

## **Bank's Policy on Compensation to Customers for deficiency in services rendered**

### **1. Introduction**

1.1 Technological progress in payment and settlement systems and the qualitative changes in the 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 is the Bank's endeavour to offer services to its customers with best possible utilisation of its technology infrastructure.

1.2 This compensation policy of the Bank covers areas relating to

- a. unauthorised debiting of account,
- b. payment of interest to customers for delayed collection of cheques/ instruments,
- c. payment of cheques after acknowledgement of stop payment instructions,
- d. remittances within India,
- e. foreign exchange services and
- f. lending.

1.3 The policy is based on principles of transparency and fairness in the treatment of our customers.

### **2. Objectives of the Policy**

2.1 The objective of this policy is to

- a. 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 subject to the maximum limit prescribed under para 8.5 below.
- b. ensure that the customer is compensated without having to ask for it in case of delayed collections as per the Cheque Collection Policy of the Bank

2.2 The policy prescribes compensation only for financial losses which customers have incurred 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 has/will have in defending its position before any forum duly constituted to adjudicate the banker-customer disputes.

### **3. Definitions of Certain Terms used**

#### **3.1 Deficiency**

Sec. 2(1)(g) of The Consumer Protection Act, 1986, defines the term **Deficiency** as any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance



which is required to be maintained by or under any law for the time being in force or has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service;

#### **4.2 Service**

Sec. 2(1)(o) of the same Act defines that **Service** means service of any description which is made available to potential users and includes facilities in connection with banking, financing, .....but does not include the rendering of any service free of charge or under a contract of personal service;

### **4. Quantum of Compensation and time limit on specific occasions**

#### **4.1 Unauthorised / Erroneous debit**

4.1.1 If the bank has raised an unauthorised/erroneous direct debit to an account, the entry should be reversed immediately on being informed of the erroneous debit, after verifying the position.

4.1.2 In the event, the unauthorised/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 shall compensate the customer to the extent of such interest loss by value dating the transaction.

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

4.1.4 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 the erroneous transaction by the customer.

4.1.5 Erroneous transactions reported by customers in respect of Credit Card operations which require reference to a merchant establishment will be handled as per the rules laid down by the Card Association.

#### **4.2 ECS direct debits/other debits to accounts**

4.2.1 In the event any charge is levied in violation of the arrangement, the Bank will reverse the same when pointed out by the customer subject to scrutiny of the agreed terms and conditions.

4.2.2 Where it is established that the Bank had issued and activated a Credit Card without the written consent of the recipient, the Bank would reverse the charges immediately.

#### **4.3 Payment of Cheques after Stop Payment Instructions**

4.3.1 In case a cheque has been paid, after stop payment instruction is acknowledged by the Bank, the transaction shall be reversed within 2 working days of the customer intimating



the transaction to the Bank and value-dated credit shall be given to protect the interest of the customer.

#### 4.4 Foreign Exchange Services

4.4.1 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. Therefore, no compensation shall be paid for any delays in collection of cheques designated in foreign currencies and sent to foreign countries.

4.4.2 The Bank, however, would consider upfront credit against such instrument by purchasing the cheque/ instrument provided the conduct of the account has been satisfactory in the past.

4.4.3 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 shall be restricted to the extent of eligible interest at SB rates which shall be calculated for the period after 30 days from the date our Nostro account with the correspondent has been credited.

4.4.4 The foreign exchange rate around the date of credit (in reasonable time from the date of credit to our Nostro account) shall be the basis for calculation of interest irrespective of the rate prevailing on the date of claim/calculation/settlement.

#### 4.5 Collection of instruments within India

4.5.1 In case of Outstation Cheques and other instruments sent for collection to centres within the country the following time schedule shall be adhered to for realisation by branches:

Cheques presented at any of the four major Metro centres (New Delhi, Mumbai, Kolkata and Chennai) and payable at any of the other three centres	Maximum period of 7 days
Metro Centres and State Capitals (other than those of North Eastern States and Sikkim)	Maximum period of 10 days.
In all other centres	Maximum period of 14 days

4.5.2 In case there is delay in giving credit beyond the time period mentioned above, the Bank will pay interest to the customer concerned at the following rates on the amount of the instrument:

- i. Savings Bank rate for the period of delay beyond 7/10/14 days, as the case may be.
- ii. Where the delay is beyond 14 days, interest will be paid at the rate applicable to a term deposit of the respective period.



