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* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

\# **CNR No. DLHC010418022026**

+ CS(COMM) 974/2026 & I.A. 24414/2026, I.A. 24415/2026, I.A. 24416/2026

PAYU PAYMENTS PRIVATE LIMITED .....Plaintiff

Through: Mr. Rajiv Nayar, Sr. Adv., Mr. Sandeep Sethi, Sr. Adv., Mr. Rajeeve Mehra, Sr. Adv., Mr. Anush Raajan, Mr. Ayush Singh Dhami, Ms. Meghna Tandon, Ms. Palak Bhargava, Mr. Pratham Vir Agarwal, Mr. Naman Maheshwari, Ms. Shreya Sethi, Mr. Abhishek Butoliya, Mr. Manas Tuli, Advs. for Plaintiff.

versus

YES BANK LIMITED & ORS. .....Defendants

Through: Mr. Rajshekhar Rao, Sr. Adv., Mr. Karthik Somasundaram, Mrs. Sonam Gupta, Ms. Ankita Hariramani, Mr. Saumay Kapoor, Mr. Shiva Pande, Ms. Ritvika Poswal, Advs. for Defendant No. 1.

Mr. Ashwini Mata, Sr. Adv., with Mr. Shankh Sengupta, Ms. Varuna Bhanrale, Mr. Vivek Krishnani, Ms. Tanya Hasija, Advs. for Defendant No. 2.

Mr. Akhil Sibal, Sr. Adv., with Ms. Binsy Susan, Mr. Akshay Sharma, Ms. Pavitra Singh, Ms. Palak Kaushal, Ms. Ayushi Jain and Mr. Krishnesh Bapat, Advs. for Defendant No. 6 (Visa).

Ms. Neelam Rathore, along with Mr. Ashish Mahajan, for Respondent No. 5.

CORAM:
HON'BLE MR. JUSTICE SUBRAMONIUM PRASAD

<u>O R D E R</u>
% 14.09.2026

1. Aggrieved by the deductions made by Defendants No. 1, 3, 4 and 5 from the Plaintiff's ongoing settlements/Escrow Account on account of Interchange Reimbursement Fee (**IRF**) claims, the Plaintiff has approached this Court with the following prayers:

> "*a. Declare that Defendant No. 6's IRF Compliance Process, as applied in respect of the present dispute, does not satisfy the mandatory requirements of Section 24 of the Payment and Settlement Systems Act, 2007 and that any IRF determination issued through the said process accordingly has no jurisdiction or legal effect, and cannot constitute a lawfully issued determination capable of founding any deduction from the Plaintiffs ongoing settlements/Escrow Account;*
>
> *b. Grant permanent injunction restraining Defendant No. 1, 3, 4 and 5 whether by themselves, their officers, servants, agents or otherwise, from making any deduction(s) or recovery of any amounts representing IRF claims from the Plaintiffs ongoing settlements/ Escrow Account, until such time as the said claims are finally resolved either through the appeal/cure mechanism undertaken by Defendant No. 6 or under Section 24 of the PSS Act.*
>
> *c. Grant permanent injunction restraining Defendant No. 6, whether by itself, its officers, servants, agents or affiliates, from (i) issuing any instruction, direction,*

communication, or automated debit command to Defendant Nos. 1, 3, 4 and 5 (or to any other acquiring bank processing the Plaintiffs merchants' transactions) directing, authorising or facilitating any deduction, set-off, or withholding from the settlement remittances due to the Plaintiff on account of any IRF claim or IRF determination, whether interim or final, under Defendant No. 6's IRF Compliance Process; and (ii) issuing any final IRF determination in respect of the pending IRF claims against Defendant Nos. 1, 3, 4 and 5, without first constituting a panel satisfying the requirements of Section 24(1) of the Payment and Settlement Systems Act, 2007 and without affording the Plaintiff a fair and full opportunity to present its contentions before the said panel;

