

# **THE BANKING OMBUDSMAN SCHEME**

**ANNUAL REPORT  
2006-2007**



**RESERVE BANK OF INDIA  
CUSTOMER SERVICE DEPARTMENT  
CENTRAL OFFICE  
MUMBAI**

**“A ‘Customer’ is the most important visitor on our premises.**

**He is not dependent on us. We are dependent on him.**

**He is not an interruption on our work. He is the purpose of it.**

**He is not an outsider on our business. He is a part of it.**

**We are not doing him a favour by serving him. He is doing us  
a favour by giving us an opportunity to do so.”**

**~Mahatma Gandhi**

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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 has been revised during the years 2002 and 2006. The Scheme is being executed by Banking Ombudsmen appointed by Reserve Bank at 15 centres covering the entire country.

1.2. As mandated by the Banking Ombudsman Scheme, the Banking Ombudsmen submit an Annual Report on the functioning of their offices every year. Based on such reports, an Annual Report for the Banking Ombudsman Scheme in a whole is prepared at Reserve Bank of India, Central Office. As is being the practice, the Annual Report covers the last five-year period with focus on the current year. Further, as a result of computerization of the functioning of Banking Ombudsman Offices through the Complaint Tracking Software, detailed analysis was possible on the information pertaining to year 2006-07.

1.3. With the decision to merge the Banking Ombudsman Offices with that of RBI offices, the accounting period for the Banking Ombudsman Offices was changed from April 1-March 31 to July 1-June 30 to be in congruent with that of RBI offices. Accordingly, the information analysed for the year 2006-07 pertains to the period July 1, 2006 to June 30, 2007.

## **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 one month 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 in so far 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.

### **The Banking Ombudsman Scheme, 2002**

2.4. The Banking Ombudsman Scheme (BOS) 2002 came into effect on 14<sup>th</sup> June 2002. The BOS 2002 additionally provided for the institution of a "Review Authority" to review the Banking Ombudsman's Award, when warranted. A bank against whom an Award was passed, could with the approval of its Chief Executive, file an application to the Review Authority (Deputy Governor, Reserve Bank of India) to seek a review of the Award. The bank could request for such a review only when the Award appeared to be patently in conflict with Reserve Bank's instructions and/or the law and practice relating to banking. The Banking Ombudsmen was also authorized 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 should not exceed Rupees Ten Lakhs.

### **The Banking Ombudsman Scheme, 2006**

2.5. The Banking Ombudsman Scheme, 2002 was reviewed during the year 2005-06 and was modified to reflect the changing needs of the bank customers. The modified scheme, the Banking Ombudsman Scheme, 2006, came into effect from January 1, 2006 with the following major changes:

- (i) New grounds of complaints such as credit card issues, failure in providing the promised facilities, non-adherence to fair practices code and levying of excessive charges without prior notice were included.
- (ii) In order to facilitate complaint submission, the application format prescribed was made not mandatory for filing the complaint. Further, complaints can be filed online as well as by sending an email.
- (iii) In order to have more control over the functioning of the Scheme, Reserve Bank would fully fund and staff the Banking Ombudsman Scheme.
- (iv) The banks are required to appoint Nodal Officers in their Zonal Offices/Regional Offices for the Scheme.
- (v) The complainants may also appeal against the Award of Banking Ombudsman.
- (vi) In order to enable the Banking Ombudsmen concentrate on the complaints, rather than on arbitration of inter-bank disputes, the arbitration option rested with the Banking Ombudsman was removed.

### **Amendment to the Banking Ombudsman Scheme, 2006**

2.6. The revised Banking Ombudsman Scheme had witnessed a surge in the inflow of complaints. Along with the complaints, there was increase in the complaint disposals by the Banking Ombudsman Offices as well. However, many appeals against the decisions of the Banking Ombudsman were also received from the complainants. The Banking Ombudsman Scheme, 2006 had allowed appeals from complainants only in the complaints wherein Awards had been issued. Observing the spate of appeals from

complainants against decisions, rather than against Awards, an amendment to the Scheme was notified on May 24, 2007 to facilitate appeals from complaints that are relating to matters falling within the grounds of complaint specified under the Scheme.

2.7. Detailed information as regards the complaints dealt is given in the subsequent paragraphs. Some of the important cases dealt by Banking Ombudsmen are given in **Annex 7**.

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

3.1 The Banking Ombudsman Scheme, 2002 covered 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. There is no change in this regard in the Banking Ombudsman Scheme, 2006.

3.2. As indicated in paragraph 2.5 above, various new grounds of complaints were added within the scope of the Banking Ombudsman Scheme, 2006. The important new grounds of complaints added include credit card issues, failure in providing the promised facilities, non-adherence to fair practices code, levying of excessive charges without prior notice and issues pertaining to accepting payment towards taxes and issuing/servicing of Government securities. The grounds of complaints have been enumerated in Clause 8 of the Banking Ombudsman Scheme, 2006.

### **4. OPERATIONALISATION**

4.1. Reserve Bank of India operationalised the Banking Ombudsman Scheme by establishing Banking Ombudsman Offices at 15 centres all over the country. The names, addresses and area of operation of the Banking Ombudsmen have been given as an annex (**Annex 1**) to the Report. Reserve Bank frames the guidelines for operationalising the Scheme and supervises the running of the Scheme.

### **5. PERFORMANCE OF THE OFFICES OF BANKING OMBUDSMAN**

5.1. The performance of the Offices of the Banking Ombudsman was analyzed on the aspects such as the quantum of complaints handled by them, the timeliness in handling the issues, and appropriateness of the decisions given against the complaints.

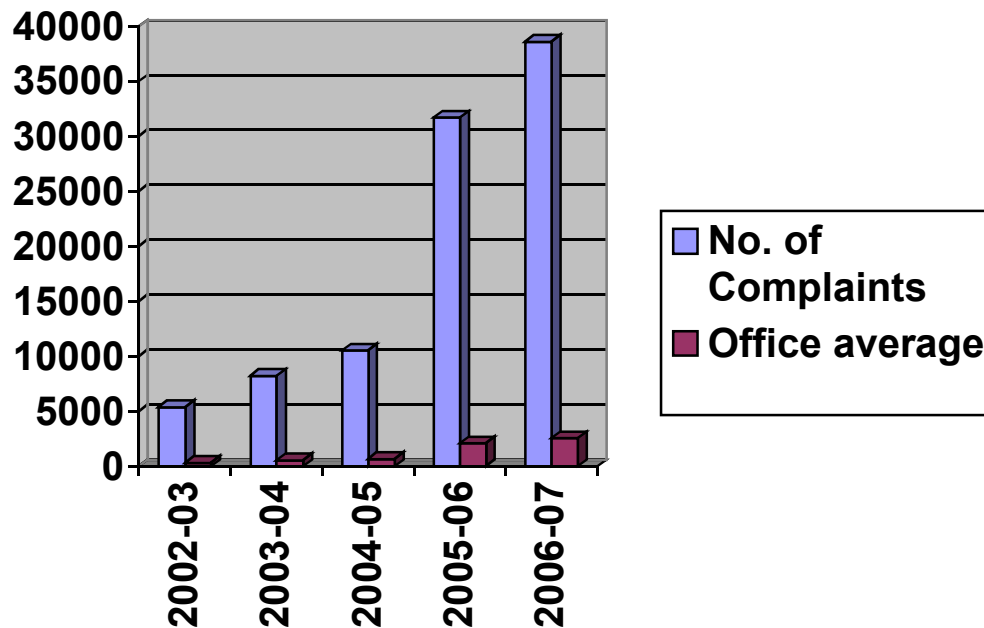
**Number of complaints received**

5.2. The number of complaints received by the Banking Ombudsman Offices had constantly increased in the last five years. There was more than threefold increase in the number of complaints received in the year 2005-06 from the previous year after the Banking Ombudsman Scheme, 2006 was notified. The increasing receipt was also observed in the year 2006-07 with a 22% increase from the year 2005-06.

5.3. The average number of complaints received per Banking Ombudsman Office has also increased from 360 in 2002-03 to 2576 in 2006-07. (Details are as given in Fig. 1 and Table 1 below).

