

# **BANKING OMBUDSMAN SCHEME**

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**RESERVE BANK OF INDIA  
RURAL PLANNING AND CREDIT DEPARTMENT  
CENTRAL OFFICE  
MUMBAI**





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## **1. INTRODUCTION:**

1.1 The Banking Ombudsman Scheme, 1995 was notified by RBI on June 14, 1995 in terms of the powers conferred on the Bank by Section 35A of the Banking Regulation Act, 1949 (10 of 1949) to provide for a system of redressal of grievances against banks. The Scheme sought to establish a system of expeditious and inexpensive resolution of customer complaints. The Scheme is in operation since 1995 and was revised during the year 2002. The Scheme is being executed by Banking Ombudsmen appointed by RBI at 15 centres covering the entire country.

## **2. GENERAL PARTICULARS ON THE SCHEME**

2.1 The word 'Ombudsman' in general means a 'grievance man', a public official who is appointed to investigate complaints against the administration. He is to intervene for the ordinary citizen in his dealings with the complex machinery of the establishment.

2.2 In India, any person whose grievance against a bank is not resolved to his satisfaction by that bank within a period of two months can approach the Banking Ombudsman if his complaint pertains to any of the matters specified in the Scheme. Banking Ombudsmen have been authorized to look into complaints concerning (a) deficiency in banking service (b) sanction of loans and advances as they relate to non-observance of the Reserve Bank directives on interest rates, delay in sanction or non-observance of prescribed time schedule for disposal of loan applications or non-observance of any other directions or instructions of the Reserve Bank as may be specified for this purpose, from time to time, and (c) such other matters as may be specified by the Reserve Bank.

2.3 The Scheme envisages expeditious and satisfactory disposal of customer complaints in a time bound manner. The Banking Ombudsman on receipt of any complaint endeavours to promote a settlement of the complaint by agreement between the complainant and the bank named in the complaint through conciliation or mediation. For the purpose of promoting a settlement of the complaint, the Banking Ombudsman has been allowed to follow such procedures



as he may consider appropriate and he is not bound by any legal rule of evidence. If a complaint is not settled by agreement within a period of one month from the date of receipt of the complaint or such further period as the Banking Ombudsman may consider necessary, he may pass an **Award** after affording the parties reasonable opportunity to present their case. He shall be guided by the evidence placed before him by the parties, the principles of banking law and practice, directions, instructions and guidelines issued by the Reserve Bank from time to time and such other factors, which in his opinion are necessary in the interest of justice.

2.3 The revised Banking Ombudsman Scheme (BOS) 2002 came into effect on 14<sup>th</sup> June 2002. The BOS 2002 additionally provides for the institution of a "Review Authority" to review the Banking Ombudsman's Award, when warranted. A bank against whom an Award has been passed, may with the approval of its Chief Executive, file an application to the Deputy Governor-in-charge of Rural Planning and Credit Department of Reserve Bank of India to seek a review of the Award. The bank can request for such a review only when the Award appears to be patently in conflict with the Bank's instructions and/or the law and practice relating to banking. The Banking Ombudsman has also been authorised to function as an Arbitrator on reference to him of disputes either between banks and their customers or between banks. The value of the subject matter of individual disputes under arbitration will not exceed Rupees Ten Lakhs.

### **3. SCOPE OF THE SCHEME**

3.1 The Banking Ombudsman Scheme, 2002 covers all the Regional Rural Banks in addition to all Commercial Banks and Scheduled Primary Co-operative Banks, which were already covered by earlier Banking Ombudsman Scheme, 1995. The grounds of complaints that can be entertained by the Banking Ombudsmen have been enumerated in Clause 12 of the Banking Ombudsman Scheme 2002.

### **4. OPERATIONALISATION**

4.1 The Banking Ombudsman Scheme has been operationalised by Reserve Bank of India by establishing Banking Ombudsman Offices at 15 centres all over the country. The names, addresses and area of operation of the Banking



Ombudsman have been given as an annexure to the Report. RBI has the responsibility for framing the guidelines for operationalising the Scheme. It also supervises the running of the Scheme and administrative arrangements, budget and expenditure of the Banking Ombudsman Offices.

## 5. PERFORMANCE OF THE BANKING OMBUDSMEN

5.1 The performance of the Banking Ombudsmen has been analysed on the aspects such as: the quantum of complaints handled by them, the timeliness in handling the issues, and appropriateness of the decisions of the Banking Ombudsmen.

