

ELECTRONIC PAYMENT CHANNELS IN NIGERIA

INTRODUCTION

Electronic payment channels are fast growing in Nigeria and are now the order of the day for effecting payment. Indeed, the importance of these payments channels became clearer with the restrictions imposed on movement and commercial activities in the wake of the COVID-19 pandemic. These payment channels provided some relief to individual and companies who were able to provide their services remotely during the lockdown with little or no disruption in making or receiving payments unlike when the economy was entirely cash driven.

As a result of the rise in the use of these payment channels, the Central Bank of Nigeria (CBN) issued the Guidelines on Operations of Electronic Channels in Nigeria 2020(2020 Guidelines) in respect of the following electronic payment channels namely:

- a. Guidelines on Automated Teller Machine (ATM) Operations
- b. Guidelines on Point of Sale (POS) Card Acceptance Services
- c. Guidelines on Mobile Point of Sale (mPOS) Acceptance Services, and
- d. Guidelines on Web Acceptance Services.

It is important to note that unlike the 2016 Guidelines on Electronic Payment Channels, the 2020 Guidelines introduced innovative provisions especially with respect to chargeback period for ATM, PoS, mPOS and Web transactions. This article examines the provisions of the 2020 Guidelines as well as the key innovations introduced by it.



Highlights of the key provisions and innovations introduced by the 2020 Guidelines

The innovations introduced will be examined in line with the relevant Guidelines made pursuant to it.

Guidelines on Automated Teller Machine (ATM) Operations

By virtue of the 2020 Guidelines, all banks or independent ATM deployers may own ATMs. However, such bank or independent ATM deployer must enter into an agreement with a card scheme or a scheme operator or their designated settlement agent for acceptance or settlement of all the transaction on the ATM. All ATM operators are required under the Guideline to comply with certain requirements with respect to deployment of the ATM. Some of those requirements are:

- a. No ATM owner or acquirer shall discriminate against any card scheme or issuer;
- b. Stand-alone or closed ATMs are not allowed;
- c. ATMs should be situated in such a manner as to permit access at reasonable times. Access to these ATMs should be controlled and secured so that customers can safely use them;
- d. Lighting should be adequate for safe access and good visibility. It should provide a consistent distribution and level of illumination, particularly in the absence of natural light;
- e. Privacy shall be provided by the design and installation features of the ATM so that in normal use the cardholder does not have to conspicuously take any protective action;
- f. All ATMs shall accept all cards issued in Nigeria under CBN regulations for any card-based value-added service made available on the machine.

Innovations introduced by the 2020 Guidelines on ATM Operations

The 2020 Guidelines introduced a novel provision by providing that the reversal of failed on-us ATM transactions, that is, failed transactions when customers use their cards on their bank's ATM shall be instant. However, where instant reversal fails due to technical issues of system glitches, the timeline for manual reversal shall not exceed 24 hours. On the other hand, the timelines for failed not-on-us ATM transactions, that is, failed transactions when customers use their cards on other bank's ATMs shall not exceed 48 hours¹. This is indeed a welcome provision owing to the increase in the use of ATMs by consumers. Unlike the 2016 Guidelines which provides that all card owners complaints should be treated within T+3 days (the transaction date plus additional three days) from the date of receipt of the complaint. Acquirers on the other hand, are expected to respond to issuers request within two days. Thus, the 2020 Guidelines is a departure from what was previously obtained.

Any ATM operator who fails to comply with the provisions of this Guideline would be sanctioned. Such sanction may be in the form of monetary penalties / or suspension of the acquiring/processing service (s) or both.²

¹ Paragraph 1.6 of the Guidelines

² Paragraph 1.8 of the Guidelines

Guidelines on Point of sale (POS) Card Acceptance Services

The provision of this Guideline applies to Merchant acquirers, card issuers, merchants, cardholders, card schemes, switches, payment terminal service aggregator (PTSA), payment terminal service providers (PTSP) amongst others.³

The Guidelines sets minimum standards for all stakeholders to the effect that, all industry stakeholders who process and/or store cardholder information shall ensure that their terminals, applications and processing systems comply with the minimum requirements of the following Standards and Best Practices. In addition, all terminals, applications and processing systems, should also comply with the standards specified by the various card schemes. Each vendor must provide valid certificates, showing compliance with these standards, and must regularly review status of all its terminals, to ensure they are still compliant, as standards change. It further provides that there will be a continuous review and recertification on compliance with these and other global industry standards, from time to time.

The following provisions applies to cardholders under the Guidelines:

- a. They are expected to store the payment card and protect his/her PIN with due care;
- b. They are not to keep their payment card together with their PIN;
- c. They are required to notify the issuer without delay, about missing, stolen, damaged, lost or destroyed card;
- d. They are not to make the payment card available to unauthorized persons;
- e. The cardholder shall receive value for the operations performed by means of a payment card, and by so doing, the holder commits himself to pay the amount of the operations, together with charges due to the issuer, from a specified account;
- f. The cardholder will be held liable for fraud committed with his card, arising from the misuse of his PIN or his card;
- g. The cardholder shall be entitled to receive a receipt, or any other form of evidence at the time a transaction is performed with his/her card;
- h. The cardholder shall be entitled to receive, within a reasonable period, at least monthly, a statement of all transactions performed with his/her card;
- i. A cardholder shall be given reasonable notice before changes are made to the terms and conditions of his card contract and shall be given the option to opt out of the card contract, without penalty.⁴

Innovations introduced by the 2020 Guidelines with respect to PoS transactions

The 2020 Guidelines introduced a novel provision with respect to time period for resolution of any error that occurs in the course of PoS transactions. According to the Guidelines, if a cardholder informs his bank that a PoS error involving his card has occurred, the institution must investigate and resolve the claim within 48 hours.⁵

³ Paragraph 2.2 of the Guidelines
⁴ Paragraph 2.4.6 of the Guidelines
⁵ Paragraph 2.4.8 of the Guidelines

This is unlike the 2016 Guidelines where any error involving the card of a cardholder will be investigated and resolved within T+5 days (the transaction date and additional five days) after notifying the institution.