**Fig.1: Number of complaints received by the  
Banking Ombudsman Offices\***





**Table. 1: Number of complaints received by the Banking Ombudsman Offices\***

Period	No. of Offices of Banking Ombudsman	Complaints received during the year		Average No. of complaints per office
		No.	Change from previous year	
2002-03	15	5399	-	360
2003-04	15	8246	+53%	550
2004-05	15	10560	+28%	704
2005-06	15	31732	+200%	2115
<b>2006-07</b>	<b>15</b>	<b>38638</b>	<b>+22%</b>	<b>2576</b>

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

5.4. The increase in the number of complaints received during the years 2005-06 and 2006-07 can be attributed to new areas such as credit card complaints included and to

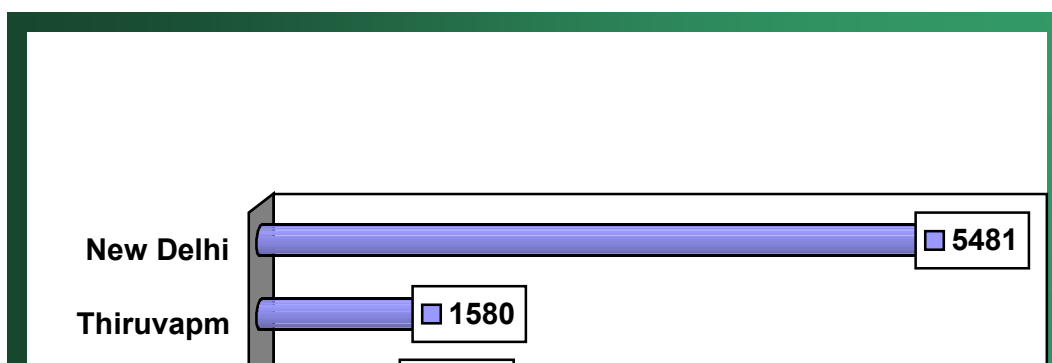
facilitation of complaint submission by allowing complaint submission in any form including by online and by email allowed in the Banking Ombudsman Scheme, 2006. **Per month receipt in the number of complaints received under the BO Scheme 2006 was more than thrice the number of complaints received under the BO Scheme, 2002.** The increase in the number of complaints received under the Banking Ombudsman Scheme 2006 as compared to the previous scheme clearly indicates the extent to which the scheme has benefited larger sections of the banking customers. The comparative effects of the Banking Ombudsman Schemes 2002 and 2006 in complaint receipt are given in Table.2.

**Table 2: Number of complaints received in 2005-06 and 2006-07**

Period			Scheme running	No. of complaints received	
From	To	Total		Total	Per month
01.04.2005	31.12.2005	9 months	BO Scheme, 2002	9723	1080
<b>01.01.2006</b>	<b>30.06.2007</b>	<b>18 months</b>	<b>BO Scheme, 2006</b>	<b>60647</b>	<b>3370</b>

5.5. An analysis of the complaints received in the year 2006-07, Banking Ombudsman Office-wise is given in Fig. 2. Mumbai, New Delhi and Kanpur had topped the list in the number of complaints received. The average complaints received in other offices were around 2000. Despite various efforts such as conducting awareness campaigns on the Banking Ombudsman Scheme, Guwahati Office, which serves all the seven North-Eastern States, had received only 170 complaints due to its inherent problems related to connectivity and low penetration of banking activity.

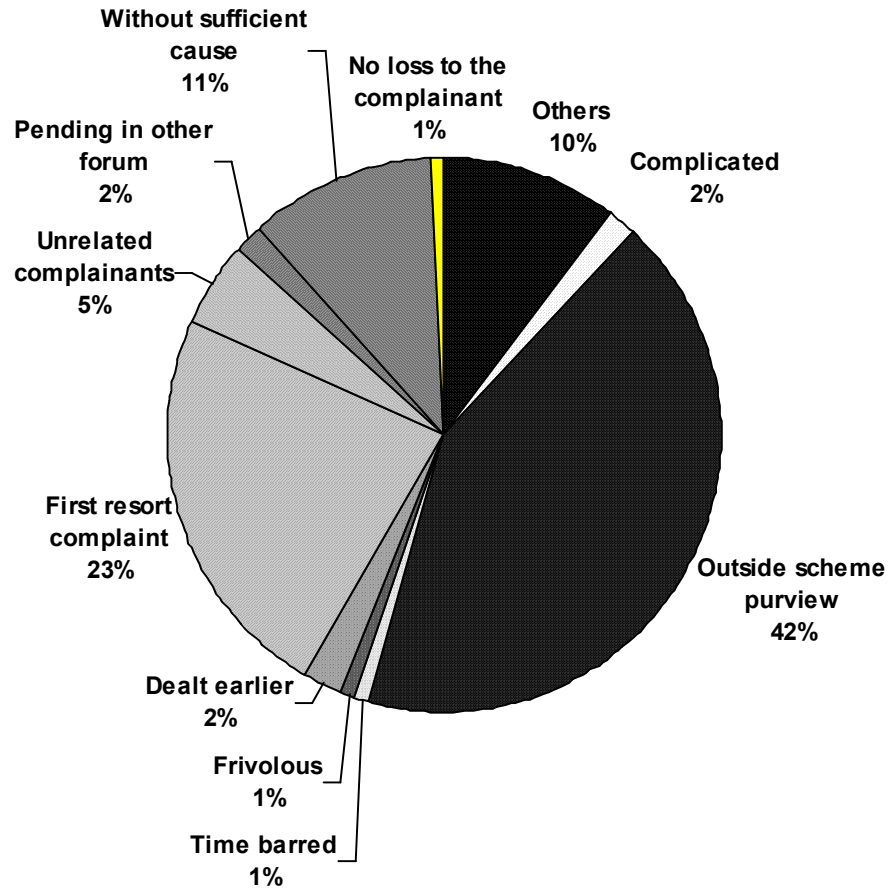
**Fig. 2: Banking Ombudsman Office wise complaints received in 2006-07**



## **Disposal of Complaints**

5.6. During the year 2006-07, the Banking Ombudsman Offices disposed of 37661 complaints (including from the complaints pending at the beginning of the year and those received during the year). Of these, 21747 complaints (49%) were settled to the satisfaction of the complainants, 15914 complaints (36%) could not be considered under the scheme owing to several reasons like being outside the purview of the scheme, time-barred, without sufficient cause, frivolous, pending in other fora, etc. A sample analysis of 756 complaints that could not be considered under the scheme disclosed that 42% of such complaints fell outside the purview of the scheme and 23% were first resort complaints and could not be taken up by the Banking Ombudsmen. In 11% of the complaints, deficiency of service could not be established and the remaining 24% complaints could not be considered for reasons like they were pending in other fora or the complaints required consideration of elaborate documentary and oral evidence etc. as shown in the Fig. 3 below. As at the end of the year, 7105 (16%) complaints were under process, of which 1964 (4.4%) complaints were more than 3 months old.

**Fig. 3: The complaints that could not be dealt under the Banking Ombudsman Scheme, 2006- reasons (Sample Analysis done in February 2007)**



5.7. Details of disposal of complaints over the last five years are furnished in Table 3. Some feedback from the satisfied complainants on the efforts made by the Banking Ombudsman offices in resolving their complaints is in Annex 5.

**Table 3: Disposal of Complaints by Banking Ombudsman Offices**

<b>Particulars</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Total complaints dealt with during the year	6506	9483	12034	33363	44766
Complaints settled to the satisfaction of complainants (a)	3137 (48%)	3998 (42%)	5440 (45%)	14931 (45%)	21747 (49%)
Complaints that could not be considered under the scheme* (b)	2132 (33%)	4011 (42%)	4963 (41%)	12304 (37%)	15914 (36%)
Total number of complaints disposed of (a+b)	5269 (81%)	8009 (84%)	10403 (86%)	27235 <sup>@</sup> (82%)	37661 (84%)
Complaints under process	1237 (19%)	1474 (16%)	1631 (14%)	6128 (18%)	7105 (16%)
Of which more than 3 months					1964 (4.4%)

*Figures in brackets indicate percentage to the total number of complaints dealt during the year.*

@ Revised.

\* Includes complaints outside the purview of the scheme / requiring consideration of elaborate documentary and oral evidence / time-barred / without sufficient cause / frivolous / pending in other fora, etc.

## Mode of disposal of complaints

5.8. The Banking Ombudsmen disposed of complaints, other than the complaints that could not be considered, either by mutual settlement or by issuing an Award. During the period reviewed, the ratio of complaints disposed by settlement to the complaints disposed by award was around 99:1 clearly indicating the effectiveness of the Banking Ombudsmen in arriving at mutually agreed consensus between bankers and complainants. During the period above, only 563 awards were issued which formed less than 2% of the total 49,253 complaints disposed of. From the year 2005-06, the number of awards issued and the percentage of disposal through award issuance have come down despite huge increase in the complaints received. Details are as given below in Table 4. The fact that the Banking Ombudsmen could dispose of more than 98% of the complaints by mutual settlement between the complainant and the concerned banks to their satisfaction indicates that they took appropriate decisions taking into consideration all the relevant and extant legal and banking instructions and practice.

