite BHIM-UPI and would be win-win for merchants, consumers and, more importantly, the country. The win for the merchant is in form of savings derived from diverting consumers away from usage of more expensive payment acceptance modes.

75. IRCTC has already done a commendable job in implementing the token discount (providing upfront and well highlighted discount for BHIM-UPI). Though we do find some stray cases of promotional cashbacks for BHIM-UPI, but what we are emphasizing here is of a focused token discount for BHIM-UPI among all payment modes, so that we are able to drive payments into an era of BHIM-UPI. Like IRCTC that offers such an explicit discount for accepting payments through BHIM-UPI, prominent e-commerce merchants Amazon, Flipkart, Zomato, Swiggy, Airtel, Makemytrip, to name a few, may take a cue and set more examples for promoting BHIM-UPI.

76. Mastercard/VISA advocate that merchants may offer discounts for payments made in cash instead of cards (while not allowing increase in price of a merchandise if paid specifically through cards). By the same logic, the government can nudge e-commerce merchants and encourage them to offer a discount for payments made through BHIM-UPI. This would popularise the perfectly innovated 'Made in India' payments product – the BHIM-UPI. It is also a win-win for merchants and consumers alike.

Protecting the merchants against being overcharged by acquirer banks/PAs

77. To promote digital payments (debit cards and BHIM-UPI) and to protect the merchants against being overcharged by acquirer banks/PAs, RBI, as early as September 1, 2016, brought in a regulation (see, reference [8]) under Section 10(2) read with Section 18 of PSS Act 2007 (Act 51 of 2007), for unbundling of MDR charges. The regulation indicates,

> "*It has been brought to our notice that in many instances charges for merchants are bundled and a composite fee is levied on merchants irrespective of the type of card used. This practice hinders adherence to the extant regulatory mandate. Further, this not only disincentivises merchants from accepting cards but also gives them scope to indiscriminately pass on the costs to the customers in the form of surcharge.*
> *In order to bring greater transparency in MDR applicable at merchant level, it is advised that the acquiring banks shall:*
> *i) ensure that MDR are clearly unbundled for different categories of cards;*
> *ii) enter into separate agreements or annexes within the same agreement for debit, credit and prepaid cards so as to bring in more clarity and transparency; and*
> *iii) educate the merchants regarding the charges associated with different categories of cards, at the time of acquisition.*"

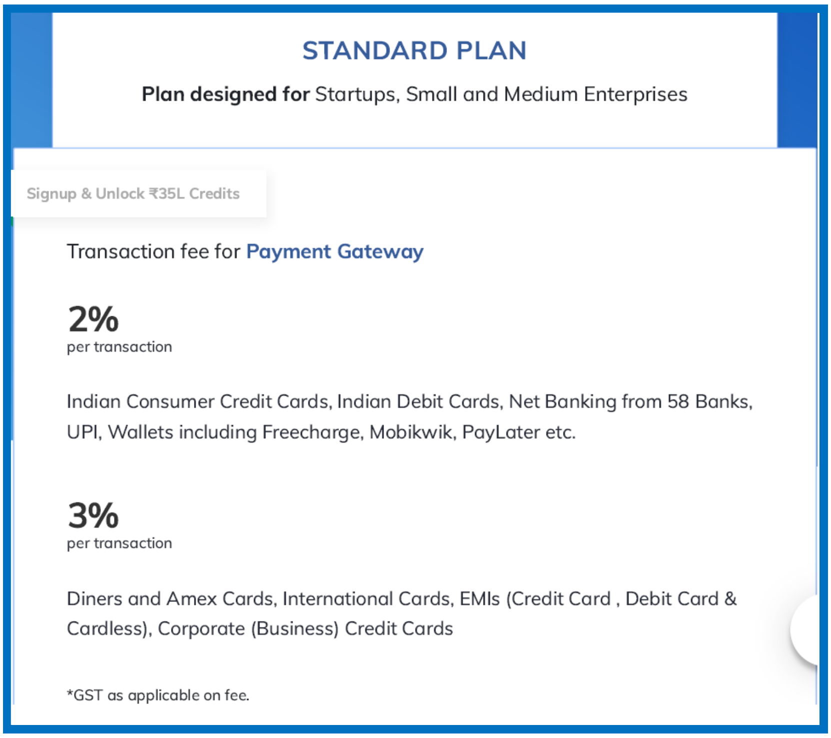
78. Furthermore, as already mentioned, RBI, effective September 30, 2020, has mandated that "*PAs shall ensure that the extant instructions with regard to Merchant Discount Rate (MDR) are followed.*". Accordingly, while on-boarding merchants, the PAs are required to unbundle their transaction charges as per mandates laid down by RBI.

