

FIDC

Finance Industry Development Council (A Self Regulatory Organisation for NBFCs in India)

CIN: U91990MH2004NPL146931

City-II, 5TH Floor, CST Road, Near Mercedes Show Room, Kalina, Santacruz (East), Mumbai – 400098

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25th May, 2026

Shri Gunveer Singh
Chief General Manager-in-Charge
Department of Payment and Settlement Systems
Reserve Bank of India
Central Office, Mumbai.

Respected Sir,

SUB: Request for Clarification and Harmonization of the Process Governing Cancellation of eNACH/NACH Mandates, Particularly, Mandates Linked to Active Loan Accounts

Ref: NPCI Circular No. NPCI/2025-26/NACH/001, issued April 2025 and

RBI letter no. CO.DPSS.OVRST.No.S929/06-08-001/2021-2022 dated November 16, 2021

Finance Industry Development Council (FIDC) – A Self Regulatory Organization (SRO) for Non-Banking Financial Companies (NBFCs), respectfully submits this representation seeking regulatory clarification and harmonization regarding the process for cancellation of eNACH/NACH mandates, particularly where such mandates are linked to active loan accounts.

Following the withdrawal of the RBI Circular dated 18 April 2012, divergent practices have emerged across banks, with certain instances of unilateral mandate cancellation based solely on customer instructions, without structured validation or confirmation with the beneficiary NBFC. This has created operational uncertainty, impacted repayment discipline, and is inconsistent with the evolving NACH framework and the safeguards contemplated under NPCI guidelines.

FIDC seeks a clear, structured, and harmonized process incorporating validation, confirmation, substitution, and closure protocols for loan-linked mandates, while fully preserving customer rights and consent-based controls.

Finance Industry Development Council (FIDC) represents NBFCs engaged in retail, MSME, vehicle, affordable housing, and micro-credit lending across India. NBFCs play a critical role in advancing financial inclusion and extending credit access to underserved segments.

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We respectfully submit this representation to seek regulatory clarity and alignment on the process governing cancellation of eNACH/NACH mandates, particularly in the context of active loan accounts.

At the outset, we emphasize that the industry does not seek to restrict customer rights. The objective is to establish a clear, structured, and uniformly implemented process ensuring that mandate cancellation, especially in loan-linked cases, is handled in a manner that does not disrupt repayment discipline or financial stability.

Post withdrawal of the RBI Circular dated 18 April 2012, on-ground practices indicate the absence of a harmonized framework. In several instances, mandates linked to active loans are being cancelled unilaterally based on customer instructions, without any structured process involving the beneficiary NBFC.

This position appears inconsistent with the NPCI Circular No. NPCI/2025-26/NACH/001 (April 2025), which contemplates appropriate verification and places accountability on sponsor banks for improper termination of mandates.

The absence of a standardized process has resulted in inconsistent practices, leading to operational risks and uncertainty for regulated lenders.

NBFC lending models—particularly in retail and granular segments—are inherently dependent on mandate-based repayment systems due to:

- a) Predictability and efficiency in repayment flows;
- b) Integration with underwriting, pricing, and risk management frameworks;
- c) Support for securitization, assignment, and investor confidence; and
- d) Operational feasibility in geographically dispersed borrower segments.

Industry observations indicate a growing trend of post-disbursement mandate cancellations, resulting in:

- i) Higher early-stage delinquencies;
- ii) Increased collection volatility
- iii) Escalation into manual and cost-intensive recovery processes.

While customer autonomy must be preserved, mandates linked to live contractual repayment obligations require a structured and process-driven approach. The absence of such a framework creates scope for misuse and undermines repayment integrity.

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A clear process would also enhance transparency, protect borrowers defaults, and ensure alignment with contractual obligations under loan agreements.

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In light of the above, we respectfully seek RBI's guidance on the following:

1. Standardized Process Framework:

A uniform process for handling cancellation of eNACH/NACH mandates across banks.

2. Differentiation of Mandates:

Clear distinction between:

(i) general standing instructions; and

(ii) mandates linked to active loan accounts.

3. Confirmation-Based Mechanism (Critical):

In respect of mandates linked to active loan accounts, cancellation should be effected only upon confirmation from the beneficiary NBFC, and not merely on the basis of unilateral customer request or intimation.

4. Validation Workflow:

A structured mechanism to:

i) Identify loan-linked mandates; and

ii) Provide the beneficiary institution a defined window to confirm, object, or respond.

5. Substitution / Closure Requirement:

Prior to cancellation, provision for:

i) Substitution with an alternate repayment mechanism; or

ii) Confirmation of loan closure / settlement of dues.

6. Cooling-Off Period:

A reasonable time window before cancellation becomes effective to ensure orderly transition.

7. Safeguards Against Misuse:

Measures to prevent misuse of mandate cancellation while protecting genuine customer grievances and consent-based controls.

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Given the increasing reliance on digital payment systems and automated repayment infrastructure, clarity, consistency, and harmonization are essential to maintaining trust in the NACH ecosystem and ensuring stability in credit markets.

We respectfully submit that a confirmation-based, process-driven framework for loan-linked mandates would strike an appropriate balance between customer rights and repayment integrity, while aligning with the operational safeguards envisaged under the NPCI framework.

We request your kind consideration and would be grateful for appropriate clarification or guidance on this matter.

Thanking you,

Yours Sincerely,

For **FINANCE INDUSTRY DEVELOPMENT COUNCIL**

RAMAN AGGARWAL

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