**Table 4: Mode of disposal of complaints (other than complaints that could not be considered)**

Sr. No.	Year	No. of complaints disposed of	Disposal by Award		Disposal by settlement	
			No.	%	No.	%
1	2002-2003	3137	47	1.07	3090	98.93
2	2003-2004	3998	121	2.21	3877	97.78
3	2004-2005	5440	165	3.03	5275	96.97
4	2005-06	14931	146	0.98	14785	99.02
<b>5</b>	<b>2006-07</b>	<b>21747</b>	<b>84</b>	<b>0.39</b>	<b>21662</b>	<b>99.61</b>
Total		<b>49253</b>	<b>563</b>	<b>1.14</b>	<b>48689</b>	<b>98.86</b>

## 6. ANALYSIS OF COMPLAINTS

6.1. The analysis of complaints received at the Banking Ombudsman offices includes analysis of subject category of complaints and the bank-groups against which the complaints were made. Computerization of the functioning of Banking Ombudsman Offices through the Complaint Tracking Software, has enabled detailed analysis in this regard.

### Category-wise of complaints received

6.2. The maximum number of complaints dealt with during the last five-year period 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 given in Table 5.

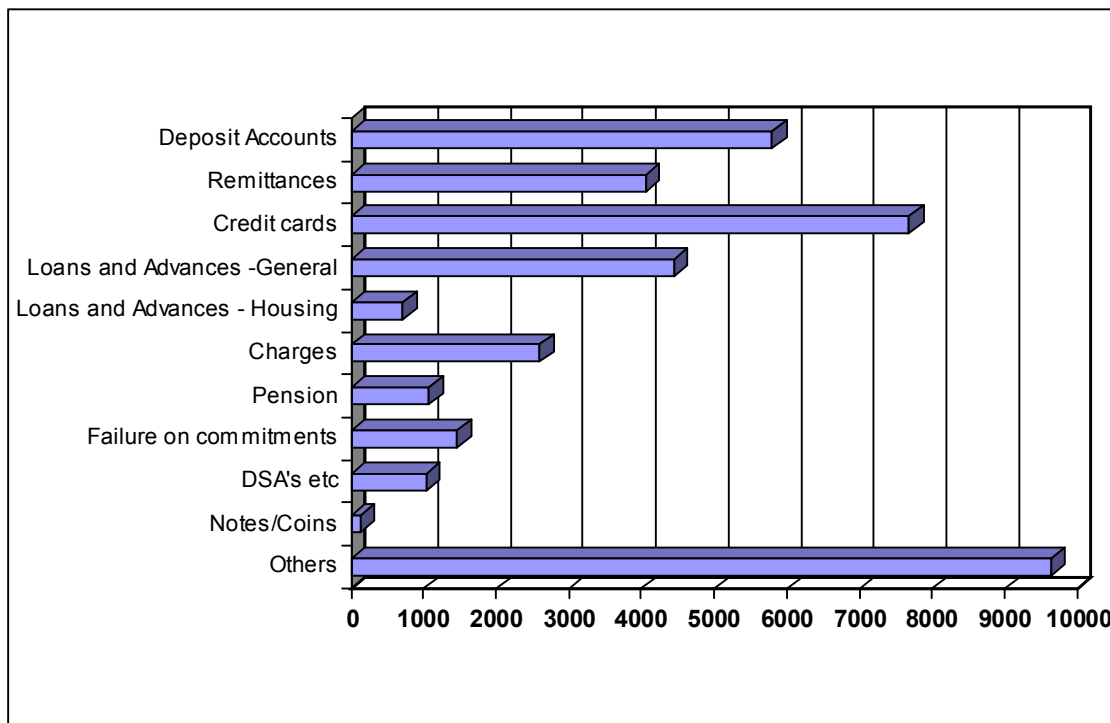
**Table 5: Analysis of complaints dealt with - category-wise**

<b>Category</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>	<b>2006-07</b>
Deposit Accounts	1789 (27)	2500 (26)	3239 (27)	6733 (20)	<b>5803 (15)</b>
Loans and Advances	1651 (25)	1226 (13)	2291 (19)	5215 (16)	<b>5151 (13)</b>
Collection of cheques/bills	908 (14)	1001 (11)	1245 (10)	3058 (9)	<b>4058 (11)</b>
Others	2158 (34)	4756 (50)	5259 (44)	18357 (55)	<b>23626 (61)</b>
Total*	6506	9483	12034	33363	<b>38638**</b>

(Figures in bracket indicate percentage to the total). (\*No. of complaints includes previous year's pending complaints). (\*\* Includes only the complaints received during the year. Detailed analysis of the same is in subsequent paragraphs).

6.3. However, during the year 2006-07, the maximum number of complaints received pertained to credit cards at 20%. (An analysis of credit card complaints is given separately in the report). Complaints pertaining to deposit accounts, loans and advances (general) and remittances occupied the next three places in the number of complaints received. The details are in Fig. 4 and Table 6 below. The Banking Ombudsman office-wise and category wise complaint receipt is given separately in **Annex 2**.

**Fig. 4: Complaints received in 2006-07: Category-wise**





**Table 6: Complaints received in 2006-07: Category-wise**

<b>Sr.No.</b>	<b>Nature of complaint</b>	<b>No. of complaints</b>	
		<b>No.</b>	<b>%</b>
1	Deposit accounts	5803	15
2	Remittances	4058	11
<b>3</b>	<b>Credit cards</b>	<b>7688</b>	<b>20</b>
4	Loans and advances - General	4442	11
5	Loans and advances - Housing	709	2
6	Charges without notice	2594	7
7	Pension	1070	3
8	Failure on commitments made	1469	4
9	DSAs and recovery agents	1039	3
10	Notes and coins	130	0
11	Others	9636	25
	<b>Total</b>	<b>38638</b>	100

## **Credit card complaints**

6.4. The complaints relating to credit cards formed the major share of the complaints received at the Banking Ombudsman Offices. The types of complaints received in this regard are enumerated below:

- ❖ Non-issue of credit cards.
- ❖ Issue of unsolicited cards.
- ❖ Non-despatch of account statements in time.
- ❖ Levy of excessive service charges.
- ❖ Unauthorised debits.
- ❖ Late appropriation of payments made through cheques even though deposited in time/at drop boxes outside bank premises and levy of late fee in such cases.
- ❖ Excessive late fee and penal charges.
- ❖ Sanction of loan against credit cards on the basis of offers over telephone without written consent of customer.
- ❖ Refusal to cancel credit card.
- ❖ Refusal to settle insurance claims.
- ❖ Not adhering to settlement terms for settling credit card dues.
- ❖ Wrong reporting of status of cardholder's dues to credit information companies.
- ❖ Failure to note caution / instructions in lost cards.
- ❖ Freezing of cards without informing the cardholder.
- ❖ Harassment by recovery officer.

An analysis based on the above feedback has been forwarded to the Department of Banking Operations and Development for considering appropriate policy interventions. The gist of the recommendations is given in **Annex 3**.

## **Analysis of complaints: Banks complained against**

6.5. Group-wise, the majority of the complaints pertain to the Nationalized Banks followed by the State Bank Group. However, over the years, the percentage of

complaints against public sector banks, including the SBI Group, showed a decline vis-à-vis the number of complaints received against private sector banks and foreign banks. The details are in Table 7 and Table 8 below:

**Table 7: Break-up of complaints dealt with - Bank-group-wise**

Bank group	2002-03	2003-04	2004-05	2005-06	2006-07	Total	
						No.	%
Nationalized Banks	3145	4049	5124	10137	10543	<b>32998</b>	<b>33</b>
SBI Group	1914	2779	3359	9892	11117	<b>29061</b>	<b>29</b>
Private Sector Banks	718	1325	1863	6754	9036	<b>19696</b>	<b>20</b>
Foreign Banks	313	406	577	2997	3803	<b>8096</b>	<b>8</b>
Scheduled Primary Co-op. Banks	112	166	256	198	313	<b>1045</b>	<b>1</b>
RRBs*	33	232	359	794	536	<b>1954</b>	<b>2</b>
Others**	271	526	496	2591	3290	<b>7174</b>	<b>7</b>
<b>Total</b>	<b>6506</b>	<b>9483</b>	<b>12034</b>	<b>33363</b>	<b>38638</b>	<b>100024</b>	<b>100</b>

(\* Brought under the Scheme purview through the Banking Ombudsman Scheme, 2002) (\*\* Complaints received against institutions such as non-scheduled co-operative banks, co-operative societies, NBFCs etc which are not included within the purview of the Scheme).

**Table 8: Bank Group-wise complaints in the year 2006-07  
(Only scheduled commercial banks)**

Bank group	Business Size (Rs. 000' Cr.) <sup>1</sup>	No. of accounts (in lakhs) <sup>2</sup>	No. of complaints
	As on March 2006		
Nationalized Banks	1740 (48)	2925 (52)	10543 (30)
SBI Group	838 (23)	1279 (22)	11117 (32)
Foreign Banks	210 (6)	130 (2)	3803 (11)
RRBs	107 (3)	732 (13)	536 (2)
Other Scheduled Commercial Banks	709 (20)	640 (11)	9036 (25)
<b>Total</b>	<b>3604 (100)</b>	<b>5706 (100)</b>	<b>35035 (100)</b>

Figures in brackets indicate percentages.