79. Though RBI has set MDR caps for debit cards and the government has done away with imposition of any charge for BHIM-UPI, it appears that both RBI and the government are not supervising the acquirer banks/PAs for the compliance of extant regulations/laws. This hurts the very basis of making of such regulations and laws.

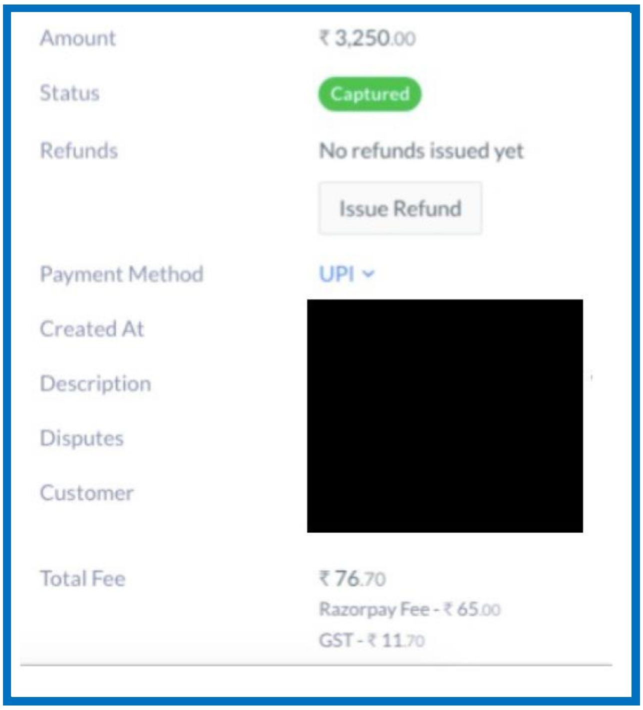
80. We have already given Illustrations where the PA PayU, in breach of extant laws, is indirectly charging @ 2% of the transaction amount from merchants accepting payments via BHIM-UPI. Looking further, we reveal some more Illustrations highlighting nonchalant circumvention of the RBI regulations by PAs, thereby hurting the merchants accepting asset-lite digital means of payments.

81. The PA Razorpay on their website https://razorpay.com/pricing/ displays the simple and transparent pricing for a STANDARD PLAN designed for Startups, Small and Medium Enterprises. Illustration 3 shows that this simple and transparent pricing is not in line with the extant RBI regulations. The PA has bundled their charges @ 2% of the transaction amount, whether it is credit cards, debit cards, Netbanking, BHIM-UPI, or Wallets. Although Razorpay is not prohibited to

charge 2% of the transaction amount onto the merchants for acceptance of payments via credit cards, Netbanking, and Wallets, however, Razorpay charging @ 2%, for debit cards and BHIM-UPI, is in gross violation, both in letter and spirit, of the extant regulations/laws (Illustration 4).



<u>Illustration 3: Razorpay's bundled charges</u>



<u>Illustration 4: Bundled charges by Razorpay's – effecting 2% fees onto merchants for BHIM-UPI</u>

82. Among other PAs, similar bundling of charges has been implemented by PayU too. Thus, the small and medium merchants are left cheated despite the extant regulations/laws of RBI and the government. These small and medium merchants do not usually have enough awareness, capacity and desire to contest such wrong doings of the PAs, as that would be at the cost of losing focus on their prime business.

83. In the present situation, where we see merchants being overcharged by acquirer banks/PAs, the CEPD of RBI has a responsibility to protect the small and medium merchants. These merchants are consumers availing the banking services. Having a mandate to educate and protect the consumers, RBI needs to address systematic issue relating to breaches in extant payment system regulations/laws hurting the merchants.

