

No Credit Card Transactions to be completed without additional authentication/validation

Previously, RBI had issued directives making it mandatory for banks to put in place additional authentication / validation based on information not visible on the cards for all on-line card not present (CNP) transactions. It was further clarified that the mandate shall apply to all transactions using cards issued in India for payments on merchant sites where no outflow of foreign exchange is contemplated. Also, it was stated that the linkage to an overseas website/payment gateway cannot be the basis for permitting relaxations from implementing the mandate.

The RBI issued a circular on Friday, August 22, 2014 essentially re-iterating that payments made through credit cards have to necessarily go through a two-step authentication process. Any credit card transactions not complying with this will be in violation of the Payment and Settlement Systems Act 2007.

IndusLaw Quick view:

This is a significant development, particularly for services that allow payment methods without additional validation/authentication of credit cards. Hence, if a consumer in India is using a credit card issued in India, such consumer will be unable to avail of the convenience of setting enabling a one-time authorisation for all purchases made on the credit card from time to time. At the time of each credit card payment (whether on-line or at a physical point of sale) it is necessary to provide authentication by way of passwords. A notable mention is the payment system currently followed by Uber, which does not require any additional authentication, even for customers using credit cards issued in India. Hence it is to be seen how such services can continue to be provided in India without violating the RBI directive.



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