



## **CUSTOMER COMPENSATION POLICY**

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### **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 where 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/Credit**

If the Bank raises 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 results 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 suffers any direct 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 consider compensating the customer a part or full 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.

Besides in cases of the above kind:-

- (i) In case of any fraud, if the bank is convinced that an irregularity / fraud has been committed by its staff towards any constituent, the bank should at once acknowledge its liability and pay the just claim,

- (ii) In cases where the Bank is at fault, the Bank should compensate customers without demur, and
- (iii) In cases where neither the bank is at fault nor the customer is at fault but the fault lies elsewhere in the system related to the electronic banking transactions, then also the banks should compensate the customers (up to a limit) as part of Policy on Limiting Liability of Customers in Unauthorised Electronic Banking Transactions.
- (iv) The recovery of legitimate bank charges by debit to the account, which is as per terms and conditions accepted by the customer and executed only after the laid down process followed by the Bank would not come under the ambit of Unauthorised/Erroneous debit.

In case a wrong credit is posted to a customer's account without payment of any compensation, the Bank reserves its right to debit the account for reversing the amounts.

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

The Bank will undertake to carry out direct debit/ NACH debit instructions of customers in time, subject to rules prescribed by the Bank. 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 identified from its end or pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

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

In case a cheque is paid after the Bank has acknowledged stop payment instruction, 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 paragraph 1 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank.

## **4. Foreign Exchange Services**

Cheques payable at foreign centres will be collected through the services of correspondent Banks in countries/centres where the correspondent has presence. At present, the Bank processes collection as well as purchase of foreign cheques in USD only.

All foreign cheques collected at the Branches are forwarded to Bank's Operations Department and processed centrally. Cheque images are sent to the Correspondent Bank (CB) through the Cash Letter Arrangement wherein funds collected by the CB are provisionally credited to the NOSTRO account maintained by the Bank in US. The provisional credit is subject to a cooling period (Time up to which banks wait after receiving provisional credit for the amount of cheque in their Nostro account for possible return of the cheque under provisions of the laws of USA by the drawee bank, before giving credit to the customers). The Bank would pay Savings Bank interest rate on the amount of cheque on a value-date concept from the date of sighting of credit in their Nostro accounts till such time the credit is actually afforded to customers' accounts. The Bank would consider upfront credit against the cheque by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past and the Bank is satisfied about the drawer's credit worthiness and about customer's capability to make good the amount, in case the cheque is returned.

The Bank will compensate the customer for delays beyond two business days for crediting the customer account, taking into account the cooling period stipulated.

Cooling period stipulated for the cheques are given below:

- Realization of purchase: Five working days from the date of provisional credit to Nostro Account
- Realization of collection: Twenty days from the date of provisional credit to Nostro Account

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
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate

Bank will have the right to debit/reverse any credit given to the customers' account, at any point of time (i.e. without time limit) if it turns out that the credit was fraudulent.

## **5. Payment of interest for delayed collection of cheques:**

Cheques deposited at branch counters and in collection boxes within the branch premises before the specified cut-off time will be presented for clearing on the same day. The Bank will give credit to the customer account on the same day in which the clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearing house. 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. 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 upto 14 days
- (b) Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.
- (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 were 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.

Interest payment as given above would be applicable only for instruments sent for collection within India.

## **6. 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:

### **Cheques / Instruments lost in transit / in clearing process or at paying Bank's branch**

In respect of cheques lost in transit or in the clearing process or at the paying bank's branch, the bank will immediately bring the same to the notice of the account holder so that account holder can inform the drawer to record stop payment and can also take care that other

cheques issued by him are not dishonoured due to non-credit of the amount of the lost cheques / instruments.

The onus of such loss lies with the collecting banker and not the accountholder.

The bank would reimburse the accountholder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same.

If the cheque / instrument has been lost at the paying bank's branch, the collecting banker should have a right to recover the amount reimbursed to the customer for the loss of the cheque / instrument from the paying banker.

