Improving Duplicate Payment Adjustment Resolution  

Need  
Checks have transitioned from only paper documents to combination of paper payments and electronic image records of paper payments. In this environment, there is the potential for the creation of multiple copies (duplicates) of check image payments. Where there are multiple BOFDs, the adjustment process for duplicates is more complicated, creating delays and expense.

Purpose of This Paper  
The purpose of this paper is to offer suggestions to members as to how members might handle the resolution of the adjustment of duplicate check payments.

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For additional information see Useful Links at the end of this paper.

Background  
Duplicates can result from a number of different scenarios:

- Duplicate printing of Substitute Checks
- Duplicates arising from system issues with files, cash letters or bundle(s) that create duplicates
- Multiple customer deposits initiated through Remote Deposit Capture (RDC)
  - Fraudulent intent
  - Theft
  - Error

Adjustment Objectives
The ultimate goal of the parties resolving duplicate payments should be to:

- Minimize impact to parties with an interest in the check transaction that did not cause the duplication and that are negatively impacted by the duplication
- Efficiently resolve claims in accordance with applicable rules and laws and minimizing the number of adjustments and steps to achieve final resolution of the matter

Assumptions

- Paying Bank receives duplicate of same transaction from two different financial institutions
- Paying Bank has determined to adjust the duplicate
  - This document does not preclude a bank from returning duplicate items
- This paper does not address all possible scenarios

Decision Trees

Paying/Drawee Bank

1. Receives Duplicate?  
   Yes  
   No → End

2. Reasonably determine which BOFD is RDC?  
   Yes  
   No → Adjust to BOFD that first presented item

3. Adjust to RDC BOFD
Paying/Drawee Bank

- BOFD Charged with Claim and Disputing back to Paying/Drawee Bank

4. **BOFD Sent Claim back to Paying Bank?**
   - **Yes**
   - **End**
   - **No**

5. **Was BOFD bank previously determined to be RDC Bank (in Step 2)?**
   - **Yes**
     - **Research to confirm determination if BOFD is RDC bank?**
       - **Yes**
         - **Send (Adj) back to same BOFD (RDC Bank)**
       - **No**
     - **No**
   - **No**

6. **BOFD states it or customer has original check and will make HIDC claim?**
   - **Yes**
     - **Adjust claim to other BOFD**
   - **No**
     - **Send claim back to BOFD**

7. * May not be valid Reason to Reject under ECCHO rules

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Paying/Drawee Bank

- Drawer Received HIDC Claim from BOFD or Depositing Customer

8. **Drawer customer received HIDC Claim?**
   - **Yes**
     - **Reimburse customer and make warranty claim to other BOFD**
   - **No**
     - **End**
10. Received Duplicate Claim? 
   No → End

   Yes
   11. Is Depositing customer account open and has funds? 
      Yes → Charge depositing customer 
              Go to 16
      No

   12. Was deposit made through RDC? 
      Yes → Accept claim absorb loss
      No

   13. Bank has original check and will make HIDC claim? 
      No → Accept claim absorb Loss
      Yes

   14. Reasonably ID RDC BOFD? 
      Yes → Contact RDC BOFD and seek resolution on item**
      No

   15. Contact Paying bank stating BOFD or its customer has paper original and Paying Bank should make claim to other BOFD* 

   16. Depositing customer has original paper and will make HIDC claim? 
      No → Customer absorbs loss
      Yes → Go to 14

* May not be valid Reason to Reject under ECCHO rules
** No warranty or liability for this action under current law
This pictorial scenario is presented in order to more easily identify the parties in the potential transactions.

Exceptions

The above outline of adjustment handling actions are just suggestions to expedite the resolution of duplicates taking into account the possible impact on persons holding the paper original item and the potential for subsequent HIDC claims. Each situation needs to be evaluated based on its merits. Exception situations can and will occur; these include some of the following:

- Holder of checks that are stale dated (dated over six months ago) may not qualify as a HIDC
- Checks that have been stolen from a customer
- Checks that were inadvertently deposited a second time by the same customer

More than two BOFDs may be involved in a duplicate situation. The customer may have deposited the check through RDC in BOFD A and BOFD B and then deposited the paper check through BOFD C (not shown above). Which BOFD should be ultimately responsible for these duplicate transactions? Additional industry discussion is needed before suggestions can be made for this situation.

Useful Links
See these links for more information about legal and operational issues regarding duplicates. Most of the concepts in these other papers are not being repeated here:
- Avoid Duplicates!
- A Guideline Document on Duplicate Image/IRD Prevention and Detection
- Resolving Duplicates as Adjustments versus Returns
- White Paper1: Additional Issues Regarding Possible Duplicate Payment of Check Items
- White Paper2: Additional Issues Regarding Duplicate Payment of Check involving Third Party Holder Claims