d. Grant Mandatory Injunction and/or a Judgment and Decree of recovery directing Defendant No. 1 to forthwith return all amounts in the sum of INR 6,88,18,850/- unlawfully deducted from the subsequent settlement payable by Defendant No. 1to the Escrow Accounts of the Plaintiffs on account of the IRF claims of Defendant No. 2 together with interest thereon at 18% per annum from the date of deduction;

e. Such further and other relief(s) as this Hon'ble Court may deem fit and proper in the facts and circumstances of the present case and as also would be warranted in equity in favour of the Plaintiff and against the Defendants jointly and/or severally."

2. It is the case of the Plaintiff that it is an RBI-authorised non-bank Payment Aggregator engaged in the business of facilitating online payment transactions for merchants across India. It is stated that the Plaintiff provides merchants with a single integration through which their customers can make payments by credit/debit cards, net banking, UPI, wallets and other payment

instruments.

3. Defendants No.1, 3, 4 & 5 have been termed as the Acquiring Banks, who are responsible for processing, authenticating and settling card-based transactions of the merchants onboarded by the Plaintiff and for remitting net settlement amounts into the Plaintiff's Escrow Accounts. Defendant No. 2 is a scheduled commercial bank and an Issuing Bank which issues ICICI-branded Visa cards to its customers. Defendant No. 6 is the card network/system provider operating the Visa card payment system in India.

4. It is stated that when a customer makes a payment through the issuing bank on a merchant's website or application, the payment instruction is routed through the Plaintiff's platform to the relevant Acquiring Bank through the card network. The transaction amount is then transferred by the Acquiring Bank after charging the IRF into the Plaintiff's statutorily regulated Escrow Account, from where the Plaintiff makes onward settlement to the concerned merchant.

5. The present dispute concerns the Merchant Category Codes (**MCC**s) assigned to merchants on-boarded by the Plaintiff. An MCC is a four-digit code identifying the principal line of business of a merchant and is relevant for determining the applicable Interchange Fee payable by the Acquiring Bank to the Issuing Bank.

6. According to the Plaintiff, Defendant No. 2 raised Interchange Reimbursement Fee (IRF) claims before Defendant No. 6 against Defendant Nos. 1, 3, 4 and 5, alleging that certain merchants whose transactions were processed through the said Acquiring Banks had been assigned incorrect MCCs, resulting in a shortfall in the Interchange Fee received by Defendant No. 2. The Plaintiff states that the said claims were taken up by Defendant

No. 6 under its private IRF Compliance Process, to which the Plaintiff was not a party.

7. The Plaintiff's case is that it has no role in the assignment of the MCCs. According to the Plaintiff, its role is limited to collecting and verifying the merchant's business information and forwarding the same to the relevant Acquiring Bank. As per the Plaintiff, it is the Acquiring Bank which independently assesses the nature of the merchant's business and assigns the appropriate MCC before permitting the merchant to process transactions. The Plaintiff, therefore, disputes any liability being fastened upon it on account of the alleged incorrect assignment of MCCs.

8. It is further the case of the Plaintiff that, Defendant No. 1 deducted amounts from the Plaintiff's ongoing settlement amounts towards the IRF liability. It is stated that although Defendant No. 1 subsequently reversed an amount of over Rs. 5.95 crore, it continues to retain Rs. 6,88,18,850/-. The Plaintiff further states that the IRF claims raised by Defendant No. 2 against Defendants No. 3, 4 and 5 are stated to be approximately Rs. 5.26 crore, Rs. 27.30 crore and Rs. 8.82 crore, respectively. The Plaintiff apprehends that, if these claims are determined or acted upon in a manner adverse to the acquiring banks, the concerned acquiring banks may similarly seek to recover the amounts from the Plaintiff by making deductions from its ongoing settlement amounts or Escrow Accounts. Thus, according to the Plaintiff, there is a continuing possibility of further deductions from its merchant settlements in respect of the pending IRF claims, thereby exposing the Plaintiff to substantial financial liability despite its contention that it is not responsible for the assignment of the MCCs and was not a party to the underlying IRF proceedings.