BHIM-UPI – the saviour

84. Being a simple and efficient smart phone-based means of payment, Indians have taken to BHIM-UPI like fish to water. Chart 1 shows the increasing volume of BHIM-UPI payments. There were over 221 crore BHIM-UPI transactions in November 2020 alone. Other modes of digital payments stand no competition to BHIM-UPI. The galloping journey of BHIM-UPI's "*Made for India*", has now begun towards "*Made for the world*".

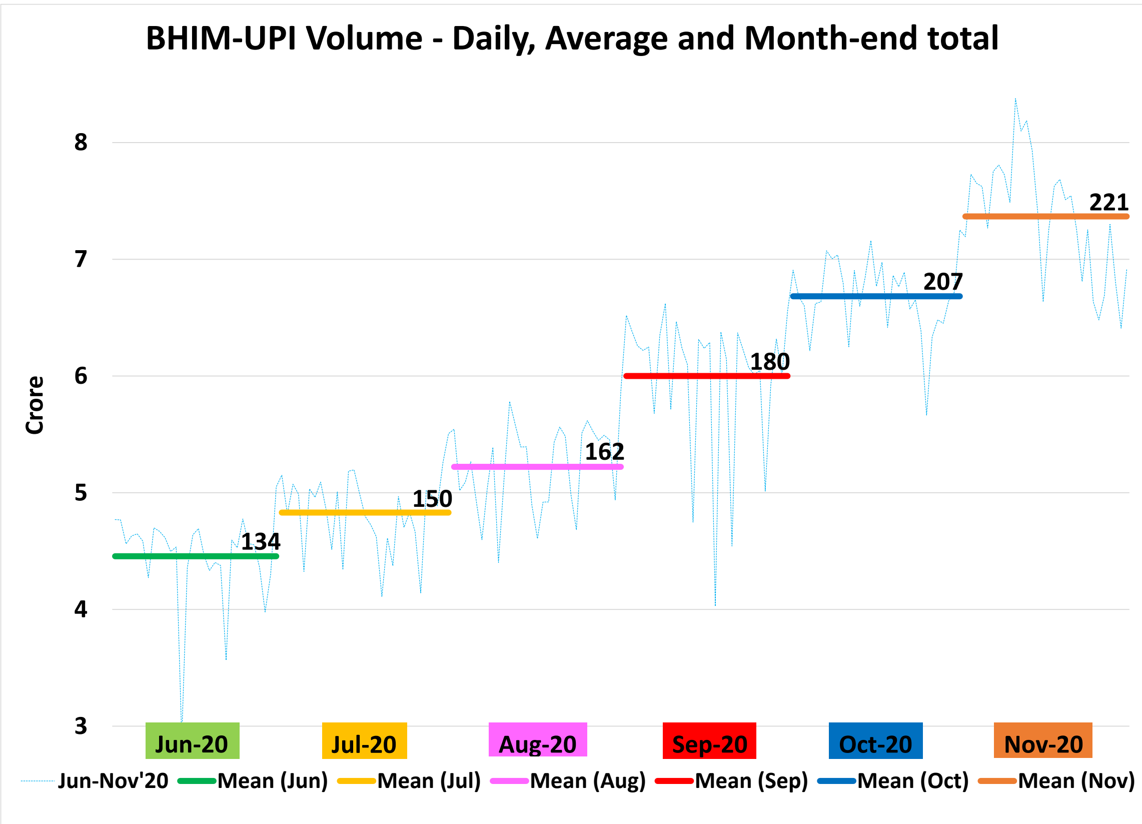


Chart 1: The rise of BHIM-UPI

85. As BHIM-UPI get further fillip, in order to maintain its performance in terms of robustness and efficiency, banks and system providers will have to invest more towards upgrading their infrastructure and security, bring about product innovations (R&D) and further awareness among the people of India. Ideally, expenditures to develop and promote asset-lite BHIM-UPI – an apposite digital alternative to cash – should be borne by the government and RBI. **A budgetary support to the tune of Rs 2500 crore, annually, would on the one hand support BHIM-UPI and on the other render substantial savings on handling cash**[19].