5.2 More than 5000 complaints are received by the Banking Ombudsmen every year. The number of complaints received by the BO offices has been steadily increasing since 1999-2000. The number of complaints received during 2000-01, 2001-02 and 2002-03 stood at 5803, 5907 and 5399 respectively while there was a sharp rise during the year 2003-04 at 8246. Details are as given below:

### Number of complaints received by the Banking Ombudsmen\*

Period	No. of Offices of Banking Ombudsman	No. of complaints received during the year	Average No. of complaints per office
1999-00	15	4994	333
2000-01	15	5803	387
2001-02	15	5907	394
2002-03	15	5399	360
2003-04	15	8246	550

(\* Includes only the complaints received during the year and excludes the number of pending complaints).



5.3. The Banking Ombudsmen Offices could dispose of around 70% of the maintainable complaints on an annual basis. Despite increase in the number of complaints, the percentage of maintainable complaints disposed off increased steadily except during 2002-03 when it dipped marginally. However, around 50% of the pending complaints remained pending for more than 2 months. During the year 2003-04, 37% of the complaints were pending for more than 3 months. Details are as given below.

### Disposal of Complaints by Banking Ombudsmen

Particulars		1999-00	2000-01	2001-02	2002-03	2003-04
Complaints received		6800*	6978*	7022*	6506*	9483*
Of which not maintainable		2614	2732	2404	2132	4011
Complaints maintainable		4186	4246	4618	4374	5472
Disposed of		2484	3131	3511	3137	3998
Percentage of maintainable complaints disposed of		<b>60</b>	<b>74</b>	<b>76</b>	<b>72</b>	<b>73</b>
Pending		1702	1115	1107	1237	1474**
Of the pending complaints, those pending for more than 2 months	No.	998	589	624	650	709
	%	<b>59</b>	<b>53</b>	<b>56</b>	<b>52</b>	<b>48</b>

\*Includes previous year's pending complaints.

\*\*For the year 2003-04, the details of pending have been furnished separately and are as follow:





### Details of complaints pending for the year 2003-04

Period of delay	Number	Percentage to total
Upto 1 month	530	<b>36</b>
1-2 months	235	<b>16</b>
2-3 months	164	<b>11</b>
More than 3 months	545	<b>37</b>
Total	1474	100

5.4 As already described, the Ombudsmen disposed of complaints either by settlement or by issuing an Award. During the period 1999-2000 to 2003-04, the percentage of disposal of complaints by settlement to total maintainable complaints disposed of was around 98% clearly indicating the effectiveness of the Banking Ombudsmen in disposal of the cases. During the period above, only 338 awards were issued which formed 2% of the total 16261 maintainable complaints disposed of. Details are as given below.

### Awards issued by the Banking Ombudsmen

Sr. No.	Centre	1999-00	2000-01	2001-02	2002-03	2003-04
1	Ahmedabad	1	4	3	8	2
2	Bangalore	6	3	7	-	8
3	Bhubaneswar	2	1	3	3	3
4	Bhopal	3	-	-	-	6
5	Kolkata	14	16	15	13	13
6	Chennai	10	9	-	1	0
7	Chandigarh	0	1	2	-	6
8	Guwahati	2	2	-	14	17
9	Hyderabad	9	2	-	-	6
10	Jaipur	1	3	4	-	5
11	Kanpur	20	8	5	-	5
12	Patna	-	-	-	2	13
13	Mumbai	1	1	2	6	15
14	New Delhi	3	2	3	-	20
15	Thiruvananthapuram	2	-	-	-	2
	<b>Total awards</b>	<b>74</b>	<b>52</b>	<b>44</b>	<b>47</b>	<b>121</b>



Awards not implemented by banks	34	27	16	20	37
% of disposal of complaints by issue of awards to total maintainable complaints disposed of	<b>2.98</b>	<b>1.66</b>	<b>1.25</b>	<b>1.07</b>	<b>2.21</b>
% of disposal of complaints by mediation/reconciliation/recommendation/settlement to total maintainable complaints disposed of	<b>97.02</b>	<b>98.34</b>	<b>98.75</b>	<b>98.93</b>	<b>97.78</b>

The fact that the BO could dispose of 98% of the complaints by settlement between the complainant and the concerned banks indicates that the BO takes appropriate decisions taking into consideration all the relevant and extant legal and banking instructions. Moreover, only a few review cases do come up for the consideration of DG (RPCD). (In respect of some of the awards, where there was apparent contradictions/inaccuracies vis-à-vis the existing instructions/banking policies, banks were allowed by RBI to contest the same in a Court of law, on getting specific request from them (under the provisions of the Banking Ombudsman Scheme 1995).