9. The Plaintiff also challenges the legality of Visa's IRF Compliance Process. It is the case of the Plaintiff that Defendant No. 6, instead of following the statutory dispute-resolution mechanism contemplated under Section 24 of the Payment and Settlement Systems Act, 2007 (**PSS Act**), has proceeded under its own private IRF Compliance Process. The Plaintiff contends that Section 24 of the PSS Act requires disputes between system participants concerning the operation of a payment system to be dealt with through a properly constituted statutory panel and that a determination under Visa's private process, particularly one having financial consequences for the Plaintiff, cannot lawfully form the basis for deductions from its Escrow Account.

10. It is in these circumstances that the Plaintiff has instituted the present suit seeking a declaration that the IRF Compliance Process adopted by Defendant No. 6 does not comply with Section 24 of the PSS Act. The Plaintiff also seeks permanent injunctions restraining the Acquiring Banks from making deductions from its ongoing settlements on account of the IRF claims and restraining Defendant No.6 from directing or facilitating such deductions or issuing a final determination without following the statutory mechanism and affording the Plaintiff an opportunity of hearing.

11. Along with the present Suit, the Plaintiff has also filed an Application under Section 12A of the Commercial Courts Act, 2015 seeking exemption from pre-litigation mediation.

12. Arguments in the present matter were heard for four consecutive days, i.e. on 07.09.2026, 08.09.2026, 09.09.2026 & 10.09.2026 on the maintainability of the Suit and on the grant of interim relief.

13. Learned Senior Counsel appearing for Defendant No.6 submits that

Defendant No.6 is a Card System Provider and acts in accordance with its own Rules, namely, (a) the Visa Core Rules and Visa Product and Services Rules and, (b) IRF Compliance Guide and Visa Supplemental Requirements collectively called as the IRF Compliance Process. He states that the IRF claims are being processed based on the voluntary submissions by Acquiring Banks and the Issuer Bank and it has nothing to do with the Plaintiff herein. He, therefore, states that the Plaintiff cannot seek any injunction restraining Defendant No.6 from carrying out its functions under the IRF Compliance Process. He states that any liability determined against the Acquiring Banks will ultimately be passed to the Plaintiff by way of deduction from the Settlement Account. He further states that the Plaintiff has its own agreements called as the Master Service Agreement with the Acquiring Banks which have their own adjudication processes and Defendant No.6 has no role in the recovery made by the Banks as it does not debit Plaintiff's Settlement Accounts or issue any settlement instructions or deals with the Plaintiff in any manner. He states that Defendant No.6 has nothing to do with the deductions affected by one of the Acquiring Banks, i.e. Defendant No.1, or the amount which the Plaintiff apprehends will be deducted by Defendants No.3, 4 & 5 as these deductions are not effected by Defendant No.6. He further states that the issue as to whether the Acquiring Banks can recover any amount from the Plaintiff pursuant to the determination of the IRF claims by Defendant No.6 depends entirely on the specific terms of the bilateral agreements between the Plaintiff and the Acquiring Banks to which Defendant No.6 is not a party.

14. Heard the learned Senior Counsels for the parties and perused the material on record.

15. The Reserve Bank of India has granted certificates and authorizations to the Plaintiff as a Bharat Bill Payment Operating Unit (BBPOU) under Bharat Bill Payment System (BBPS). The RBI has also authorised the Plaintiff as a payment aggregator. Similarly, Defendant No.6 has been given authorisation by the RBI as a Card Payment Network. All these authorisations have been granted to the Plaintiff and the Defendant No.6 under the PSS Act. Therefore, the Plaintiff and the Defendant No.6 operate within the four-corners of the regime of the RBI under the various authorisations granted by the RBI.