- iii. 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.
- iv. In the event of the proceeds of the cheque under collection is 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.

**4.5.3** 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.

#### **4.6 Collection Instruments Lost-in-transit**

4.6.1 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 (after it has been handed over to the bank for collection by the customer), the Bank shall, immediately on coming to know the loss, bring the same to the notice of the account holder so that he/she 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 lost cheques/instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

4.6.2 The bank will compensate the account holder in respect of instruments lost in transit in the following way:

- i. 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 in para 4.5.2 above, provided the duplicate gets realised.
- ii. 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 the period taken for obtaining a duplicate cheque/instrument and collection thereof.

4.6.3 The bank would also compensate the customer for

- i. any reasonable charges he/she incurs in getting a duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/institution who would charge a fee for issue of duplicate instrument;
- ii. charges paid by him for noting the Stop Order charged by the drawee bank.

#### **4.7 Funds transfers using NEFT/RTGS**

4.7.1 The rate of compensation in case of delays in crediting the remittance proceeds received through NEFT/RTGS beyond one day after receipt of the message at our gateway shall be the current **Repo Rate**.



#### **4.8 Failure to execute Standing Instructions**

4.8.1 In case of any failure to execute Standing Instructions (and if it is directly attributable to the Bank), the Bank shall compensate the customer to the extent of the financial loss not exceeding Rs.100 per occasion subject to providing proper supporting documents for having incurred the loss. In addition, service charges, if any, recovered for execution of the Standing Instruction shall also be refunded. Branches have to obtain prior approval from their Circle Head for making compensation under this category.

#### **5. Transaction of At Par Instruments of Co-operative banks**

5.1 The Bank will not honour cheques drawn on current accounts maintained by other banks with it, unless arrangements are made for funding the cheques issued. It can not be made responsible to compensate the cheque holder for non-payment/delayed payment of cheques, in the absence of adequate funding arrangement.

#### **6. Reversal of erroneous debits arising on Fraudulent or Other Transactions**

- 6.1 Payment of compensation may be considered by the Bank only in those cases where
- i. it is established that the Bank is at fault in authorising a transaction due to which the customer has suffered a financial loss or there is an act of omission or commission and such happening is directly attributable to the Bank or
  - ii. the Competent Authority of the Bank is convinced that the irregularity/fraud has been committed by the staff of the Bank with or without the assistance of another individual or entity or
  - iii. neither the Bank nor the customer is at fault but the fault lies elsewhere in the system or the fraud is committed by a third party.
- 6.2 Branches shall pay eligible compensation, after getting an approval from the Competent authority in this regard.
- 6.3 The quantum of compensation shall be fixed by value dating the transactions as provided under para 8 hereunder.
- 6.4 The period for which interest is payable shall be the period between the date of occurrence of the fraud and the date of reimbursement to the customer.
- 6.5 Where a specific date of the fraud is not available/traceable, the date on which it was found may be taken for calculation of interest.

#### **7. Force Majeure**

7.1 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 which may prevent it from performing its obligations within the specified service delivery parameters.

## **8. Award of Compensation**

8.1 The compensation as per this Policy is payable to a customer only in those cases where any act of omission or commission is directly attributable to the Bank.

8.2 The award of compensation shall be made only on well recognised legal principles governing quantification of damages or compensation on proof of actual loss suffered.

8.3 Further, the compensation shall be paid only in such cases where the loss could be quantified in terms of money. Therefore, no claim could be considered based on qualitative aspects like reputation damages, loss of image in the society, loss of business, loss of income, etc. in cases where the loss can not be measured directly.

8.4 In case of compensations payable against deficiency in the services provided by an agency nominated by the Bank on account of an outsourced activity, the compensation shall be the same as prescribed in this Policy.

8.5 The compensation shall be made by putting in place a mechanism which will replicate ***back-valuing the affected transactions*** and the amount of compensation, in any case, shall be limited to the financial loss of the customer arising out of amount in the books of the Bank only.

## **9. Authority for Interpretation of this Policy**

Where any discrepancy arises on any of the terms given in this Policy, the Chairman or the Executive Director of the Bank is the appropriate authority for its interpretation.. Any amendment to this document requires the approval of the Board.