



## **CUSTOMER COMPENSATION POLICY**

**September 2021**

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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. 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 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**

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, considering various factors.

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/debit card operations, which require reference to a merchant establishment, will be handled as per rules laid down by card association.

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

The Bank will undertake to carry out direct debit/ ECS 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 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/debit 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.**

The instruction for Stop Payment will be accepted at the Home Branch only.

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 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 upfront credit against such instrument 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. 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 or due date after taking into account normal cooling period stipulated, whichever is later. (It should be distinctly understood that crediting to the account of the customer does not mean that the amount can be withdrawn, which will be permitted only after the prescribed period). 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 outstation cheques:**

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:

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 above. 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 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.

## **1. 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:

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

In the event of a cheque or 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 customer, so that the customer 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 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 (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 (i.e. The

period by which the intimation regarding loss was conveyed less 7/10/14 as the case may be).

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 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.

## **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 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 loss, if any, as contemplated under this Policy.

## **9. 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 dishonor of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the Bank will not honor cheques drawn on current accounts maintained by other Banks with it unless arrangements are made for funding cheques issued. Issuing Bank shall be responsible to compensate the cheque holder for non-payment/delayed payment of cheques in the absence of adequate funding arrangement.

## **10. Lenders liability; Commitments to borrowers:**

The Bank has adopted the principles of lenders of liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to customers adopted by the Bank, the 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.

## **11. 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.

## 12. ATM Failure

It is mandatory for Bank to reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 5 days. For any failure to re-credit the customer's account within 5 days 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. In the case of failed ATM transactions by other Bank's customer, matter shall be taken up by him through his Bank

## 13. 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 on 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. In the event of failed transactions, wherever financial compensation is involved, the same shall be effected to the customer's account suo moto,

### 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						
<b>1</b>	<b>Automated Teller Machines (ATMs) including Micro-ATMs</b>								
a	<p>Customer's account involved, the same shall be effected to the customer's account suo moto,</p> <p><b><u>Customer Compensation details for failed transactions using Authorised Payment Systems is as in below table:</u></b></p> <table border="1"> <thead> <tr> <th>Sl. no.</th> <th>Description of the incident</th> <th>Framework for auto-reversal and compensation</th> </tr> </thead> <tbody> <tr> <td></td> <td>debited but cash not dispensed.</td> <td></td> </tr> </tbody> </table>	Sl. no.	Description of the incident	Framework for auto-reversal and compensation		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.
Sl. no.	Description of the incident	Framework for auto-reversal and compensation							
	debited but cash not dispensed.								
<b>2</b>	<b>Card Transaction</b>								
a	<p><u>Card to card transfer</u></p> <p>Card account debited but the</p>	Transaction to be reversed (R) latest within T + 1 day, if	₹ 100/- per day of delay beyond T + 1 day.						

	beneficiary card account not credited.	credit is not effected to the beneficiary account.	
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.		
<b>3</b>	<b>Immediate Payment System (IMPS)</b>		
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.
<b>4</b>	<b>Unified Payments Interface (UPI)</b>		
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.
<b>5</b>	<b>Aadhaar Enabled Payment System (including Aadhaar Pay)</b>		
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.		
<b>6</b>	<b>Aadhaar Payment Bridge System (APBS)</b>		
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.
<b>7</b>	<b>National Automated Clearing House (NACH)</b>		
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.	
<b>8</b>	<b>Prepaid Payment Instruments (PPIs) – Cards / Wallets</b>		
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

## Annexure

### RACI Matrix related to Customer Compensation Policy

The RACI matrix given below provides a broad overview of the responsibilities/roles of various verticals:

<b>R - Responsible</b>	Refers to those who do the work to complete the task.
<b>A - Accountable</b>	Designates the person who ultimately answer for the results of an activity, and also who delegates the work to the people who will execute it.
<b>C - Consulted</b>	Refers to those who sought be heard on the related activity, and with whom there is two-way communication.
<b>I – Informed</b>	Designates those who sought to be kept up-to-date on the progress of the activity, and with whom there is just one-way communication.

<b>Policy on Customer Service</b>	<b>SQ D</b>	<b>Legal</b>	<b>Compliance</b>	<b>IRMD</b>	<b>Operations dept</b>	<b>TMFP</b>	<b>HR</b>	<b>IA D</b>	<b>All other D epts</b>	<b>MD/CEO</b>	<b>CSC/Board</b>
Policy Preparation	R, A				R,A,	R,A					
Policy Approval	R				R					R	A
Policy Review and Updating	R, A	C,I	C,I	C,I	R,A	R,A					A
Policy Implementation	R, A	R,A	R,A	R,A	R,A,C	R,A,C	R,A,C	R, A	R,A	R,A	I
Grievance Redressal	R, A				R,A,C	R,A,C					
Audit	R							R, A			
Training and Awareness of Employees							R,A				

Note : Ensuring that the Policy on Customer Compensation is implemented satisfactorily is the responsibility and accountability of all staff in the Bank