

INTERPRETIVE LETTER 93-006 (APRIL 27, 1993)

Point of sale terminal may not be used to transfer credit to customer's account for returned goods.

You have requested an interpretation from this Agency on whether the introductory language of Section 8-104(2) of the Electronic Fund Transfer Transmission Facility Act, 205 ILCS 615/8-104(2) [Ill. Rev. Stat. ch. 17, par. 1341(2)] ("EFT Act"), permits a customer to obtain a refund from a seller of goods through a direct transfer of funds from the merchant's account to the customer's account by means of a point of sale ("POS") terminal. It is this Agency's interpretation that a POS terminal may not be used to directly transfer funds from a merchant's account to a customer's account for the purpose of refunding the customer's payment for returned goods.

As stated in your letter, the introductory language of Section 8-104(2) of the EFT Act provides that:

"Transactions at point of sale terminals shall, except to the extent otherwise permitted by applicable law, be limited to the following...."

That section then enumerates six specific transactions that are permitted at POS terminals, including direct transfers of funds from customer credit and deposit accounts to a merchant's account for the payment of goods or services of the merchant. As you also explained in your letter, that section clearly does not provide for a direct transfer of funds to a customer's credit or deposit account from a merchant's account for purposes such as refunds for returned goods.

In order for a merchant to be able to refund customer purchase returns through a POS terminal, the authority must be derived from law outside the EFT Act. This Agency has researched the Illinois Compiled Statutes, the federal Electronic Fund Transfer Act, 15 U.S.C. Section 1693 et seq., Regulation E, 12 C.F.R. Section 205.1 et seq. (promulgated by the Board of Governors of the Federal Reserve System), and the Official Staff Commentary on Regulation E, 12 C.F.R. Section 205. Our research uncovered no legal authority that permits direct merchant refund transfers to customer credit and deposit accounts by means of a POS terminal.