Bank will compensate the customer 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, interest will be paid for the period exceeding the stipulated collection period at the rates specified above
- 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 likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- iii. The Bank would also compensate the customer for any reasonable charges, he/she incurs for getting 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.

## **7. Issue of Duplicate Draft and Compensation for delays**

Duplicate draft, in lieu of lost draft, up to and including 5,000/- may be issued to the purchaser on the basis of adequate indemnity and without insistence on seeking non payment advice from drawee office irrespective of the legal position obtaining in this regard.

Bank will issue duplicate Demand Draft to the customer within a fortnight from the receipt of such request. Further, for the delay beyond this stipulated period, banks will pay interest at the rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay. The period of fortnight prescribed would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.

## **8. 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 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.

## **9. Responsible Lending Conduct – Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans**

The Bank shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.

## **Compensation for delay in release of Movable / Immovable Property Documents**

In case of delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, Bank will communicate to the borrower reasons for such delay. In case where the delay is attributable to the Bank it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.

In case of loss/damage to original movable / immovable property documents, either in part or in full, the Bank will assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. However, in such cases, an additional time of 30 days will be available to the Bank to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

## **10. Compensation for delay in credit/return in RTGS /NEFT System**

In case if not possible to credit the funds to the beneficiary customer's account for any reason, the funds received by the RTGS member bank will be returned to the originating bank within one hour of receipt of the payment at the Payment Interface (PI) or before the end of the RTGS Business Day, whichever is earlier. Any delay in returning the failed payment, the originating customer is eligible to receive compensation at current repo rate plus 2%.

If the NEFT transaction is not credited or returned within two hours after batch settlement, then the bank is liable to pay penal interest to the affected customer at the current RBI LAF Repo Rate plus two percent for the period of delay / till the date of credit or refund, as the case may be, is afforded to the customers' account without waiting for a specific claim to be lodged by the customer in this regard.

## **11. The issue of unsolicited credit cards / upgradation and closure**

In case, an unsolicited credit card is issued / existing card upgraded and activated without the explicit consent of the recipient and the latter is billed for the same, the Bank would not only reverse the charges forthwith, but also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed. In addition, the person in whose name the card is issued can also approach the RBI Ombudsman who would determine the amount of compensation payable by the card-issuer to the recipient of the unsolicited card as per the provisions of the Ombudsman Scheme, i.e., for loss of complainant's time, expenses incurred, harassment and mental anguish suffered by him / her.

Any loss arising out of misuse of such unsolicited cards would be the responsibility of the Bank only and the person in whose name the card has been issued shall not be held responsible for the same.

The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

Unsolicited loans or other credit facilities would not be offered to the credit cardholders without seeking explicit consent. In case an unsolicited credit facility is extended without the written/explicit consent of the cardholder and the latter objects to the same, the Bank would not only withdraw the facility, but also be liable to pay such penalty as may be considered appropriate by the RBI Ombudsman, if approached.

Any request for closure of a credit card would be honoured within seven working days by the Bank, subject to payment of all dues by the cardholder. Subsequent to the closure of credit

card, the cardholder shall be immediately notified about the closure through email, SMS, etc. Failure on the part of the Bank to complete the process of closure within seven working days shall result in a penalty of ₹500 per day of delay payable to the customer, till the closure of the account provided there is no outstanding in the account.

In case of delay in blocking of lost or stolen cards, the Bank would compensate on financial loss for the customer. Further, if the customer suffers any direct financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance, the Bank will consider compensating the customer a part or full of such financial losses.

## **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, lockout, strike or other labour disturbances, 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. Compensation to customers for delayed updation/ rectification of credit information**

Complainants shall be entitled to a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of thirty (30) calendar days from the date of the initial filing of the complaint by the complainant with the Bank.