## 6. ANALYSIS OF COMPLAINTS

6.1 The maximum number of complaints dealt with during the period under review pertained to complaints regarding deposit accounts, deficiency in servicing of loans and advances and delay in collection of cheques/bills, etc, besides the miscellaneous complaints. The details are as follows:



### Analysis of complaints dealt with - subject-wise

Particulars	1999-00	2000-01	2001-02	2002-03	2003-04
Deposit Accounts	1687	1617	1662	1789	2500
Loans and Advances	1844	1930	1982	1651	1226
Delay in collection of cheques/bills	943	999	1062	908	1001
Others**	2326	2432	2316	2158	4756
<b>Total</b>	<b>6800*</b> <b>(1806)</b>	<b>6978*</b> <b>(1175)</b>	<b>7022*</b> <b>(1115)</b>	<b>6506*</b> <b>(1107)</b>	<b>9483*</b> <b>(1237)</b>

\*No. of complaints includes previous year's pending complaints as indicated in brackets.

6.2 The majority of the complaints pertain to the Nationalized Banks followed by the State Bank Group, constituting around 80% of the complaints received. The RRBs were brought under the purview of the Banking Ombudsman from the year 2002 as per BOS 2002 and the number of complaints against RRBs increased from 33 during the year 2002-2003 to 232 during the year under review. Increasing number of complaints against RRBs also indicate the penetration of the Scheme in rural areas.

### Break-up of complaints dealt with - Bank-group-wise

Bank group	1999-00	2000-01	2001-02	2002-03	2003-04
Nationalised Banks	3857	3657	3609	3145	4049
SBI Group	1960	2175	2112	1914	2779
Private Sector Banks	417	531	629	718	1325



Foreign Banks	198	147	254	313	406
Scheduled Primary Co-op. Banks	131	122	55	112	166
Others	237	346	363	304*	758**
<b>Total</b>	<b>6800</b>	<b>6978</b>	<b>7022</b>	<b>6506</b>	<b>9483</b>

(\* Includes 33 complaints against RRBs).

(\*\* Includes 232 complaints against RRBs).

## 7. OTHER INFORMATION

7.1 The Banking Ombudsman Scheme 2002 entrusted the Banking Ombudsman to deal with the cases of disputes between customer and banks and between banks, involving an amount up to Rs.10 lakhs. During the year 2003-04, the Banking Ombudsmen handled 34 such cases of inter-bank disputes and 19 of those cases were pending disposal as at the close of the year. Most of the arbitration cases were handled at Ahmedabad (15) and Mumbai (7) BO offices. In order to increase the number of arbitration cases handled by the BOs, a circular by former DG, Shri Vepa Kamesam was issued to all the participant banks in September 2003 to take advantage of the cost effective inter-bank dispute settlement provision available in the BOS 2002.

7.2 The costs of the Scheme include the revenue expenditure and capital expenditure incurred in running the BO offices. The revenue expenditure includes the establishment items like salary and allowances of the staff attached to BO offices and non-establishment items such as rent, taxes, insurance, law charges, postage and telegram charges, printing and stationery expenses, publicity expenses, depreciation and other miscellaneous items. The capital expenditure items include the furniture, electrical installations, computers/related equipments, telecommunication equipments and motor vehicle. The total annual costs of running the 15 BO offices varied around Rs 6



crore and since the year 2001-02 the annual cost has been increasing steadily. The details, including the cost per complaint, have been given below.

#### Cost details of Banking Ombudsman Offices

Period	Total Cost (Rs Crores)	No. of Complaints dealt	Cost per complaint (Rs)
1999-00	6.15	6800	9050
2000-01	6.99	6978	10020
2001-02	5.91	7022	8425
2002-03	6.36	6506	9783
2003-04	7.03	9483	7413

7.3 As provided in the Scheme, the amount spent is being recovered from participating banks in proportion to the working funds of these banks as at the end of the preceding financial year. This practice is in line with the international practices being adopted by many Ombudsman Schemes in the world.