1. Aggregation of amounts in deposit accounts and credit accounts.
2. Aggregation of number of deposit and credit accounts.

6.5. The above paragraph indicates that share in complaint receipt is more than the share in the business size and number of accounts for SBI Group and Foreign Banks. The break-up of bankwise (scheduled commercial banks) complaints received in the year 2006-07 is given in **Annex 4**.

## **7. REVIEW / APPEAL OF BANKING OMBUDSMAN'S AWARDS**

7.1 The Banking Ombudsman Scheme, 2002 additionally provided for the institution of a "Review Authority" to review the Banking Ombudsman's Award, when warranted. The "review" option was to be exercised by the banks on grounds that the Award appears to be patently in conflict with the Bank's instructions and/or the law and practice relating to banking. The same was changed into 'appeal' process in the Banking ombudsman Scheme, 2006.

7.2. During the year 2006-07, 15 review applications or appeals were received and of which, in 13 cases have been disposed and 2 cases are being processed (information updated to the date of this report).

## **8. COST DETAILS OF RUNNING THE SCHEME**

8.1. The total expenditure in operationalising the Banking Ombudsman Scheme was shared by the banks, in the proportion of their working funds, upto December 2005. From January 1, 2006, the expenditure is fully borne by Reserve Bank in terms of the Banking Ombudsman Scheme, 2006.

8.2. The costs of the Scheme include the revenue expenditure and capital expenditure incurred in running the Banking Ombudsman offices. The revenue expenditure includes the establishment items like salary and allowances of the staff attached to Banking Ombudsman 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.

8.3. The annual cost of running the fifteen Banking Ombudsman offices was increasing steadily. However, with the increase in the number of complaints dealt, the cost per complaint dealt has been steadily decreasing with the amount at Rs. 2,538 for the year 2006-07. The details are given below.

**Table 9: Cost details of Banking Ombudsman Offices**

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<b>Period</b>	<b>Total Cost (Rs. Cr)</b>	<b>No. of Complaints dealt</b>	<b>Cost per complaint (Rs)</b>
<b>2002-03</b>	6.36	6,506	9,776
<b>2003-04</b>	7.03	9,483	7,413
<b>2004-05</b>	7.60	12,034	6,315
<b>2005-06</b>	10.16*	33,363	3,045
<b>2006-07</b>	9.81	38,638	2,538

(\* Approximate amount for the 15-month period from April 1, 2005 to June 30, 2006. The figures have been arrived by simulating the amount pertaining to April-December 2005. With the merging of the Banking Ombudsman Offices with RBI offices from 1.1.2006, separate exact information on cost of running the Banking Ombudsman Offices is not available. Arrangements are being made to capture exact information on the cost of running the Banking Ombudsman Offices).

## **9. OTHER INFORMATION**

### **Scheme Awareness exercises**

9.1. Creating awareness about the Scheme has become a regular exercise for the offices of the Banking Ombudsman. The Banking Ombudsmen also convened seminars on the issue, held meeting with nodal officers/nominee directors on the board of RRBs and delivered lectures at training programmes of banks. Further, the Banking Ombudsmen conduct district level awareness meetings with the bankers, social organizations, like Rotary clubs, and public, with press, television and radio coverage for such meetings. The Banking Ombudsmen also used such occasions to convene conciliation meetings for the complaints emanated from that area, if any.

## **Nodal Officers in banks for grievance redressal**

9.2. The Banking Ombudsman Scheme 2006 mandates that every bank nominate a Nodal Officer in every region/zone for facilitating the functioning of the Banking Ombudsman Offices. Besides taking up individual complaints, the Banking Ombudsman offices also periodically review the outstanding complaints with the nodal officers. Many Banking Ombudsman Offices have indicated that such a mechanism has yielded good results in resolving the complaints expeditiously.

9.3. It was also clarified during the year that the responsibility of a bank's nodal offices includes the credit card operations of the bank's subsidiaries.

9.4. The Customer Service Department has started the exercise of inviting the in-charges of customer service departments (grievance redressal officers) of commercial banks for an interaction and for briefing them about the expectations of Reserve Bank. During the meetings, they are advised to play an effective role in handling customer complaints with care and sensitivity in a timely manner. The requirement for publicizing their service charges and the names and addresses of their nodal officers prominently in the website and notice boards is also reiterated.

## **Complaint Tracking Software**

9.5. To monitor the performance of the Banking Ombudsman Offices as well as to facilitate their functioning, the Complaint Tracking Software was introduced in September 2005. The software facilitates viewing of the data relating to the complaints dealt, by the Top Management of the bank as well as Ministry of Finance. After introduction of the Banking Ombudsman Scheme 2006, in January 2006, the scope of the Scheme got widely enlarged and to that extent the number of complaints received by the offices also became multifold and, therefore, a need was felt to revamp the existing package to cater to these changes and also to overcome certain other limitations that were observed after usage. Accordingly changes have been made in the package. The important changes include: (i) search option for complaints, (ii) report generation on bank-wise, subject-wise and period-wise complaints etc, (iii) multi-user

environment, (iv) desk officer-wise tracking and (v) flexible data analysis by exporting data to MS-Excel mode.

9.6. The software has been further upgraded (in October 2006) with online complaint submission facility, wherein the complaints filed online are directly added to the database of the software. The software upgradation is done on a periodical basis as another modification was carried in August 2007.

### **Quarterly DO letter**

9.7. A system of quarterly DO letters from the Banking Ombudsmen to the Deputy Governor was introduced from March 2006. The letter, which covers issues such complaints dealt, systemic issues observed and awareness campaigns undertaken, serves as an important tool for the Top Management and Customer Service Department for obtaining feedback from Banking Ombudsmen. The feedback thus received is forwarded to the Department of Banking Operations and Development, Indian Banks' Association and the Banking Codes and Standards Board of India for appropriate regulatory/corrective steps.

9.8. The feedback received from the Banking Ombudsman offices has helped the Reserve Bank in framing appropriate policies and issuance of directives to banks in the customer service area. The same is also forwarded to Department of Banking Supervision for updating its inspection guidelines. The important developments relating to Customer Service and Banking Ombudsman Scheme in 2006-07 (July 2006 to June 2007) are given in **Annex 6**.



**'It starts with respect. If you respect the customer as a human being, and truly honour their right to be treated fairly and honestly, everything else is much easier.'**

**- Doug Smith**

## Address and Area of Operation of Banking Ombudsmen

Centre	Address of the Office of Banking Ombudsman	Area of Operation
Ahmedabad	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	C/o Reserve Bank of India 10/3/8, Nrupathunga Road Bangalore-560 001  Tel.No.22210771/22275629 Fax No.080-22244047	Karnataka
Bhopal	C/o Reserve Bank of India Hoshangabad Road, Post Box No.32, Bhopal-462 011  Tel.No.2573772/2573776 Fax No.0755-2573779	Madhya Pradesh and Chattisgarh
Bhubaneswar	C/o Reserve Bank of India Pt. Jawaharlal Nehru Marg Bhubaneswar-751 001  Tel.No.2396207/2396008 Fax No.0674-2393906	Orissa
Chandigarh	C/o Reserve Bank of India New Office Building Sector-17, Central Vista Chandigarh-160 017  Tel.No.2721109/2721011 Fax No.0172-2721880	Himachal Pradesh, Punjab and Union Territory of Chandigarh

<b>Centre</b>	<b>Address of the Office of Banking Ombudsman</b>	<b>Area of Operation</b>
Chennai	C/o Reserve Bank of India Fort Glacis, Chennai 600 001  Tel No.25399170/25395963/ 25399159 Fax No.044-25395488	Tamil Nadu, Union Territories of Pondicherry and Andaman and Nicobar Islands
Guwahati	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	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	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	C/o Reserve Bank of India M.G. Road, Post Box No.82 Kanpur-208 001  Tel.No.2306278/2303004 Fax No.0512-2305938	Uttar Pradesh (excluding District of Ghaziabad) and Uttaranchal

<b>Centre</b>	<b>Address of the Office of Banking Ombudsman</b>	<b>Area of Operation</b>
Kolkata	C/o Reserve Bank of India 15, Nethaji Subhas Road Kolkata-700 001  Tel.No.22306222/22305580 Fax No.033-22305899	West Bengal and Sikkim
Mumbai	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	C/o Reserve Bank of India, Sansad Marg, New Delhi  Tel.No.23725445/23710882 Fax No.011-23725218	Delhi, Haryana, Jammu and Kashmir and Ghaziabad district of Uttar Pradesh
Patna	C/o Reserve Bank of India, Patna-800 001  Tel.No.2322569/2323734 Fax No.0612-2320407	Bihar and Jharkhand
Thiruvananthapuram	C/o Reserve Bank of India Bakery Junction Thiruvananthapuram-695 033  Tel.No.2332723/2323959 Fax No.0471-2321625	Kerala and Union Territory of Lakshadweep