86. An annual budget for BHIM-UPI would provide enough encouragement for banks and system providers. The support provided by the government and RBI would give the desired boost to promote BHIM-UPI as a befitting alternative to cash. National Payments Corporation of India (NPCI) manages BHIM-UPI and has the complete bank-wise data for inward and outward BHIM-UPI volumes. Accordingly, purely based on volume counts, it may be prudent to let NPCI manage the logistics for a well audited distribution of the budgetary support.

Payment systems policy formulation – a way forward to address the chaos

87. After lot of deliberations, in 2018 the 'Report of the Inter-Ministerial Committee for Finalisation of Amendments of the PSS Act, 2007' (see, reference [13]) finalised a new Bill consolidating and amending the law relating to payments. The Bill had sought to foster competition, consumer protection, systemic stability and resilience in payment sector and establish an independent Payments Regulatory Board (PRB) to regulate the same.

88. Though the draft Payment and Settlement System Bill, 2018 was met with considerable resistance from the RBI, given the chaos that transpires currently, in the payment systems policy formulation, it may be appropriate for the government to reconsider the "The Payment and Settlement Systems Bill, 2018". Keeping in view the developments in the past two years, desirable modifications can be incorporated. The government needs to weigh the gains (vis-à-vis losses) in bringing the Bill back on table.

Concluding remarks

89. Though RBI has taken several good initiatives to promote awareness building, what is missing is to develop a simple awareness among the merchants and consumers of India, on the rules/regulations/laws on payment-surcharging and the redressal mechanism therefor. A specific action-point on part of banks/PAs/payment networks/RBI/government should be to ensure that the 'no surcharge rule' is strictly applied and enforced for all merchant payments. Public awareness

[19] Cash management expenses include security printing/minting of banknotes and coins, disposal of soiled banknotes and coins, detection of counterfeit banknotes and coins, and management of banknotes and coins for circulation across India by RBI and the government.

against surcharging should be promoted along with developing streamlined processes of reporting a payment-surcharge and getting appropriate redressal.

90. RBI, being the administrator[20] of the PSS Act, 2007, had been kept informed of the situation pertaining to payment-surcharge as early as March 2019 (see, reference [14]). The objective of this report is to reiterate some of the ideas on payment-surcharge, put forth the learnings demonstrated from the findings of Vistara/IRCTC, and formulate some salient guidance for policy. Moving towards the country's initiative of Vigilance Awareness "*Satark Bharat, Samriddh Bharat*", we hope that the findings of this report would benefit consumer education and protection initiatives of the government and RBI through some prudent policy interventions.

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[20] Section 3 of the PSS Act, 2007, states "The Reserve Bank shall be the designated authority for the regulation and supervision of payment systems under this Act.".

Appendix A: Vistara's response

From:**appellateauthority@airvistara.com**
Subject: RE: MOCAV/E/2020/00231 - Grievance against Vistara by Ashish Das
Date: 2/17/2020, 5:01:48 PM
To: ashishdas.das@gmail.com
Cc: -

Dear Mr. Das,

Greetings from Vistara.

We have noted the concern raised by you regarding the charging of payment surcharge for Debit/Credit card payments.

We wish to apprise you that a convenience fee is levied on tickets purchased through any airline website where the form of payment is
debit or credit card

We wish to further let you know that all banks further charge the merchants on all the transactions done on the card and all the charges
that banks apply are approved by RBI.

Credit/Debit charges are levied not only by the Vistara, but it's also with all the travel businesses in the majority.

We wish to share with you that all the necessary information related to the convenience fee which is mention on our website for your reference.

Please click on the link below.

https://www.airvistara.com/trip/terms-and-conditions/travel-within-india#.

We hope we could address your concern in line with your query.

Thanks & Regards
Preeti Dadheech
Nodal Officer

TATA SIA Airlines Limited

W: www.airvistara.com

24*7 Helpdesk Number:- 928 922 8888

Appendix B: Bank transaction charges as announced by IRCTC

Indian Railway Catering and Tourism Corporation Limited
A Government of India Enterprise

Centre For Railway Information Systems
(An organisation of the Ministry of Railways, Govt. of India) CRIS

