



# **Customer Compensation Policy**

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**Customer Service, CHQ**



## Document Control

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## **I. 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 endeavour to offer services to its customers with best possible utilization of its technology infrastructure. 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.

## **II. Objective:**

The policy aims to create a fair and conducive environment for its customers in obtaining satisfactory customer services through the various banking channels

## **1. Unauthorised / Erroneous Debit:**

If the bank has raised an unauthorised/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 unauthorised/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.

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.

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

- (i) The bank / branch is convinced that an irregularity / fraud has been committed by its staff towards any constituent.
- (ii) The bank / branch is at fault.
- (iii) 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.

## **2. ECS direct debits/other debits to accounts:**

The bank undertakes 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 direct financial loss or payment of additional interest to the Bank in a loan account or any charges levied for reason of balance falling below the minimum balance requirement or any charges levied for return of cheques due to shortfall in balance.

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.

### **3. Credit Cards:**

Where it is established that the bank had issued and activated a credit card without consent of the recipient, 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 as per regulatory guidelines in this regard.

Transactions reported as erroneous 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.

### **4. 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. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

### **5. 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 one week of the credit received in the Nostro Account after taking into account normal cooling period stipulated.

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.

#### **6. 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 specified in banks cheque collection policy. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

Interest for delayed collection shall be paid at the following rates:

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the corresponding respective period or Saving Bank rate, whichever is higher.
- c) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In the event the proceeds of cheque under collection was to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

#### **7. Compensation for loss of instrument in Transit:**

The bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection by the customer would also be as indicated in our collection policy. The same is extracted below for information:

##### **8.1 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 account holder so that the account holder 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 noncredit 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 account holder 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 (7/10/14 days as the case may be), 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.

#### **8. Issue of Duplicate Draft and Compensation for delays:**

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of Corresponding period will be paid as compensation to the customer for such delay.

#### **9. 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 the matter and endeavour to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified, compensate the customer for financial loss, if any, as contemplated under this policy.



**10. Transaction of “at par instruments” of Co-operative Banks by Commercial Banks:**

The bank will not honour cheques drawn on current accounts maintained by other 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. 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.

**11. Lenders liability; Commitments to borrowers:**

Bank would return to the borrowers all the securities/documents/title deeds to mortgaged property within 15 days of repayment of all dues agreed to or contracted. The bank will compensate the borrower for monetary loss suffered, if any due to delay in return of the same. In the event of loss of title deeds to mortgage property at the hands of the bank, the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount as decided by the bank.

**12. 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.

**13. ATM Failure:**

It is mandatory for bank to reimburse the customer, the amount wrongfully debited on account of failed ATM transaction within a maximum period of 7 working days from the receipt of the complaint. For any failure to re-credit the customer’s account within 7 working days from the date of receipt of the complaint, bank shall pay compensation of Rs.100/- per day to the aggrieved customer. This compensation

shall be credited to the customer's account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transaction. Details of charge back in case of ATM transaction by a customer of the bank when he uses other bank ATM may be included.

### **III. Disclosure**

The policy shall be available on Bank's Intranet Homepage under policies section as well as on Bank's Website for the information of Customers in compliance to RBI's Master Circular on Customer Services.

### **IV. Ownership & Review of the Policy**

The ownership of the policy shall lie with Customer Service and shall be subject to review.

Annual review of the policy will be put up to the Board for approval. Approved Policy & Guidelines shall remain in force till next review.

In case of exigencies and to be in line with regulatory / statutory guidelines the Chairman / MD is empowered to approve changes /modifications/ amendments/ relaxations/ exemptions, if any, required to be made in the policy and same will be placed before the Board for ratification.

Any guideline(s) issued by Regulator/s with regard to Customer Compensation and/ or any other matter dealt with by this Policy shall be deemed to be part & parcel of this policy for operational purpose with immediate effect. A note regarding such directive shall be placed before Board for information.

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Annexures

NIL