

Reg: -The J & K Bank Compensation Policy**Introduction**

Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the bank's endeavor to offer services to its customers with best possible utilization of its technology infrastructure. Withdrawal of the Reserve Bank of India instructions to banks on time frame for collection of outstation cheques, payment of interest on delayed collection of outstation cheques/instruments, with effect from 1st November 2004, had offered bank further opportunities to increase its efficiency for better performance. This Compensation policy of the bank is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques/instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this policy is to establish a system whereby the bank compensates the customer for any financial loss he/she might incur due to deficiency in service on the part of the bank or any act of omission or commission directly attributable to the bank. By ensuring that the customer is compensated without having to ask for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

It is reiterated that the policy covers only compensation for financial losses which customers might incur due to deficiency in the services offered by the bank which can be measured directly and as such the commitments under this policy are without prejudice to any right the bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

1. Unauthorised / Erroneous Debit:

If the bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In the event the unauthorized/erroneous debit has resulted in a financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized/erroneous debit, the bank will compensate the customer to the extent of actual loss, which shall not exceed the amount of cheque returned.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, the bank shall arrange to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit. In case, the verification involves a third party, the bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

Erroneous transaction reported by customers in respect of credit card operations, which require reference to a merchant establishment, will be handled as per rules laid down in this regard. In case a customer protests any bill, the Bank shall provide explanation and if necessary, documentary evidence to the customer within a maximum period of 60 days.

1.1 Reversal of erroneous debits arising on fraudulent or other transaction.

An erroneous debit arising on account of fraudulent or other transactions may have the following three scenarios:

1. The bank / branch is convinced that an irregularity / fraud has been committed by its staff towards any constituent.
2. The bank / branch is at fault.
3. Neither the bank / branch nor the customer is at fault, but the fault lies elsewhere in the system.

In all the above three scenarios if the erroneous / fraudulent debit has resulted in a financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of

additional interest to the bank in a loan account, the bank will compensate the customer to the extent of such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized / erroneous / fraudulent debit, the bank will compensate the customer to the extent of actual loss, which shall in no case exceed the amount of cheque / direct debit instruction thus returned.”

2. ECS direct debits/other debits to accounts

The bank will undertake to carry out direct debit/ ECS debit instructions of customers in time, provided the customer has sufficient funds in the account to meet such debits. In the event the bank fails to meet such commitments, the customer will be compensated to the extent of actual loss, which shall not exceed the amount of such ECS debit instructions.

The bank would debit the customer’s account with service charges applicable as per the schedule of charges notified by the bank. In the event the bank levies any charge in violation of the arrangement, the bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any loss of interest in case of deposit accounts or excess interest charged in loan accounts on account of such charges shall be compensated by the Bank to the extent of actual loss.

Where it is established that the bank has levied any charges/interest in any credit card account before the card is actually delivered to the customer, the bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of charges reversed.

3. Payment of Cheques after Stop Payment Instructions:

In case a cheque is paid after the Bank had acknowledged stop payment instructions, the bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated by the bank to the extent of actual loss, which shall not exceed the amount of cheque so paid. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

4. Foreign Exchange Services:

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries, as the bank

would not be able to ensure timely credit from overseas banks. It is the bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, would consider upfront credit against such instrument by purchasing the cheque/instrument, provided the Bank is satisfied with the credit worthiness of the party/beneficiary and the conduct of the account has been satisfactory in the past. For nostro credits with unclear beneficiary particulars, the Bank will seek a clarification from the remitting/correspondent bank. If the proceeds are not applied (due to unclear/insufficient beneficiary details) within seven days, the same shall be repatriated to the remitting bank on the following working day, without any liability on the part of the Bank. However, the bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent. Such compensation will be given for delays beyond the **value date** of the credit received in the Nostro Account after taking into account **normal cooling period** stipulated for the country, as mentioned below: -

USA----- 5 Days
Europe/UK----- 7 Days
Japan----- 10 Days
Australia----- 10 Days

The compensation for such delays will be worked out as follows:

- a) Interest for the delay in crediting proceeds as indicated in the collection policy of the bank.
- b) Compensation for any loss on account of adverse movement in foreign exchange rates shall be provided to the extent of actual loss suffered by the customer due to delayed application of funds.

5. Remittances in India:

The compensation on account of delays in collection of instruments would be as indicated in the bank's collection policy, which is reproduced below for information:

"Payment of Interest for delayed Collection of Outstation Cheques:

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned below. Such interest shall be paid without any demand from customers in all types of accounts. However in case of outstation cheques drawn on centers where the J & K Bank does not have a presence, the bank shall ensure collections on a "Best effort" basis, without any liability on account of the delay due to the negligence of the drawee bank. The bank shall use all means available to ensure that outstation cheques are

collected within the stipulated time. However, in case of any delay in collection of outstation cheques due to negligence of the branch, the Bank shall pay interest at Savings Bank rate for delays beyond 15 days and for delay exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposit rate. In case the proceeds of the cheque under collection is to be credited to overdraft / loan account, interest as applicable to the loan account shall be paid for delays beyond 15 days and for delay beyond 90 days, interest at 2% above the rate applicable to loan account shall be paid. If the interest works out less than Rs.10.00, it shall be ignored.

“Cheques / Instruments lost in transit / in clearing process or at paying bank’s branch:

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank’s branch, the bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank the bank will compensate the accountholder in respect of instruments lost in transit in the following way:

- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection, interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- b) In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/ institution that would charge a fee for issue of duplicate instrument.

6. Violation of the Code by banks agent

In the event of receipt of any complaint from the customer that the bank’s representative / courier or DSA has engaged in any improper conduct or acted in violation of the Code of Bank’s Commitment to Customers which the bank has adopted voluntarily, bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.

7. Payment of “at par instruments” of Co-operative Banks by Commercial Banks *

In this connection it is clarified that the bank will not honour cheques drawn on current accounts maintained by other banks including cooperative banks with it unless arrangements are made for funding cheques issued. However if the terms of the agreement explicitly provide for such arrangements and the Bank has returned the instrument in contravention to the agreement, the Bank shall compensate the customer to the extent of actual loss suffered, which shall not exceed the amount of the instrument. In all other cases the issuing bank should be responsible to compensate the cheque holder for non-payment/delayed payment of cheques in the absence of adequate funding arrangement.

8. Force Majeure

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, General strike, accident, fires, natural disasters or other “Acts of God”, war, damage to the bank’s facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.