Home Contact Us

Bank Transaction Charge

Net Banking	
State Bank of India	Rs.10/- + Applicable Taxes
Payment Gateway /Credit /Debit Cards	
Visa/Master Card(Powered By HDFC BANK)	1.0 % + Applicable Taxes for all Domestic Credit Cards, NIL, for all Domestic Debit Cards
Net Banking	
Federal Bank	Rs.10/- + Applicable Taxes
Payment Gateway /Credit /Debit Cards	
American Express	1.8% of Transaction Amount
Net Banking	
Indian Bank	Rs. 10/- per transaction
Union Bank of India	Rs. 10/- per transaction
Punjab National Bank	Rs. 10/- per transaction
Allahabad Bank	Rs.10/- + Applicable Taxes
AXIS Bank	Rs.10/- + Applicable Taxes
Bank of Baroda	Rs.10/- + Applicable Taxes
Karnataka Bank	Rs.05/- + Applicable Taxes
Oriental Bank of Commerce	Rs.10/- + Applicable Taxes
Karur Vysya Bank	Rs.10/- + Applicable Taxes
Kotak Mahindra Bank	Rs.10/- + Applicable Taxes
ICICI Bank	Rs.10/- + Applicable Taxes
IndusInd Bank	Rs.10/- + Applicable Taxes
Central Bank of India	Rs. 10/- + Applicable Taxes
Syndicate Bank	Rs. 10/- per transaction
Bank of Maharashatra	- NIL
Payment Gateway /Credit /Debit Cards	
RuPay Card (Powered by Kotak Bank)	- NIL upto Rs. 1 Lakh
Net Banking	
Corporation Bank	Rs. 10/- per transaction
Yes Bank	Rs. 10/- + Applicable Taxes
Wallets/ Cash Cards	
Mobikwik Wallet	1.80% + Applicable Taxes
Paytm Wallet	1.80% + Applicable Taxes
Net Banking	
Nepal SBI Bank Ltd.	NPR 19/- per transaction + Exchange Commision + Applicable Taxes
South Indian Bank	₹ 10/- + Applicable Taxes
IRCTC eWallet	
IRCTC eWallet.	IRCTC eWallet service charge ₹ 10 /- + Applicable Taxes
Wallets(Mobile App)	
PayU Money M	Txn Chgs: 1.8 % of net amt + GST as applicable
Multiple Payment Service(Mobile App)	
Credit & Debit cards / Net Banking / Wallet (Powered by Paytm)	Txn Chgs:₹ 10 for Net Banking,NIL for Rupay Debit Cards,For other Domestic Debit Cards: 0.4 % for Amt upto ₹ 2000 and 0.9% for Amt more than ₹ 2000;For Credit Cards: 1 % of Net Amt;For Other options 1.8% of Net Amt. GST as applicable
Multiple Payment Service (Credit & Debit Cards/ Netbanking /Wallets / International Cards)	
Credit & Debit cards / Net Banking / Wallet (Powered by Paytm)	NIL, For all UPI Transactions NIL, For all Rupay Debit Cards 0.4% + Applicable Taxes for Other Domestic Debit Cards up to ₹ 2000 . 0.9% + Applicable Taxes for Other Domestic Debit Cards more than ₹ 2000 1.0 % + Applicable Taxes for all domestic Credit Cards ₹ 10 + Applicable Taxes for Netbanking transactions 1.8 % + Applicable Taxes for E-wallet transactions
Wallets/ Cash Cards	
Freecharge Wallet	1.80% + Applicable Taxes
Multiple Payment Service (Credit & Debit Cards/ Netbanking /Wallets / International Cards)	
International cards (Powered by ATOM)	4% of Transaction Amount (Including Applicable Taxes)

Wallets(Mobile App)	
SBI BUDDY M	
Mobikwik Wallet	Txn Chgs: 1.80 % of net amt + GST as applicable

Net Banking	
Canara Bank	Rs.10/- + Applicable Taxes
City Union Bank	Nil

Wallets(Mobile App)	
Jio Money	Txn Chgs: 1.30 % of net amt + GST as applicable
Ola Money	Txn Chgs: 1.30 % of net amt + GST as applicable

Wallets/ Cash Cards	
Airtel Money	1.80% + Applicable Taxes

Cash on Delivery (COD)(Mobile App)	
Pay-On-Delivery (Powered by Anduril Technologies)	Txn Chgs: ₹ 90 for Amt upto ₹ 5000 and ₹ 120 for Amt above ₹ 5000 + GST as applicable