## Banking Ombudsman Office-wise category wise complaints received

Office »	Ahmedabad	Bangalore	Bhopal	Bhubaneswar	Chandigarh	Chennai	Guwahati	Hyderabad	Jaipur	Kanpur	Kolkata	Mumbai	New Delhi	Patna	Thiru'vm	Total
Nature of complaint																
Deposit accounts	292	91	476	42	459	214	37	311	195	355	530	740	1617	89	355	5803
Remittances	226	215	318	96	238	91	47	365	383	893	177	337	254	288	130	4058
Credit cards	394	509	270	92	308	1029	21	893	317	435	824	1175	1195	50	176	7688
Loans and advances - General	266	200	431	93	101	598	16	234	406	330	234	145	490	276	622	4442
Loans and advances - Housing	79	16	37	0	65	38	4	0	0	196	28	30	152	3	61	709

Office »	Ahmedabad	Bangalore	Bhopal	Bhubaneswar	Chandigarh	Chennai	Guwahati	Hyderabad	Jaipur	Kanpur	Kolkata	Mumbai	New Delhi	Patna	Thiruvim	Total
Charges without notice	355	95	225	24	227	20	8	168	398	345	67	273	281	57	51	2594
Pension	49	34	141	22	75	53	2	114	103	147	32	48	103	80	67	1070
Failure on commitments made	147	58	69	14	51	14	24	123	146	381	52	242	36	84	28	1469
DSAs and recovery agents	77	352	11	44	20	9	7	58	42	366	28	0	21	0	4	1039
Notes and coins	6	8	7	1	3	7	1	24	14	10	29	3	7	7	3	130
Others	216	828	746	261	459	314	3	477	972	863	10	2532	1325	547	83	9636
<b>Total</b>	<b>2107</b>	<b>2406</b>	<b>2731</b>	<b>689</b>	<b>2006</b>	<b>2387</b>	<b>170</b>	<b>2767</b>	<b>2976</b>	<b>4321</b>	<b>2011</b>	<b>5525</b>	<b>5481</b>	<b>1481</b>	<b>1580</b>	<b>38638</b>

**Gist of Recommendations based on the Findings of the Study done on  
credit card operations of banks**

**Card issuance:**

- ❖ The banks need to ensure prudence while issuing credit cards.
- ❖ The banks are required to inform the reason for rejection of credit card applications as per the extant RBI guidelines.
- ❖ The consent for the cards issued or the other products offered along with the card has to be explicit and should not be implied.
- ❖ Any mis-use of an unsolicited card or any other product associated with the issue of such an unsolicited card is the responsibility of the card issuing bank only and cannot be laid at the door of the customer.
- ❖ In order to reduce misuse of lost cards, banks may consider issuance of:
  - Photo-cards.
  - Cards with a PIN.
  - Signature laminated on the cards.
- ❖ The banks should explicitly state and explain to the customer the full meaning of their disclosure clause. While reporting to Credit Information Companies / CIBIL is mandatory, all the other clauses added making the customer giving consent to parting with his personal information and credit history to a host of agencies has to be purely voluntary and should not have any bearing on the issue of the card.

**Card Statements:**

- ❖ The banks should have a mechanism to ensure that customer's acknowledgement for receipt of the monthly statement is taken.
- ❖ Banks should be advised against sending statements after a gap of a few years and demanding payments and the same has to be seen as a grossly unfair act on the part of the bank. Specifying a time limit for

rectifying any errors or making a claim on the cardholder need to be considered.

- ❖ The banks should step up their education efforts on the impact of paying only the 'Minimum Amount Due'. An average credit card customer is not sure of how the interest/finance charges are calculated. This should be clearly explained. The MITC should specifically explain that 'free credit period' is lost if any balance of previous month's bill is outstanding.

### **Charges/Interest charges**

- ❖ The complaints on charges indicate that customers consider the charges to be on the higher side. While there could be an issue of customer education here, the banks are required to note that the charges on credit cards fall within the purview of RBI circular on excessive interest rates issued on May 7, 2007.
- ❖ Some of the banks indicated that the interest charges varied based on the payment/default history of the cardholder. The issue needs to be handled transparently.
- ❖ As regards the amount, the entire amount is taken into account for finance charge calculation if only partial amount is paid thereby losing the advantage of grace period given for payment.
- ❖ In issuing cards that are free for first year only, the issue needs to be handled transparently and without any hidden charges.

### **Cheque collection**

- ❖ The due date should be independent of payment method and banks should not insist on advance payment if cheques are dropped in the drop boxes.
- ❖ The banks generally do not provide acknowledgements to the cheques dropped in the boxes. Some system of acknowledgement like time stamping needs to be in place.



## **DSAs/DMAs**

- ❖ It is desirable that the DSAs provide to the customer only the documents/papers properly authorised by the banks. It is desirable that the banks design the modes in such a way that there are no disputes arise later between the customer and the bank. Most of the complaints of mis-selling are attributed to DSAs/DMAs.

## **Grievance redressal**

- ❖ The banks should take efforts to properly train their call centre staff who are equipped to handle only routine complaints
- ❖ The banks should have a mechanism to escalate unresolved complaints automatically from a call centre to higher authorities if a higher level intervention is required.

## **CIBIL issues:**

- ❖ It is desirable that the banks are made to follow a uniform method of reporting to CIBIL/MasterCard International Negative List.
- ❖ The customer should have the right to obtain his credit record from a CIC/CIBIL and to correct it if the same is wrong. CIBIL should inform the reporting bank's name to an aggrieved customer and should correct its record where the reporting bank has confirmed the wrong reporting.

## **Recovery issues:**

- ❖ On the issue of collection of credit card debts, the principles enshrined in the recovery code, the Code of Banks' Commitment to Individual Customers and in the Master Circular for Credit Cards need to be scrupulously adhered to.
- ❖ Certain 'exemplary punishments' can be given so that the same can act as a deterrent from adopting illegal methods of recovery of dues.

- ❖ Banks or their recovery agents should not trouble/disturb the family members of the cardholders who have no direct relationship with the bank for any payment.
- ❖ Given the lack of transparency in the issue, it is desirable that information relating to all the recovery agencies employed by a bank are displayed publicly (in website), indicating their addresses and telephone numbers.
- ❖ All the recovery agents or agencies, and all those employed by such agencies should have their antecedents verified by police and cleared for the role. Persons with criminal background, if any, should not be enrolled.
- ❖ All calls made by the agents should only be from the registered offices of the agency, whose phone numbers are available in the bank's website. In case mobile phones are used, the name of mobile user, addresses and designation of the user in the agency should also be available in the website.
- ❖ The banks should not set stiff targets or very high incentives to promote the agents to recover the dues by any method.

**Others:**

- ❖ The banks to register all their telemarketers with Department of Telecommunications within TRAI deadlines and scrupulously follow RBI instructions on the National Do Not Call Registry of TRAI.
- ❖ The banks may be advised to cover all the ATM sites by CCTVs so that the identity of the withdrawing person can be established.
- ❖ A request for closure of a card has to be honoured immediately by the bank.
- ❖ A lost card should be immediately blocked on being informed by the customer and formalities if any, including lodging of FIR can follow within a reasonable period.
- ❖ Banks may consider introducing a cover for the lost card liability or limiting such liability at the option of the customers.

## Annex 4

## Complaints received by Banking Ombudsmen- 2006-07: Bankwise (only commercial banks)

		Total no. of complaints other than credit card complaints	No. of current and savings accounts as on 31.3.06 (in '000s)	Number of complaints other than credit card complaints/ 1000 accounts	Total no. of credit card complaints	Credit card accounts as on 31.3.07	Number of credit card complaints/ 1000 credit card accounts
	<b>Nationalised banks</b>						
1	Allahabad Bank	<b>393</b>	11307	0.03	17	0	NA
2	Andhra Bank	<b>332</b>	8479	0.04	79	161193	0.49
3	Bank of Baroda	<b>758</b>	18532	0.04	79	139520	0.57
4	Bank of India	<b>658</b>	15589	0.04	40	110020	0.36
5	Bank of Maharashtra	<b>189</b>	7083	0.03	13	38674	0.34
6	Canara Bank	<b>855</b>	18347	0.05	74	85800	0.86
7	Central Bank of India	<b>870</b>	14211	0.06	38	39739	0.96
8	Corporation Bank	<b>203</b>	4845	0.04	20	2955	6.77
9	Dena Bank	<b>248</b>	5351	0.05	3	6562	0.46
10	Indian Bank	<b>353</b>	9723	0.04	38	13101	2.90
11	Indian Overseas Bank	<b>361</b>	7907	0.05	31	14792	2.10
12	Oriental Bank of Commerce	<b>392</b>	5328	0.07	19	0	NA
13	Punjab National Bank	<b>1776</b>	24497	0.07	61	0	NA
14	Punjab & Sind Bank	<b>190</b>	3771	0.05	1	0	NA
15	Syndicate Bank	<b>422</b>	10756	0.04	29	47608	0.61

