

ACH Web Validation Insights

Background

In March 2021, ACH system operator NACHA initiated a compliance regulation for enhanced security and fraud detection by requiring each bank account used for an ACH WEB Debit to be validated before the payment can be processed. The regulation had a one-year phase-in period. On March 17, 2022, IntelliPay released a third-party web validation system for all merchants' using ACH processing.

How IntelliPay's web validation process works

A web validation is only run the first time the system "sees" a bank account. The validation process compares the name on the account, routing number, and account number on file (account data), with the information a customer enters when making their payment. If the system has historical records for the account, it is validated, and IntelliPay returns this as an "approval."

For example, If a merchant runs;

- a test transaction: with a "9999999999" or test account/routing number combination, the system will return an "approval" if the account has history in the system.
- an actual payment with "9999999999" and the system returns an invalid account number due to no system history. On the next time attempt to use that bank account; the merchant will see a "decline."

The Web validation system is not a real-time system. Instead, IntelliPay adds data through batch file uploads. Further, the system's functionality is limited to verifying that it has account data that matches the account data a customer inputs. Web validation does not provide an opinion on account quality, current status, or other account details with the customers' bank.

Please note in the U.S. ACH system transactions are packaged up into files and sent out to the participating banks daily. If a bank account number is wrong, it can take one, two, or possibly three days later before IntelliPay is aware of it. Why? Transactions take up to a day to reach the Originating Depository Financial Institution (ODFI). The ODFI has 24 hours to respond, with ODFI response taking up to another day to arrive back to IntelliPay.



ACH web validation is a learning system

Over time as more data is entered into the system, the system's ability to determine the risk of fraud will improve. In the meantime, our support team stands ready to answer the merchant's questions regarding web validation and how it works.

IntelliPay Support | 855-872-6632 Opt 2 | support@intellipay.com

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