Multiple Payment Service (Credit & Debit Cards/ Netbanking /Wallets / International Cards)	
Credit & Debit cards / Net Banking / Wallet (Powered by EBIX)	NIL , For all Domestic Debit Cards up to ₹ 1 Lakh 1.0 % + Applicable Taxes for all domestic Credit Cards 1.8 % + Applicable Taxes for E-wallet transactions ₹ 10 + Applicable Taxes for Netbanking transactions

Bharat QR / Scan & Pay	
Bharat QR(powered by Atom)	1.0 % + Applicable Taxes

Wallets(Mobile App)	
Airtel Money	Txn Chgs: 1.8 % of net amt + GST as applicable

Wallets/ Cash Cards	
I Cash Card	1.5% per transaction

Net Banking	
Airtel Payments Bank	Rs.10/- + Applicable Taxes

Pay On Delivery / Paylater	
ePaylater (Powered by Arthashastra Fintech Pvt. Ltd.)	3.5 % + Applicable Taxes

Multiple Payment Service(Mobile App)	
Credit & Debit cards / Net Banking / Wallet (Powered by Zaakpay)	Txn Chgs: ₹ 10 for Net Banking, NIL for Rupay debit cards,For other Domestic Debit Cards: 0.4 % for Amt upto ₹ 2000 and 0.9% for Amt more than ₹ 2000; For Credit Cards: 1% of Net Amt. ;For Other options 1.8% of Net Amt.GST as applicable

Multiple Payment Service (Credit & Debit Cards/ Netbanking /Wallets / International Cards)	
Credit & Debit cards /Net Banking/Wallets/UPI/ International Cards (Powered by PayU)	- NIL, for all UPI Transactions - NIL, for all domestic Rupay Debit Cards - 0.4% + Applicable Taxes for Other Domestic Debit Cards up to ₹ 2000 - 0.9% + Applicable Taxes for Other Domestic Debit Cards more than ₹ 2000 - 1.0 % + Applicable Taxes for all domestic Credit Cards - 3.5 % + Applicable Taxes for International Cards - ₹ 10 + Applicable Taxes for Netbanking transactions - 1.80 % + Applicable Taxes for E-wallet transactions

BHIM / UPI / USSD	
Pay using BHIM (Powered by AXIS BANK) also accepts UPI	NIL

Multiple Payment Service(Mobile App)	
Credit & Debit cards / UPI / Wallet (Powered by PhonePe)	Txn Chgs:NIL for UPI,For Debit Cards: NIL for Amt upto ₹ 100000,For Credit Cards: 1 % of Net Amt;For Other options 1.8% of Net Amt. GST as applicable
Credit & Debit cards / Net Banking / Wallet (Powered by PayU Money)	₹ 10 for Net Banking, NIL for Rupay debit cards,For other Domestic Debit Cards: 0.4 % for Amt upto 2000 and 0.9% for Amt more than 2000; For Credit Cards: 1% of Net Amt. GST as applicable
Credit & Debit cards / Net Banking / UPI (Powered by Razorpay)	Txn Chgs: ₹ 10 for Net Banking, NIL for UPI and Rupay Debit Cards,For other Domestic Debit Cards: 0.4 % for Amt upto ₹ 2000 and 0.9% for Amt more than ₹ 2000;For Credit Cards: 1 % of Net Amt. GST as applicable

Wallets(Mobile App)	
Paytm Wallet	Txn Chgs: 1.8 % of net amt + GST as applicable

Multiple Payment Service (Credit & Debit Cards/ Netbanking /Wallets / International Cards)	
Credit & Debit cards / Net Banking / UPI (Powered by Razorpay)	NIL, for UPI Transaction </br> NIL, for all Rupay Debit Cards </br> 0.4% + Applicable Taxes for Other Domestic Debit Cards up to ₹2000 </br> 0.9% + Applicable Taxes for Other Domestic Debit Cards more than ₹2000 </br> 1.0% + Applicable Taxes for all domestic Credit Cards </br> ₹10 + Applicable Taxes for Netbanking transactions

Mastercard SecureCode   AMERICAN EXPRESS SafeKey

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