16	UCO Bank	<b>425</b>	8064	0.05	7	0	NA
17	Union Bank of India	<b>653</b>	11085	0.06	18	21904	0.82
18	United Bank of India	<b>175</b>	6952	0.03	5	0	NA
19	Vijaya Bank	<b>164</b>	4299	0.04	15	64974	0.23
20	IDBI Bank	<b>515</b>	855	0.60	24	0	NA
	<b>State Bank Group</b>						
1	State Bank of India	<b>6103</b>	56663	0.11	2476	3390235	0.73
2	State Bank of Bikaner & Jaipur	<b>915</b>	4597	0.20	71	0	NA
3	State Bank of Hyderabad	<b>216</b>	4315	0.05	46	0	NA
4	State Bank of Indore	<b>332</b>	1958	0.17	11	0	NA
5	State Bank of Mysore	<b>117</b>	2248	0.05	10	0	NA
6	State Bank of Patiala	<b>267</b>	3814	0.07	21	0	NA
7	State Bank of Saurashtra	<b>135</b>	2179	0.06	12	0	NA
8	State Bank of Travancore	<b>378</b>	3502	0.11	7	0	NA
	<b>Old Private Sector Banks</b>						
1	Bank of Rajasthan Ltd	<b>166</b>	1447	0.11	9	15366	0.59
2	Bharat Overseas Bank Ltd	<b>13</b>	283	0.05	0	0	NA
3	Catholic Syrian Bank Ltd	<b>38</b>	980	0.04	1	0	NA
4	City Union Bank Ltd	<b>10</b>	356	0.03	1	0	NA
5	Dhanalakshmi Bank Ltd	<b>21</b>	555	0.04	1	0	NA
6	Federal Bank Ltd	<b>132</b>	2623	0.05	1	0	NA
7	ING Vysya Bank Ltd	<b>142</b>	973	0.15	20	0	NA
8	Jammu & Kashmir Bank Ltd	<b>44</b>	2573	0.02	0	5081	0.00
9	Karnataka Bank Ltd	<b>26</b>	1514	0.02	2	0	NA
10	Karur Vysya Bank Ltd	<b>37</b>	1137	0.03	5	0	NA
11	Laxmi Vilas Bank Ltd.	<b>16</b>	681	0.02	2	0	NA
12	Lord Krishna Bank Ltd	<b>22</b>	206	0.11	0	0	NA

13	Nainital Bank Ltd	15	224	0.07	0	0	NA
14	Ratnakar Bank Ltd	3	255	0.01	0	0	NA
15	Sangli Bank Ltd	25	516	0.05	0	0	NA
16	SBI Comm. & Inte'l Bank Ltd.	2	6	0.35	0	0	NA
17	South Indian Bank Ltd	40	1100	0.04	7	0	NA
18	Tamilnadu Mercantile Bank Ltd	19	855	0.02	5	5507	0.91
	<b>New Private Sector Banks</b>						
21	Centurion Bank of Punjab Ltd	404	992	0.41	31	0	NA
22	Development Credit Bank Ltd	45	307	0.15	2	0	NA
23	HDFC Bank Ltd.	1427	5664	0.25	621	2913442	0.21
24	ICICI Bank Ltd.	3597	7280	0.49	1451	7655711	0.19
25	Indus Ind Bank Ltd	61	376	0.16	2	0	NA
26	Kotak Mahindra Bank Ltd	108	119	0.91	5	0	NA
27	UTI Bank Ltd	405	3748	0.11	51	82112	0.62
28	Yes Bank Ltd.	1	66	0.02	0	0	NA
	<b>Foreign Banks</b>						
1	ABN Amro Bank Ltd	322	445	0.72	520	930097	0.56
2	Abu Dhabi Commercial Bank Ltd.	0	16	0.00	0	0	NA
3	American Express Bank Ltd.	27	23	1.20	56	362843	0.15
4	Antwerp Bank Ltd.	0	0	0.00	0	0	NA
5	Arab Bangladesh Bank Ltd.	0	0	0.00	0	0	NA
6	Bank of America NA	5	0	24.04	0	0	NA
7	Bank of International Indonesia	0	5	0.00	0	0	NA
8	Bank of Bahrain & Kuwait B.S.C.	0	8	0.00	0	0	NA
9	Bank of Ceylon	0	2	0.00	0	0	NA

10	Bank of Nova Scotia	0	5	0.00	0	0	NA
11	Bank of Tokyo-Mitsubishi UFJ Ltd.	1	7	0.14	0	0	NA
12	Barclays Bank PLC	0	9	0.00	0	0	NA
13	BNP Paribas	3	4	0.79	0	0	NA
14	Calyon Bank	0	1	0.00	0	0	NA
15	Chinatrust Commercial Bank	0	0	0.00	0	0	NA
16	Shinhan Bank	0	0	0.00	0	0	NA
17	Citibank N.A.	546	793	0.69	636	3296890	0.19
18	Development Bank of Singapore Ltd.	0	0	0.00	0	0	NA
19	Deutsche Bank AG	22	23	0.98	19	174964	0.11
20	HSBC Ltd.	249	568	0.44	427	2161886	0.20
21	J P Morgan Chase Bank	0	0	0.00	0	0	NA
22	Krung Thai Bank Public Co. Ltd.	0	6	0.00	0	0	NA
23	Mashreqbank PSC	1	0	3.61	0	0	NA
24	Mauritius Bank	0	25	0.00	0	0	NA
25	Mizuho Corporate Bank Ltd.	0	0	0.00	0	0	NA
26	Oman International Bank S.A.O.G.	1	8	0.12	0	0	NA
27	Societe Generale	0	0	0.00	0	0	NA
28	Sonali Bank	1	2	0.62	0	0	NA
29	Standard Chartered Bank Ltd.	438	690	0.63	529	1382374	0.38



## Some Positive Feedback

**1. Complaint No. 2132/2006 (Ahmedabad)—Dr. Chandubhai A Bhatt**

**Vs. Central Bank of India**

The bank has fully refunded the charges taken for transfer of my account from one local branch to another branch. I am fully satisfied. Thanking you for your kind co-operation.

**2. Complaint No.2059/2006 (Ahmedabad) - Mulraj Singh Vs. Syndicate Bank**

It is, indeed, highly commendable of you to inform over telephone and directing the bank to refund the charges. For your act of kindness, I thank you a lot.

**3. Complaint No.7000 (Thiruvananthapuram) - Dayananda Lingegowda, Ernakulam**

I am pleased to inform you that Dhanalakshmi Bank finally refunded my additional money after I told them about *the complaint to* Ombudsman. Their entire behaviour changed by 180 degrees, once disclosed about *complaint to*

Ombudsman. Matter has been settled with refund of additional money. Happy ending *at last*...

With reference to my complaint against Dhanalakshmi Bank, regarding discrepancy in debit card statement, the issue has been settled due to your timely intervention. Bank had credited the additional amount to my account. I take this opportunity to appreciate your efforts in this settlement. Issue is effortlessly resolved once RBI is in picture. I thank you once again for all the help.

I use this opportunity to thank you for timely response to my e-mail. Thank God, good people still alive in Indian Government.

Long live Ombudsman, long live the RBI.

**4. Complaint No. 2147/2006 (Ahmedabad) Parmar Pravin Chandra Shantilal Vs. HDFC Bank Ltd.**

The dispute regarding telephone bills through credit card has been settled by the bank through your intervention. I thank all the employees/officers of your office.

**5. Complaint No.127/06 (Ahmedabad) Nimco Pumps Pvt. Ltd.**

**Vs. State Bank of India**

We were called by the Manager of the Bank. My problem was solved by closing our a/c. and issuing banker cheque for the amount available in credit. We appreciate such quick response but only after lodging complaint with you.



**6. Complaint No.6517 (Thiruvananthapuram) - Smt. Subhadra, Ottappalam**

I am extremely thankful to the Banking Ombudsman whose *intervention* has helped me to get my long overdue pension arrears from Canara Bank.

**7. Complaint No. 07/1378/2006-07 - Shri Vikas Mehta V/s ICICI Bank, C-Scheme, Jaipur**

I would like to inform that my complaint against ICICI Bank gets resolved and my all current charges levied have been waived by bank.

In this regard I am satisfied with resolution provided by ICICI Bank and very much thankful to your goodself for helping me and your overwhelming response and action in this regard.

**8. Complaint No. A-6353 (Thiruvananthapuram) – K. Sreedharan, Kannur**

I acknowledge with thanks the receipt of your letter dated 26.2. 2007 and I am grateful to you for your prompt action against my complaint.

I am happy to inform you that subsequently, the AGM of SBI, Kannur, called me for a discussion and the matter has been resolved to my satisfaction by refunding the amount of collection charges under dispute,

I would like to thank you once again for your prompt action.