16. The crux of the issue is wrong MCCs given to various merchants on-boarded by the Plaintiff. It is not clear as to who has given the wrong MCCs which has resulted in determination of the IRF and subsequent deductions by Defendant No.2 as Issuer Bank or Defendants No.3, 4 & 5 as Acquiring Banks.

17. Admittedly, the present Suit is a commercial Suit. The Plaintiff has to first comply with the mandate of Section 12A of the Commercial Courts Act, 2015. Unless urgent interim measures are required to be granted for which the Plaintiff cannot await pre-litigation mediation process, the Plaintiff cannot seek exemption from pre-litigation mediation process. The importance of institution of pre-litigation mediation process under Section 12A of the Commercial Courts Act, 2015 has been aptly stated by the Apex Court in Patil Automation (P) Ltd. v. Rakheja Engineers (P) Ltd., **(2022) 10 SCC 1**, wherein the Apex Court, after tracing the history and importance of mediation, insisted that the parties must undergo the process of pre-litigation mediation process and only in rare circumstances can this process be given a go-by. In the said Judgment, the Apex Court has observed as under:

"***99***. *We may sum-up our reasoning as follows:*

99.1. *The Act did not originally contain Section 12-A. It is by amendment in the year 2018 that Section 12-A was inserted. The Statement of Objects and Reasons are explicit that Section 12-A was contemplated as compulsory.* ***The object of the Act and the Amending Act of 2018, unerringly point to at least partly foisting compulsory mediation on a plaintiff who does not contemplate urgent interim relief****. The provision has been contemplated only with reference to plaintiffs who do not contemplate urgent interim relief. The legislature has taken care to expressly exclude the period undergone during mediation for reckoning limitation under the Limitation Act, 1963. The object is clear.*

99.2. *It is an undeniable reality that courts in India are reeling under an extraordinary docket explosion. Mediation, as an alternative dispute mechanism, has been identified as a workable solution in commercial matters.* ***In other words, the cases under the Act lend themselves to be resolved through mediation. Nobody has an absolute right to file a civil suit. A civil suit can be barred absolutely or the bar may operate unless certain conditions are fulfilled****. Cases in point, which amply illustrate this principle, are Section 80CPC and Section 69 of the Partnership Act.*

99.3. *The language used in Section 12-A, which includes the word "shall", certainly, goes a long way to assist the Court to hold that the provision is mandatory. The entire procedure for carrying out the mediation, has been spelt out in the Rules. The parties are free to engage counsel during mediation. The expenses, as far as the fee payable to the mediator, is concerned, is limited to a one-time fee, which appears to be reasonable, particularly, having regard to the* *fact that it is to be shared equally. A trained mediator can work wonders.*

99.4. Mediation must be perceived as a new mechanism of access to justice. We have already highlighted its benefits. Any reluctance on the part of the Court to give Section 12-A, a mandatory interpretation, would result in defeating the object and intention of Parliament. The fact that the mediation can become a non-starter, cannot be a reason to hold the provision not mandatory. Apparently, the value judgment of the lawgiver is to give the provision, a modicum of voluntariness for the defendant, whereas, the plaintiff, who approaches the court, must, necessarily, resort to it. Section 12-A elevates the settlement under the Act and the Rules to an award within the meaning of Section 30(4) of the Arbitration Act, giving it meaningful enforceability. The period spent in mediation is excluded for the purpose of limitation. The Act confers power to order costs based on conduct of the parties*.*

