

Online Dispute Resolution System For Digital Payments

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Online Dispute Resolution For Digital Payments: A System to Ensure Transparent and Hassle-free Resolutions

Dave Chapelle has rightly said that “Modern Problems requires modern solutions”. The only good outcome of the COVID-19 pandemic was that the digital economy saw a global revolution. Preventive measures such as lockdowns, social distancing, etc., which limited the scope of human interactions (all of which were a result of the pandemic), led to most forms of trade and communication being shifted online thereby increasing an individual’s dependence on such digital transactions. Each transaction involves a cost which is fulfilled in the form of digital payment. While this can be treated as a great leap forward, such a change is not devoid of certain inevitable issues.

Keeping in mind the growing issues with various digital payments, the Reserve Bank of India (RBI), introduced the Online Dispute Resolution (ODR) system for digital payment in its *Statement on Developmental and Regulatory Policies* through its notification dated August 06, 2020[1]. The Online Dispute Resolution For Digital Payments is applicable for authorized Payment System Operators[2] and their Participating members[3].

Objective Of ODR System For Digital Payments

The goal of the system is to provide a “transparent, rule-based, system-driven, user-driven, unbiased mechanism for resolving customer disputes and grievances, with zero or minimal manual intervention.”[4]

In other words, the main objective of this system is to enable a dispute resolution system that is not only transparent and unbiased but also provides redressal for consumer grievance with minimal or zero human intervention.

Structure Of ODR System For Digital Payments

Under this system, a consumer will be provided multiple channels to file the dispute which may be web-based or paper-based complaint form, IVR, mobile application, SMS or directly in the branch offices. Further, the consumer will be required to give minimum important details relating to the dispute. After receiving the details, the complaint will be lodged subsequent to which the consumers will be allotted a unique reference number under the ODR system so that they can track the status of the dispute. The said dispute shall be resolved within one month; however, if the dispute is not resolved then the consumers can approach the respective banking ombudsman.

Further, the notification states that the banks, PSO's, & PSP's should provide access to the consumer to file their grievances through ODR system. This also extends to mobile payment systems, United Payment Interface (UPI) and third-party app providers wherein they are required to provide an option in their app itself to file the complaint through ODR system.

What Kind Of Transactions Are Covered Under This System?

Although the RBI specified in its notification that the system, for the time being, is limited only to disputes and grievances arising out of failed digital transactions, including those which have not been fully completed due to reasons unrelated to the customers (technical issues) such as failure in communication links, non-availability of cash in an ATM, time-out of sessions, etc. Apart from these, the system also includes those transactions whereby the amount has not been credited to the beneficiary's account due to a lack of adequate information or delay in the initiation of a reversal transaction.^[5]

However, in order to avail the remedy under this system, the complainant should prove the Bank or the Payment System Operators or Payment failed to comply with the provisions relating to the circular of RBI regarding

Harmonisation of Turn Around Time and customer compensation for failed transactions.

The following are the transactions covered in the circular of RBI relating to Harmonisation of Turn Around Time and customer compensation for failed transactions^[6] :



Conclusion

While the proposed ODR system seems to be a hopeful path for “*boosting digital payments and enhancing the broader financial ecosystem*”, the issues that may arise out of it must not be overlooked:

Firstly, the links between the various modes of lodging complaints must be analyzed, improper communications between the modes and the PSOs may create distortions and thus lead to ambiguities, which may have severe consequences. Secondly, in an attempt to protect data or private information related to a customer, if the RBI creates a design that is too intricate or intertwined, it may complicate the overall process not just for the PSOs and PSPs but also for the customers.

Finally, in the event that a unique reference code does not function due to some technicality, the customer would have to go through another round of complaint lodging in order to understand the status of his case. This back and forth process may lead to customers losing trust in such a mechanism, thereby forcing them to shy away from making such payments online.

These are only a few indicative issues; however, there may be many more. It is too early to judge the validity of such an ODR system. All one can do now is be hopeful that the RBI keeps such technical issues in mind while designing an appropriate system to compliment the positive attributes it serves and come up with an effective system for an online dispute resolution to successfully cater to the disputes and grievances of its customers.

[1] <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11946&Mode=0>

[2] Payment system operators include both banks and the companies which are involved in payment system operation.

[3] Participating members means Payment system participants

[4] <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11946&Mode=0>

[5] *Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems*, Sept 20, 2019. Refer <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11693&Mode=0>. Note: All provisions, including those relating to TAT and compensation to customers mentioned in the above circular need to be adhered to while resolving disputes and grievances using the ODR system.

[6] <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11693&Mode=0>

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