

# **Reviewed and Modified 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 1<sup>st</sup> 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 for 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 such financial losses.

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 by card association.

Reversal of Erroneous/Unauthorized/Fraudulent debits arising on Internet Banking/ATM related transactions.

Fraudulent Internet Banking/ATM/POS debits are categorized under

- Funds transfer to another account ( within the Bank and outside the bank)
- Internet transactions using Debit card
- Skimming/Counterfeit of Debit Card.
- Hacking of internet ID/password
- Pre-paid mobile recharge transaction using Debit card
- Transactions in shopping malls using Debit Card.

- ❖ In case of any fraud, if Bank is convinced that an irregularity/fraud has been committed by its staff towards any constituent. Bank will at once acknowledge its liability and pay just claim.
- ❖ In cases where the Bank is at fault, Bank will compensate the customer without demur.
- ❖ For cases where the Bank is not at fault, but the customer has either acted fraudulently or inadvertently comprised his Internet Banking security details or acted without reasonable care which includes not taking steps to protect computers from hackers, Bank will not be held responsible for losses caused by a third party when customers have acted without reasonable care.
- ❖ In exceptional circumstances Bank may compensate the customer for cases where the customer has not compromised any personal and confidential security parameters required to complete an Internet Banking/ATM/POS Transaction where neither the bank nor the customer is at fault, but the fault lies elsewhere in the system. In such cases every effort will be taken by Bank for getting the amount re instated to the customer. Bank shall compensate the customer up to a maximum of 50% of the erroneous debit, but not exceeding Rs.5, 000/-

- ❖ In case of any fraud due to Phishing, Vishing and Smishing, Bank will not be held responsible for any of the losses of the customers.

Phishing: is the act of attempting to acquire information such as usernames, passwords, and credit/Debit card details (and sometimes, indirectly, money) by masquerading as a trustworthy entity in an electronic communication.

Vishing: is the criminal practice of using social engineering over the telephone system, most often using features facilitated by Voice over IP (VoIP), to gain access to private , personal and financial information from the public for the purpose of financial reward. The term is a combination of "voice" and phishing.

Smishing: is a form of criminal activity using social engineering techniques similar to phishing. The name is derived from "SMS phishing". SMS (Short Message Service) is the technology used for text messages on cell phones.

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

The bank will undertake to carry out direct debit/ ECS debit instructions of customers in time. In the event the bank fails to meet such commitments customer will be compensated to the extent of any financial loss the customer would incur on account of delay in carrying out the instruction / failure to carry out the instructions.

The bank would debit the customer's account with any applicable service charge 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 consequential financial loss to the customer will also be compensated.

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

## **3. Payment of Cheques after Stop Payment Instructions:**

In case a cheque has been paid after stop payment instruction is acknowledged by the bank, 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 as provided under para. 1 above. 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, at its sole discretion, upfront credit against such instrument by purchasing the cheque / instrument, provided the conduct of the account has been satisfactory in the past. 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 from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated. The compensation in such cases will be worked out as follows:

- a) Interest for the delay in crediting proceeds as indicated in the collection policy of the bank, and FEDAI rules.
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate.

#### **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 in the bank's Policy on Collection of Cheques / Instruments. 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 as mentioned in the 'Policy on Collection of Cheques / Instruments'.

#### **5. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:**

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 the bank's 'Policy on Collection of Cheques / Instruments'.

#### **6. 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.

## **7. Violation of the Code by bank's 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, the bank is committed to investigate the matter and endeavor 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 losses, if any, as contemplated under this policy.

## **8. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks.**

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonour of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the bank will not honour cheques drawn on current accounts maintained by other banks with it, unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for nonpayment / delayed payment of cheques in the absence of adequate funding arrangement.

## **9. Lenders liability - Commitments to borrowers**

The bank has adopted the principles of lenders liability. In terms of the guidelines for lenders liability and the Code of Bank's Commitment to customers adopted by the bank, all the securities / documents / title deeds to mortgaged property will be returned to customer within 15 days of the repayment of all dues agreed to or contracted. If any right to set off is to be exercised for any other claim bank will give due notice with full particulars about other claims and retain the securities / documents / title to mortgaged property till the relevant claim is settled / paid. In other cases bank will serve a notice either in person or by registered post; instructing the customer to redeem the securities if any.

In case of delay on part of the bank in returning the securities / documents / title deeds to mortgaged property beyond 15 days of repayment of all dues agreed or contracted; compensation will be paid at the rate of Rs.100/- per week for period beyond 15 days, subject to a maximum of Rs.500/- provided however that the bank will not be liable in the following circumstances:-

- i. The delay in returning original security documents is not attributable to the Bank.
- ii. The delay is on account of non-receipt of the documents from Court / DRT.
- iii. There are adverse / conflicting claims from the third parties / co-owners on the said property.
- iv. All the persons having interest in the said property as per the records of the bank are not willing to execute acknowledgement / receipt.

In the event of loss of title deeds deposited with the bank due to negligence of bank or its officials / employees / agents, bank will pay an amount of Rs. 5,000/- towards compensation, plus actual expenses for obtaining duplicate / certified copy of the documents.

#### **10. 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, 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.

#### **11. 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 transactions. Details of charge back in case of ATM transaction by a customer of the bank when he uses other bank ATM may be included.

\*\*\*\*\*