

December 23, 2005

To the Chairmen / Chief Executive Officers of all the Scheduled Commercial Banks

ECS (Debit Clearing) – Revocation of mandate by the customers

The volume of ECS transactions – both in Debit Clearing and Credit Clearing – has been growing rapidly. The growth rate of Debit Clearing transactions is much larger than the Credit Clearing and many utility companies have evinced a lot of interest in utilising the system for collection of utility bills. However, as understood from utility companies, certain procedural rigidities on the part of the bank branches have been hampering the growth of ECS in a big way. Several instances have been brought to our notice where bank branches are showing reluctance in accepting customers' request to withdraw the ECS mandate given earlier to the user institution and the bank. Bank branches have been insisting on the withdrawal instructions to be routed through the user institution.

2. You would appreciate that customer should be in a position to exercise choice to withdraw from service in a user friendly way. The withdrawal instructions of a customer need to be treated equivalent to a 'stop payment' instruction in cheque clearing system. The customer can simultaneously send an instruction to the 'user institution' so that user institution stops including the transaction in the ECS file. Thus, for action on the withdrawal instruction by the bank branches, it is not necessary for the bank branch to obtain a confirmation from the user institution. The user institution is not supposed to include transaction in the ECS file on receipt of withdrawal notice and for any reason, if the transaction gets included in the ECS file, it may be dealt in a way 'stop payment' instructions are handled in the cheque clearing mechanism.

3. As far as the user institution is concerned, it is obligatory on the part of the user institution not to include the transaction in the ECS input file provided withdrawal instruction is received 15 days prior to the date of submission of ECS file to the ECS clearing mechanism. Bank branches may take up the matter with utility organisations, if they observe that transactions are included in the ECS file

repeatedly even after the withdrawal instruction. A complaint can also be lodged with the Clearing House if the user institution keeps including the ECS transaction even after being pointed out by a bank branch.

4. In view of the above, you are requested to advise all your branches accordingly and advise us of the action taken in this regard.

Yours faithfully

(Kaza Sudhakar)
General Manager

Withdrawn w.e.f November 16, 2021