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**ANNEXURE****Name, Address and Area of Operation of Banking Ombudsmen**

<b>Centre</b>	<b>Name of Banking Ombudsman</b>	<b>Address of the Office of Banking Ombudsman</b>	<b>Area of Operation</b>
Ahmedabad	<b>Shri P.K. Brahma</b>	C/o Reserve Bank of India La Gajjar Chambers, Ashram Road, Ahmedabad-380 009  Tel.No.26582357/26586718 Fax No.079-26583325	Gujarat, Union Territories of Dadra and Nagar Haveli, Daman and Diu
Bangalore	<b>Shri S.K. Mukerji</b>	C/o Reserve Bank of India 10/3/8, Nrupathunga Road Bangalore-560 001  Tel.No.22210771/22275629 Fax No.080-22244047	Karnataka
Bhopal	<b>Shri N. Gopalan</b>	C/o Reserve Bank of India Hoshangabad Road, Post Box No.32, Bhopal-462 011  Tel.No.253772/2573776 Fax No.0755-2573779	Madhya Pradesh and Chattisgarh
Bhubaneswar	<b>Shri M.V.S. Chalapati Rao</b>	C/o Reserve Bank of India Pt. Jawaharlal Nehru Marg Bhubaneswar-751 001  Tel.No.418007/418008 Fax No.0674-418006	Orissa
Chandigarh	<b>Shri S. Govindarajan</b>	C/o Reserve Bank of India New Office Building Sector-17, Central Vista Chandigarh-160 017  Tel.No.2709589/2721011 Fax No.0172-2721880	Himachal Pradesh, Punjab and Union Territory of Chandigarh



<b>Centre</b>	<b>Name of Banking Ombudsman</b>	<b>Address of the Office of Banking Ombudsman</b>	<b>Area of Operation</b>
Chennai	<b>Shri S. Gopalakrishnan</b>	Kuralagam Building, (3 <sup>rd</sup> Floor) Esplanade, N.S.C. Bose Road, Chennai-600 108  Tel No.25341645/25341619 Fax No.044-25341607	Tamil Nadu, Union Territories of Pondicherry and Andaman and Nicobar Islands
Guwahati	<b>Shri P.K. Datta</b>	C/o Reserve Bank of India Station Road, Pan Bazar Guwahati-781 001  Tel.No.2542556/2540445 Fax No.0361-2540445	Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland and Tripura
Hyderabad	<b>Shri P.R. Gopala Rao</b>	C/o Reserve Bank of India 6-1-56, Secretariat Road Saifabad, Hyderabad-500 004  Tel.No.23210013/23243970 Fax No.040-23210014	Andhra Pradesh
Jaipur	<b>Shri Rajendra Singh</b>	C/o Reserve Bank of India, Ram Bagh Circle, Tonk Road, Post Box No.12, Jaipur-302 004  Tel.No.2570357/2570392 Fax No.0141-2562220	Rajasthan
Kanpur	<b>Shri D.T. Pai</b>	C/o Reserve Bank of India M.G. Road, Post Box No.82 Kanpur-208 001  Tel.No.2361191/2310593 Fax No.0512-2362553	Uttar Pradesh (excluding District of Ghaziabad) and Uttaranchal



<b>Centre</b>	<b>Name of Banking Ombudsman</b>	<b>Address of the Office of Banking Ombudsman</b>	<b>Area of Operation</b>
Kolkata	<b>Shri P.K. Sarkar</b>	C/o Reserve Bank of India 15, Nethaji Subhas Road Kolkata-700 001  Tel.No.22206222/22205580 Fax No.033-22205899	West Bengal and Sikkim
Mumbai	<b>Shri N. Sadasivan</b>	C/o Reserve Bank of India Garment House, Ground Floor, Dr. Annie Besant Road, Worli, Mumbai-400 018  Tel.No.24924607/24960893 Fax No.022-24960912	Maharashtra and Goa
New Delhi	<b>Shri M.P. Bezbaruah</b>	Jeevan Bharati Building Tower No.1, 7 <sup>th</sup> Floor 124 Connaught Circus New Delhi-110 011  Tel.No.23725445/23710882 Fax No.011-23725218	Delhi, Haryana, Jammu and Kashmir and Ghaziabad district of Uttar Pradesh
Patna	<b>Shri P.S. Cheema</b>	'Biscomaun Towers', 2 <sup>nd</sup> Floor, West Gandhi Maidan Patna-800 001  Tel.No.2206308 Fax No.0612-2661907	Bihar and Jharkhand
Thiruvananthapuram	<b>Shri V. Krishnamurthy</b>	C/o Reserve Bank of India Bakery Junction Thiruvananthapuram-695 033  Tel.No.2332723/2329676 Fax No.0471-2321625	Kerala and Union Territory of Lakshadweep