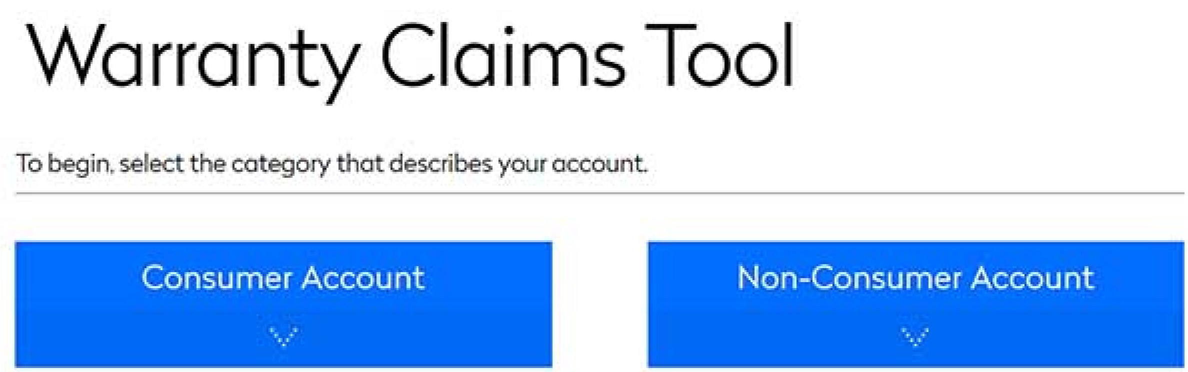
Limitation on Warranty Claims

EFFECTIVE DATE

June 30, 2021

RULE STATUS

Recently Implemented Rule



Learn more about the Warranty Rule by using the Warranty Claims Tool. https://www.nacha.org/content/warranty-claims-tool

Overview

This rule limits the length of time in which an RDFI is permitted to make a claim against the ODFI’s authorization warranty.

The Warranty Claims Tool was developed to help Receiving Depository Financial Institutions (RDFIs) better understand the timeline of when they can return transactions or may file a Warranty Claim against the Originating Depository Financial Institution (ODFI) for certain transactions.

Details

This rule limits the length of time in which an RDFI is permitted to make a claim against the ODFI’s authorization warranty.

For an entry to a non-consumer account, the time limit is one year from the settlement date of the entry (analogous to one-year rule in UCC §4-406 that applies to checks and items charged to bank accounts).

For an entry to a consumer account, the limit covers two time periods:

The first ninety-five (95) calendar days from the settlement date of the first unauthorized entry to the consumer’s account will always be covered (i.e., the first 95 days).

- This period covers the time period in Regulation E in which an RDFI may be liable to a consumer for errors for 60 days from the transmittal of an account statement that shows the first error.

If outside the first 95 days, then two years from the settlement date of the entry (i.e., the last two years).

- This period exceeds the one-year Statute of Limitations in the Electronic Funds Transfer Act (covering Regulation E claims), which runs from the date of the occurrence of the violation, which may be later than the settlement date of the transaction.
- This also allows for “extenuating circumstances” in which a consumer is delayed from reporting an error to his or her financial institution.

Impact

Benefits

Addresses a friction point for many ACH participants

- For ACH Originators, by limiting the length of time in which an ACH payment can be charged back
- For ODFIs, by providing greater certainty regarding long-term return of transactions and associated credit risk

- For RDFIs, by providing greater clarity regarding situations in which claims are allowed; and helping RDFI to establish reasonable expectations with their customers

Lowers a barrier to ACH origination for potential ODFIs and Originators, as it creates more certainty for transaction liability

Establishes a more equitable allocation of liability – Receivers have a responsibility to review statements and report unauthorized activity in a timely manner

Lessens the impact of “friendly fraud”

RDFIs generally will still be enabled to recover amounts they must pay consumers under Regulation E

Impacts

- Shifts liability for some older transactions from ODFIs and Originators to RDFIs and Receivers

- Small increase in risk that there will be some circumstances in which an RDFI could be liable to its customer without the ability to collect from the ODFI; associated RDFI courtesy write-offs

- Having two different time periods covered for entries to consumer accounts can cause confusion

- May be viewed as less consumer friendly