100*. In the cases before us, the suits do not contemplate urgent interim relief. As to what should happen in suits which do contemplate urgent interim relief or rather the meaning of the word "contemplate" or urgent interim relief, we need not dwell upon it. The other aspect raised about the word "contemplate" is that there can be attempts to bypass the statutory mediation under Section 12-A by contending that the plaintiff is contemplating urgent interim relief, which in reality, it is found to be without any basis. Section 80(2)CPC permits the suit to be filed where urgent interim relief is sought by seeking the leave of the court. The proviso to Section 80(2) contemplates that the court shall, if, after hearing the parties, is satisfied that no urgent or immediate relief need be granted in the suit, return the plaint for presentation to the court* *after compliance. Our attention is drawn to the fact that Section 12-A does not contemplate such a procedure. This is a matter which may engage attention of the lawmaker. Again, we reiterate that these are not issues which arise for our consideration. In the fact of the cases admittedly there is no urgent interim relief contemplated in the plaints in question.*

Some concerns

***101**. Mediation can become a potent alternate dispute resolution device. There are, however, a few indispensable requirements. The first requirement is the existence of adequate infrastructural facilities and, what is more important, availability of trained and skilled mediators. The role of the mediator, as per Rule 5 of the Rules, is to facilitate the voluntary resolution of a commercial dispute and assist the parties in this regard. How can a mediator, who is not properly trained, fulfil his responsibility under Rule 5? Another area of concern is the availability in the number of mediators in the country, particularly, in the light of lowering of the monetary valuation from Rs 1 crore to Rs 3 lakhs.*

***102**. It is all well to pass a law with sublime objects as in this case. However, the goal will not be realised unless the State Governments and all other relevant authorities bestow their attention in the matter of providing adequate facilities. Knowledge of the laws, which are the subject-matter of the suits under the Act, is indispensable for a mediator to effectively discharge his duties. His role is supreme and it is largely shaped by his own knowledge of the law that governs commercial cases. There must be training by experts, including at the State Judicial Academies. This must be undertaken on a regular and urgent basis, particularly keeping in mind when there is a dearth of trained* *mediators. There is a need to have a dedicated Bar for mediation. The effective participation of the Bar which must be adequately remunerated for its service will assist in mediation evolving. The High Court concerned may also undertake periodic exercise to establish a panel of trained mediators in District and Taluka levels as per need."* (emphasis supplied)

18. In the abovementioned Judgment, the Apex Court has held that a Suit can be dismissed for not complying with the mandate of Section 12A of the Commercial Courts Act. Though the pre-litigation mediation process under Section 12A of the Commercial Courts Act, 2015 is to be resorted to before filing of the Suit and the Suit can be rejected under Order VII Rule 11 CPC if not complied with the said provision, however, this does not bar the Court from referring the parties to mediation even after institution of the Suit. In <u>Novenco Building & Industry A/S v. Xero Energy Engg. Solutions (P) Ltd.,</u> **(2026) 4 SCC 815,** the Apex Court has resorted to the same process.

19. At this juncture, this Court also does not want to brush away the concern of the Plaintiff that the Plaintiffs are obliged to maintain a certain amount in the escrow account and if the escrow account goes below that minimum amount, the Plaintiffs may be exposed to civil and criminal liability. However, this Court is not dwelling further on this argument as other arguments on the maintainability of the suit have been raised by all the Defendants.

20. In the opinion of this Court, since the entire regime is being operated under the certificates granted by the RBI and under the supervision of the RBI, instead of sending the parties for pre-litigation mediation process, it would be more appropriate to request the RBI to act as a mediator, even

though it is not an authority names under the Legal Services Authorities Act, 1987 for the purpose of pre-litigation mediation process. The endeavour is to find out a solution to the problem of grant of wrong MCCs (if any) and to find a solution to the problem which has arisen under the regime.