This provision is no doubt an innovative one as it has to a large level allay the dangers and fears which previously applies where there is an error involving a PoS transaction. By limiting the time period for resolution of error involving PoS transactions, the process would be more efficient and cardholders will be encouraged to utilize this medium.

Guidelines on Mobile Point of Sale (mPOS) Acceptance services and innovations introduced

This Guideline applies to the following stakeholders; acquirer, issuer, PTSA, merchant, cardholder/users, card schemes, switches/operators, PTSP amongst others.⁶

The 2020 Guidelines introduced an innovation with respect to the time period for resolving an error that occurred in the use of mPOS. According to the Guidelines, if a cardholder/user notifies his bank of a transaction error, the issuer shall investigate and resolve the claim within 48 hours from the day of notification, irrespective of the dispute resolution process of the card scheme.⁷ Acquirer must immediately respond to Issuer's request, in the process. This is a clear departure from what previously obtainable under the 2016 Guidelines with regards to the following:

- The 2016 Guidelines provides that if a cardholder/user notifies his bank of a transaction error, the issuer shall investigate and resolve claim within T+5 days of notification.
- Acquirers must respond to issuer's request within 3 days of the process

Therefore, the 2020 Guidelines has greatly whittled down the period for resolution of the claim to 48 hours as well as mandates the acquirer to immediately respond to issuer's request.

Furthermore, the Guidelines provides that acquirers shall, in conjunction with issuers, switches and other stakeholders ensure resolution of disputed transactions between the merchant and the cardholder within 48 hours, and acquirers must immediately respond to Issuer's request. Stakeholders/Parties may escalate complaints to the CBN, where they are dissatisfied with the above result.⁸ This is unlike the 2016 Guidelines that provides that disputed transactions between the merchant and the cardholder should be resolved within T+5 days and acquirers must respond to issuers request within three days.



⁶ Paragraph 3.3 of the Guidelines
⁷ Paragraph 3.4.6.8 of the Guidelines
⁸ Paragraph 3.10 of the Guidelines

Guidelines on Web Acceptance Services and Innovations introduced

These Guidelines applies to all forms of transfer of monetary value on the website of a merchant or a payment aggregator in fulfillment of consideration for the purchase of goods and services on the web (internet).⁹ The stakeholders which the provisions of the Guidelines applies to are; acquirer, issuer, merchant, payments gateway providers and customers.¹⁰

An issuer under the Guidelines is mandated to Immediately acknowledge the dispute or complaints from cardholders, and in conjunction with the Acquirer and platform provider, resolve such disputes or complaints within 48 hours.¹¹ This is unlike the 2016 Guidelines where the issuer is mandated to acknowledge the dispute or complaints from cardholders within 24 hours, and in conjunction with the acquirer and platform provider resolve the dispute within T+3 days.

Thus, under the 2020 Guidelines, resolution of disputes and complaints are faster and more efficient when compared with the 2016 Guidelines.

Summary of the innovations introduced by the 2020 Guidelines.

Chargeback period for ATM, PoS and Web Transactions:

Due to the increase in electronic payment, it became expedient to introduce shorter response times on chargeback period especially for failed transaction. The chargeback period for ATM, POS and web transactions according to the Guidelines are:

- a. The reversal of failed on-us ATM transactions (failed transactions when customers use their cards on their bank's ATMs) shall be instant. However, where instant reversal fails due to technical issues of system glitches, the timeline for manual reversal shall not exceed 24 hours.
- b. Timeline for refunds on failed not-on-us ATM transactions (failed transactions when customers use their cards on other bank's ATMs) shall not exceed 48 hours.
- c. Refunds on disputed/failed PoS/Web transactions shall be treated within 48 hours.
- d. Participants in the payments system are also required to comply with the following additional requirements:
 - i. All Switches are to adjust the chargeback cycle in their dispute solutions to 24 hours from 72 hours.
 - ii. All Acquirer initiated refunds shall henceforth be initiated by all banks within 48 hours.
 - iii. Processors are to provide daily settlement reports latest 8 a.m. on a T+1 basis.
 - iv. NIBSS shall send daily reports on reversals to processors on or before 10 pm each day.

⁹ Paragraph 4.1 of the Guidelines
¹⁰ Paragraph 4.4 of the Guidelines
¹¹ Paragraph 4.5.3.8 of the Guidelines

Conclusion

The introduction of the Electronic Payment Channels Guidelines 2020 is indeed a welcome development. Compliance with the provisions of these Guidelines has reduced the response time for failed transactions and chargeback for the use of ATM, PoS, mPOS and web transactions, mitigated the risks inherent in electronic transactions and in turn allayed the fears typically associated with the use of electronic channels of payment.

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