**9. Complaint No.1171/2006 (Ahmedabad) Akash Mediratta**

**Vs. State Bank of India**

With your intervention and determined efforts the complaint has been amicably solved and an amount of Rs.15,000/- has been transferred to my S B A/c. I thank you.

**10. Complaint No.A-5601 (Thiruvananthapuram) - Dr. P.C. Vijayabharathi,  
Thalassery**

I am pleased to inform you that the State Bank of India, Thalassery has already disbursed the arrears of PPF interest as well as interest for the delayed payment of arrears. I am thankful to your good office for helping to settle the customer complaints. I am glad to note the good services done by the BO to the banking public.

Thanking you, once again.

<b>Important Developments relating to Customer Service and Banking Ombudsman Scheme in 2006-07 (July 2006 to June 2007)</b>
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<b>Date of announcement</b>		<b>Policy Announcements</b>
<b>2006</b> July	1	In order to bring together all activities relating to customer service in banks and Reserve Bank of India in a single department, the Reserve Bank of India constituted a new department called 'Customer Service Department (CSD)' from July 1, 2006. [RBI Press Release : 2006-07/1]
July	1	'Code of Bank's Commitment to Customers', prepared jointly by the Reserve Bank of India, the banks and the newly set up 'Banking Codes and Standards Board of India' was released on July 1, 2006 to provide a framework for a minimum standard of banking services, which individual customers can legitimately expect. The Code sets out the minimum standards of customer service with reliability, transparency and accountability. It outlines how each bank is expected to deal with the customers' day-to-day requirements and accordingly, what each customer should reasonably expect from his bank.
July	20	Banks were advised to place the details of service charges and fees on the home page of their website at prominent place under the title of 'Service Charges and Fees' so as to facilitate easy access to the bank customers. Banks have also been advised to ensure that a complaint form, along with the name of the nodal officer for complaint redressal is provided in the homepage itself to facilitate complaint

		submission by bank customers. (CSD.BOS.5/13.33.01/2006-07 dated July 20, 2006)
August	24	To further improve customer service for outstation investors banks advised to pay half-yearly interest/principal of relief/savings bonds to investors at a place of their choice, either by issue of a demand draft, free of cost, or an 'at par' cheque payable at all branches of the bank. (DGBA.CDD.No.H-3253/ 13.01.299/2006-07 dated August 24, 2006).
September	1	In order to improve the quality of service available to customers in branches, banks advised to ensure that the full address/telephone number of the branch is invariably mentioned in the pass books/statement of accounts issued to account holders. (DBOD.No.Leg. BC.28 /09.07.005/2006-07 dated September 1, 2006)
October	4	Banks advised to invariably offer pass book facilities to all their savings bank account holders (individuals). In case the bank offers the facility of sending the statement of account and the customer chooses to get statement of account, the bank must issue monthly statement of accounts. (DBOD.No.32 /09.07.005/2006-07 dated October 4, 2006)
November	10	In terms of extant instruction, banks are required to 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 are required to pay interest at the rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay. It is clarified that the period of

		fortnight for issuance of duplicate draft is applicable in cases where such request has been made by purchaser or beneficiary of the draft and not in case of third party endorsements. (DBOD.No.Leg.BC.42 /09.07.005/2006-07 dated November 10, 2006)
December	18	Banks advised to invariably display on the cheque drop-box that 'customers can also tender the cheques at the counter and obtain acknowledgment on the pay-in-slips'. The message to be displayed in English, Hindi and the concerned regional language of the state. (DBOD. No. Leg.BC.49 / 09.07.005/2006-07 dated December 18, 2006)
<b>2007</b>		
February	2	The Working Group constituted by Reserve Bank to formulate a scheme for ensuring reasonableness of bank charges in its Report enumerated twenty-seven services related to deposit accounts, loan accounts, remittance facilities and cheque collection as basic banking services and defined low value transactions for cheque collection and remittance upto Rs. 10,000 in each case and upto \$500 for forex transactions. The Group recommended that for services rendered to individuals, banks will levy charges ad valorem subject to a cap. Banks will fix lower rates for individuals as compared to non-individual entities and also fix lower rates for special categories of individuals such as senior citizens, rural customers, pensioners and the like. (DBOD.No.Dir.BC. 56/ 13.03.00/2006-2007 dated February 2, 2007)
February	21	Banks were advised to prepare a scheme for offering 'doorstep' banking services to their customers with the

		approval of their Boards, in accordance with the guidelines issued by Reserve Bank. (DBOD.No. BL.BC. 59/22.01.010/2006-2007 dated February 21, 2007).
February	22	Banks advised to disclose the details of customer complaints and Awards passed by the Banking Ombudsmen along with their financial results at the end of financial year. Banks also advised to place the detailed statement of complaints and its analysis on their websites for information of general public at the end of each financial year. (DBOD.No.Leg BC. 60/ 09.07.005/2006-07 dated February 22, 2007)
March	6	Guidelines on Fair Practices Code for Lenders were amended and banks/financial institutions advised that in case of all categories of loans irrespective of any threshold limits, including credit card applications, they should convey in writing the main reason / reasons which, in the opinion of the bank/FI have led to rejection of the loan application. (DBOD.No.Leg.BC.65 /09.07.005/2006-07 dated March 6, 2007)
March	30	Banks advised to ensure that cheques/drafts issued by clients containing fraction of a rupee are not rejected or dishonoured by them. Any bank violating the aforesaid instructions would be liable to be penalised under the provisions of the Banking Regulation Act, 1949. (DBOD. Dir. BC. 70/13.01.01/ 2006-07 dated March 30, 2007)
April	5	Banks advised to generally insist that the person opening a deposit account makes a nomination. Even after being explained the advantages of nomination facility, in case any

		person does not want to make nomination, he should give a specific letter to this effect. (DBOD.No. Leg BC. 75 /09.07.005/2006-07 dated April 5, 2007)
April	17	The Reserve Bank issued guidelines on extension of safe deposit lockers/ safe custody article facility and access to safe deposit lockers and return of safe deposit articles by banks. Banks advised to give wide publicity and provide guidance to locker-hirers/depositors of safe custody articles on the benefits of the nomination facility and survivorship Clause. (DBOD. No.Leg.BC.78/09.07.005/2006-07 dated April 17, 2007)
April	25	Banks to ensure that none of their branches/staff refuse to accept lower denomination notes/coins. [DCM(NE) No. 7488/08.07.18/2006-07 dated April 25, 2007]
April	30	The Reserve Bank informed banks about clarification given by the Govt. that where the depositor under Senior Citizens Saving Scheme 2004 has expired before the maturity of the deposits, the nominee/legal heirs are entitled to the benefit of saving bank rate of interest from the date of the death of the depositor till closure of the account under the scheme. (DGBA.H-15824/15.15.001/2006-07 dated April 30, 2007)
May	7	Banks advised to lay out appropriate internal principles and procedures so that usurious interest including processing and other charges are not levied on loans and advances. An appropriate ceiling may be fixed on the interest, including processing and other charges that could be levied on such loans, which may be suitably publicized. (DBOD No. Dir.BC.93/ 13.03.00/2006-07 dated May 7, 2007).

May	7	Banks advised to increase the banking outreach to the remote corners of the country and to scale up their financial inclusion efforts by utilizing appropriate technology. (DBOD No. Leg. BC/94/09.09.07.005/2006-07 dated May 7, 2007)
May	24	Amendments made in Clauses 12,13 and 14 of the Banking Ombudsman Scheme 2006 to provide for an appeal option before the Appellate Authority to any person aggrieved by an Award under Cl.12 or rejection for reasons referred in sub-clauses ( c) to (g) of Clause 13 within 30 days from the receipt of communication of Award or rejection.
May	25	Banks advised to allow operation of NRO account by Power of Attorney holder provided such operations are restricted to (i) all local payments in rupees including payments for eligible investments subject to compliance with relevant regulations made by Reserve Bank, and (ii) remittance outside India of current income in India of the non-resident account holders, net of applicable taxes. [AP(DIR Series) Circular No. 64 dated May 25, 2007]
June	28	RRBs allowed to open/maintain NRO/NRE Accounts in rupees and to accept FCNR deposits subject to stipulations in this regard. (RPCD.CO.RRB.No.BC.106/03.05.33(C)/2006-07 dated June 28, 2007)