21. This Court can take aid of Section 24 of the PSS Act which establishes a framework for resolving disputes related to the operation of payment systems in India. Section 24 of the PSS Act reads as under:

> "*24. Settlement of disputes. –*
>
> *(1) The system provider shall make provision in its rules or regulations for creation of panel consisting of not less than three system participants other than the system participants who are parties to the dispute to decide the disputes between system participants in respect of any matter connected with the operation of the payment system.*
>
> *(2) Where any dispute in respect of any matter connected with the operation of the payment system arises between two or more system participants, the system provider shall refer the dispute to the panel referred to in sub-section (1).*
>
> *(3) Where any dispute arises between any system participant and the system provider or between system providers or where any of the system participants is not satisfied with the decision of the panel referred to in sub-section (1), the dispute shall be referred to the Reserve Bank.*
>
> *(4) The dispute referred to the Reserve Bank for adjudication under sub-section (3) shall be disposed of by an officer of the Reserve Bank generally or specially authorised in this behalf and the decision of the Reserve Bank shall be final and binding.*

(5) Where a dispute arises between the Reserve Bank, while acting in its capacity as system provider or as system participant, and another system provider or system participant, the matter shall be referred to the Central Government which may authorise an officer not below the rank of Joint Secretary for settlement of the dispute and the decision of such officer shall be final."

22. Though, learned Senior Counsel appearing for the Plaintiff has argued that referring the matter to RBI would deny an appeal to the Plaintiff, this Court makes it clear that the matter is being referred to RBI only as an effort to find out a solution regarding creation and allocation of wrong MCCs and as to how the past transactions can be settled and to make sure that the transactions between the parties go smoothly under the system operated by Defendant No.6 till the adjudication of disputes either by this Court or by any other forum. It is made clear that RBI will only act as a mediator and facilitator and not as a dispute resolution body as contemplated under Section 24 of the PSS Act.

23. Viewed in this light and without making observation even assuming that this Court comes to a conclusion that the present Suit is not maintainable and that the Plaintiff would have to take recourse to other modes of adjudication, the Appellate right of the Plaintiff is not taken away.

24. Accordingly, the RBI is requested to depute a senior officer well-versed with the branch to make an endeavour to bring out a solution within thirty days from today.

25. In the opinion of this Court, adopting this process will ensure that the future transactions by the parties in the scheduled course are not hampered

pending mediation and in the opinion of this Court, the senior officer of the RBI would be the most competent person to assist the parties to come to a solution pending the mediation process.

26. Since the RBI has been requested to find out a solution within thirty days, the parties are requested to maintain *status quo* in respect of claims arising out of past transactions already made by Defendant No. 2 before Defendant No. 6, Defendant No. 6 shall not issue or pass any final IRF determination in respect of the pending IRF Claims arising out of past transactions against the Defendant No. 1,3,4 and 5 and consequently, Defendant Nos. 1, 3, 4 and 5 shall not make any deductions / debits / netting from the Plaintiff, while the mediation process is ongoing; and Defendant No. 2 or any other Issuing Bank which is a party to these proceedings will not make any further claims for interchange income loss due to MCC misclassification in respect of transactions involving the Plaintiff prior to the date of the Plaint while the mediation process is ongoing.

27. It is made clear that this order shall not impact or obstruct or modify the transactions between the parties in the ordinary and usual course. This order will not affect their existing or future contractual or legal rights, all questions in that regard being expressly left open and will apply only to the transactions in which the parties claim that wrong MCCs have been assigned to merchants.

28. It is also made clear that this Order is being passed without prejudice to the rights and contentions of the parties on all issues.

29. It is always open for the mediator to suggest any other solution which the parties may accept during the process of mediation and it is not necessary that the mediator is bound by the interim measure which has been

passed by this Court. Liberty is granted to the parties to approach this Court if parties find any other solution during and in course of the mediation process for modification of the present order.

30. It is further made clear that this Order is being passed to ensure that the transactions between the Issuer Banks and the Acquiring Bank and card network/system provider, whose roles might be interchanged depending on the transaction, are not hampered and to find a solution to similar problems regarding wrong MCCs which might arise between parties in future which are or are not involved in the present Suit and will be in the larger interest of the system operating under the PSS Act.

31. List on 27.10.2026.

SUBRAMONIUM PRASAD, J

SEPTEMBER 14, 2026
Rahul/KG