Dishonored Returns and Contested Dishonored Returns Related to an Unintended Credit to a Receiver

When a Receiver obtains an unintended credit, it's important that financial institutions have a clear method for rectifying such a situation. This Rule provides an Originator/Originating Depository Financial Institution (ODFI) with an additional means of resolving situations in which the reversal process has resulted in, or hasn't resolved, an unintended credit to a Receiver.

To achieve that, the Rule establishes a new Return Reason code that ODFIs may use to dishonor the return of either a debit or credit entry. The Rule also establishes a Receiving Depository Financial Institution's (RDFI) right to contest this type of dishonored return in certain situations.

Using the Automated Return Process to Resolve Unintended Credits
ODFI, RDFI, Originator
Impact for ODFIs/Originators

- Use new Return Reason Code R62 in the following situations:
  - When a debit Erroneous Entry and a subsequent credit Reversing Entry are both transmitted to the Receiver's account, but the erroneous debit is returned while the reversing credit is posted and made available to the Receiver.
  - When a credit Erroneous Entry and a subsequent debit Reversing Entry are both transmitted to the Receiver's account, but the reversing debit is returned while the erroneous credit is posted and made available to the Receiver.
- Ensure that R62 is only used when the associated credit entry (the Reversal or the erroneous credit) was not also returned by the RDFI.
- In the dishonored return situations described, the ODFI must warrant that it originated a Reversal in an effort to correct the original, erroneous transaction.
- An ODFI may not use R62 in all unauthorized entry return situations: if the ODFI has not transmitted a reversing credit entry to the Receiver's account, it may not use R62.
- Prepare to send and receive entries bearing the new Return Reason codes.

Impact for RDFIs

- Contest a dishonored return, using the new Return Reason Code R77, if either of the following conditions exist:
  - The RDFI returned both the Erroneous Entry and the related reversal.
  - The RDFI is unable to recover the funds from the Receiver.
- Prepare to send and receive entries bearing the new Return Reason codes.

- The new Return Reason codes cannot be implemented before March 20, 2015.

Friday, March 20, 2015

- Defines Return Reason Code R62 as Return of Erroneous or Reversing Debit.
- Defines Return Reason Code R77 as Non-Acceptance of R62 Dishonored Return.
- Modifies four sections of the Rules to reflect new language on dishonored Returns:
  - Article Two, Subsection 2.12.5.1: Dishonor of Return Entries
  - Article Two, Subsection 2.12.5.2: Specific Warranties for Dishonored Return Relating to Reversals
  - Article Three, Subsection 3.8.5.2: RDFI May Contest Dishonored Returns

Dishonored Returns and Contested Dishonored Returns Related to an Unintended Credit to a Receiver

This rule amends the NACHA Operating Rules to provide an Originator/ODFI with an additional mechanism to resolve, via the automated return process, situations in which use of the reversal process has resulted in, or not resolved, an unintended credit to the Receiver.

When is this Rule change effective?

- The changes to the *NACHA Operating Rules* will be effective March 20, 2015.

Can I offer these services before the Rule becomes effective?

- No, the new return reason codes R62 (Return of Erroneous or Reversing Debit) and R77 (Non-Acceptance of R62 Dishonored Return) will not be available before March 20, 2015.

What does my FI need to do to prepare for implementation?

- FIs should prepare to send and receive entries bearing the new return reason codes.

If the RDFI returns an erroneous debit but posts a reversing credit, what return code would the ODFI use to dishonor the return of the debit?

- As of March 20, 2015, the ODFI may dishonor the return using Return Reason Code R62 (Return of Erroneous or Reversing Debit).

What if the RDFI returned both the erroneous debit and the reversing credit but the ODFI dishonored the return of the debit?

- The RDFI may contest the dishonored return using Return Reason Code R77 (Non-Acceptance of R62 Dishonored Return).

If the RDFI receives a dishonored Return Entry with the return code R62 (Return of Erroneous or Reversing Debit) and the funds are not recoverable from the Receiver, can the RDFI contest the dishonored return and, if so, what contested dishonored return code should be used?

- Yes, if the RDFI is unable to recover the funds from the receiver, the RDFI may contest the dishonored return using Return Reason Code R77 (Non-Acceptance of R62 Dishonored Return).

Can an ODFI use the new dishonored return code to return any returns of unauthorized entries that the ODFI believes are authorized?

- No. An ODFI may use R62 to dishonor a debit entry returned as unauthorized only if it has also transmitted a reversing credit entry to the Receiver's account.