Bank shall pay compensation to the complainant if the Bank has failed to send updated credit information to the Credit Information Companies (CICs) by making an appropriate correction or addition or otherwise within twenty-one (21) calendar days of being informed by the complainant or a CIC.

The complainant shall be advised by the Bank of the action taken on the complaint in all cases, including the cases where the complaint has been rejected. In cases of rejection, the reasons for rejection shall also be provided by the Bank.

Where the complaint has been received and registered by the Bank and there has been a delay in the resolution of the complaint, the Bank will inform the concerned CIC(s) and the complainant after the final resolution, regarding total delay (in calendar days) and the amount of compensation to be paid by the Bank and/ or CIC(s). The date of the resolution of the grievance shall be the date when the rectified Credit Information Report (CIR) has been sent by the CIC or the Bank to the postal address or email ID provided by the complainant.

The Bank will make appropriate provision in their complaint submission format (both online and offline) for enabling the complainant to submit the contact details, email ID, and bank account details/ Unified Payment Interface (UPI) ID for crediting the compensation amount. The onus of providing accurate details will lie with the complainant and the Bank will not be held responsible for any incorrect information provided by the complainant. The compensation amount shall be credited to the bank account of the complainant within five (5) working days of the resolution of the complaint.

The complainant can approach RBI Ombudsman, under the Reserve Bank - Integrated Ombudsman Scheme, 2021, in case of wrongful denial of compensation by CICs.

## **14. 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. Issuing bank should be

responsible to compensate the cheque holder for non-payment/delayed payment of cheques in the absence of adequate funding arrangement.

### 15. Harmonisation of Turnaround Time (TAT) and customer compensation for failed transactions using authorised Payment Systems

Reserve Bank of India had introduced guidelines on Turnaround Time (TAT) for resolution of customer complaints and compensation framework across all authorised payment systems in the month of September 2020. Banks and other operators / system participants shall endeavour towards quicker resolution of such failed transactions and wherever financial compensation is involved, the same shall be effected to the customer's account suo moto, without waiting for a complaint or claim from the customer. The Bank has adopted the above guidelines w.e.f October 2019.

#### **Customer Compensation details for failed transactions using Authorised Payment Systems is as in below table:**

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1	Automated Teller Machines (ATMs) including Micro-ATMs		
a	Customer's account debited but cash not dispensed.	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days.	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
2	Card Transaction		
a	<u>Card to card transfer</u>  Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account.	₹ 100/- per day of delay beyond T + 1 day.
b	<u>Point of Sale (PoS) (Card Present) including Cash at PoS</u> Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.
c	<u>Card Not Present (CNP) (e-commerce)</u> Account debited but confirmation not received at merchant's system.		
3	Immediate Payment System (IMPS)		
a	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary Bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.



Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
4	Unified Payments Interface (UPI)		
a	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary Bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
5	Aadhaar Enabled Payment System (including Aadhaar Pay)		
a	Account debited but transaction confirmation not received at merchant location.	Acquirer to initiate “Credit Adjustment” within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
b	Account debited but beneficiary account not credited.		
6	Aadhaar Payment Bridge System (APBS)		
a	Delay in crediting beneficiary’s account.	Beneficiary Bank to reverse the transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
7	National Automated Clearing House (NACH)		
a	Delay in crediting beneficiary’s account or reversal of amount.	Beneficiary Bank to reverse the uncredited transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b	Account debited despite revocation of debit mandate with the Bank by the customer.	Customer’s Bank will be responsible for such debit. Resolution to be completed within T + 1 day.	
8	Prepaid Payment Instruments (PPIs) – Cards / Wallets		
a	<u>Off-Us transaction</u>  The transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TAT and compensation rule of respective system shall apply.		
b	<u>On-Us transaction</u> Beneficiary’s PPI not credited.  PPI debited but transaction confirmation not received at merchant location.	Reversal effected in Remitter’s account within T + 1 day.	₹100/- per day if delay is beyond T + 1 day

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