**SOME OF THE IMPORTANT AND EXEMPLARY CASES DEALT  
BY THE BANKING OMBUDSMAN OFFICES**

**Case 1:**

**Charging usurious and unsustainable interest rates  
on unsecured personal loans**

Two complainants preferred two separate complaints against the exorbitant interest rates being charged by a bank, without transparency, on unsecured small ticket personal loans. The first complainant stated that the bank had charged 48% p.a. for the personal loan of Rs.30,000.00 as against the initial intimation of interest at 18% p.a. and the bank had also not disbursed the loan amount in full. The second complainant had availed a personal loan of Rs.35,000. The bank had not specified the interest rate, despite repeated enquiries and had only informed that it would be slightly high. Later, it was observed that the bank had been charging interest at 52% p.a., and along with the various other charges levied, it worked out to about 60% p.a., on the disbursed amount. On taking up the matter with the bank, the bank provided a copy of the terms and conditions of the loan duly acknowledged by the borrowers, which left room for doubt relating to transparency in charging of rates. The bank explained that they had charged processing fee as per their norms and disbursed the loan amount after deducting the processing charges and hence there was difference in the loan amount disbursed to the complainants. The bank insisted that they charged interest at 48% p.a. and 52% p.a., respectively as per the terms and conditions of the bank, duly accepted by the complainants and took refuge under the extant RBI guidelines, according to which banks could charge an interest rate as deemed appropriate based on the risk profile associated with each segment, their operating costs and other charges as determined by the bank. The Banking Ombudsman observed that the effective cost of the loan was 60% p.a. taking into consideration the impact of charging the processing fees upfront and the actual

amount disbursed. On detailed enquiry and intervention by the Banking Ombudsman, the bank contacted the complainants and agreed to reduce the interest rate to 18% p.a. diminishing, upon which the first complainant withdrew the complaint and the same was closed. In the case of the second complaint, since the complainant had not paid any amount in the loan account, the bank informed the complainant that the re-schedulement would be effected on upfront payment of the overdue interest at 18% p.a., diminishing, from the date of the loan till the date of settlement. The complainant, while acknowledging the reduction in interest rate, refused to pay the overdue interest demanded upfront and sought further intervention of Banking Ombudsman, which was denied and the case was closed. Subsequently, the matter relating to excessive interest rates was addressed in the Annual Policy 2007-2008 and the Boards of banks were advised to lay down internal principles and procedures, so that usurious interest, including processing and other charges are not charged.

**Case 2:****Insurance premium debited to credit card account  
without cardholder's consent**

The complainant represented to the Banking Ombudsman that although he had surrendered the credit card of XYZ Bank in May 2006 after repaying card dues, the bank had been harassing him by demanding payment of the dues. However, the bank had not provided to him the details of the payments demanded from him. After protracted correspondence, the bank informed him that they had reversed the finance charges and late fees charged to the credit card account totaling Rs. 4,676/- as a good service gesture and after the reversal there was an outstanding amount of Rs. 6,236/- which he was asked to pay to avoid levy of further charges.

In the conciliation meeting convened by the Office of the Banking Ombudsman to facilitate an amicable settlement of the complaint, the bank reported that the outstanding amount in the card account was on account of insurance premium and consent for insurance policy had been obtained from the cardholder at the time of submitting the application for the credit card. The bank further informed that the insurance product for which the premium was levied was not an add-on feature on the card but a 'sold product', which was offered to the customer. The bank agreed to produce documentary evidence within a week to prove that cardholder's consent had been obtained for the insurance product. However, the bank could not produce the documentary evidence within the time frame agreed to at the meeting and reversed premium charged to the customer.

### **Case 3:**

#### **Wrongly classifying a card holder as a defaulter**

The complainant, a Credit Card holder, was paying the dues regularly as per the statements. He received a letter from the card issuers informing him that he was a defaulter and that legal action will be taken if the overdues were not cleared. Immediately after a week, the Card Issuer had advised that the earlier letter was sent inadvertently to him and had also apologized for the mistake. Meanwhile, as per the data reported to CIBIL, the complainant was implicated as a defaulter. Though an apology letter was issued immediately thereafter, no steps were taken to rectify the wrong information reported. When the complainant approached another bank for a credit facility, they refused to grant the loan for the above reason. In spite of written representation by the complainant, the card issuer did not take steps to do the rectification required. On taking up the complaint with the card issuers, they submitted that data of all card holders are reported to CIBIL and the Card Holder's name was reported under Standard Category. In response to the detailed enquiries of the Banking Ombudsman, they conceded that their service providers would have entered the data erroneously in one of the fields. The same was rectified subsequently as directed by the Banking Ombudsman. The conciliatory efforts of the Banking Ombudsman to settle the complaint did not elicit the desired response from the card issuers. The details furnished by the card issuer revealed that the list of mandatory fields in the CIBIL datasheet submitted by the card issuer included *inter alia* the amount overdue, asset classification and suit-filed willful default status. As stated by CIBIL, members use the CIBIL data for credit decisions and wrong reporting in any of the fields such as amount overdue or under suit-filed willful default status could have a direct bearing on the credit decision and could also result directly in an unfavourable decision for no fault of the individual customer.

It was observed that the complainant's name was not reported as a defaulter and had been shown under standard category. At the same time, his liability

under cards was reported as "overdue". The terms *Due* and *Overdue* had different connotations. The first term denotes only the liability outstanding which is payable, whereas the second term denotes the amount in default. Though, the cardholder was not reported as a defaulter, the fact that there was wrong reporting in one of the fields in the CIBIL database resulted in his being considered as a defaulter, thereby denying him access to credit from institutional sources. It was clearly established that there had been deficiencies on the part of the card issuer in classifying the complainant's liability under the card as overdue and measures were taken only belatedly in rearranging the data correctly. The mental agony experienced by the complainant and the reputational loss could not be quantified in monetary terms.

After taking into account all the facts of the case, the Banking Ombudsman issued an Award directing the Credit Card Issuer to pay Rs.25,000.00 as compensation for the inconvenience, mental agony and loss of prestige caused by their error in reporting.

#### **Case 4:**

##### **Ambiguous clause in Loan Agreement for levy of pre-closure charges**

The complainant wanted to close his loan account with the respondent bank prematurely. The bank, on enquiry informed him the amount payable by him would include the pre-closure charges. The complainant paid the amount and the account was closed. The bank provided the complainant the statement of the closed account wherein the pre-closure charge mentioned was lower than the amount actually paid by him. The complainant claimed refund of the excess amount recovered from him towards pre-closure charges.

The bank, in response, claimed that in terms the loan agreement, it can recover the pre-closure charges at a rate which can range between 0 to 5% of the outstanding amount of the loan. As regards the higher amount of the above charge advised to the complainant, the bank contented that it advised only the approximate amount as a pre-term quote. Since the bank can recover the charge in the range of 0 to 5%, the bank's act of recovering an amount, which is different from the amount advised earlier, is justified.

The efforts of conciliation made by the Banking Ombudsman did not yield results. Perusal of the records relating to the case revealed that the bank had advised different amounts towards pre-closure charges in its various correspondences. The complainant relied on the information given to him by the bank and paid accordingly. The bank's act of recovering the higher amount from the complainant and appropriating the lesser amount towards the pre-closure charges, which it subsequently increased, cannot be considered justified. Further, though the banks enjoy freedom to decide charges for various services, they are required to intimate the charges to the customers, in advance, in an unambiguous manner. The clause of the agreement referred to by the bank provides for the charge in the range of 0 to 5%. The above clause may be considered as ambiguous as it does not intimate the exact charge recoverable in case of pre-closure of the loan account.

Based on the above consideration the bank was directed to restore the amount recovered by it in excess of what was originally intimated to the complainant for closure of the loan account.

The bank has since implemented the order.

## **Case 5:**

### **Deposit Schemes**

Y, a CRPF constable, had deposited around Rs. 1,920 in February, 1993 with the bank under a special scheme devised by the bank for police personnel. The deposit payable after 40 years had a maturity value of Rs.2,17,416/-. The depositor died at Delhi while on duty on 10.6.2005. His mother approached the bank for payment of the proceeds of her deceased son's account and produced a legal heir certificate to substantiate her claim. The bank did not take any action despite her regular follow up. Her two other sons also wrote to the bank to expedite the process of settlement of the account. Finally, a petition was made to the Ministry of Finance, New Delhi seeking their intervention in the matter.

The complaint was forwarded to the Banking Ombudsman office by the Ministry of Finance on 6.6.2007 for resolution of the case. The case was referred to the bank on 11.6.2007 advising them for expeditious settlement of the account in favour of the mother of the deceased as she was the sole legal heir. The bank explained the delay on account of destruction of some of the records by flood water during the cyclone of 1999. However, pursuant to our intervention, the bank processed the claimant's application on the basis of the available documents and remitted Rs.7,820/- to her by means of a demand draft on June 21, 2007.



## **Case 6:**

### **Charges on a credit card**

The complainant lodged the complaint alleging that the credit card issuing bank has not credited the payment of Rs.5,600/- made in October 2005 despite the complainant's bank account being debited to that effect. The bank levied several charges for non accounting of the same including the over limit charges. The complainant informed the bank several times over phone and made written representation with three reminders for rectification of the above error by providing the documentary evidence of his bank pass book entry wherein the disputed cheque amount debited to his bank account was reflected. But no response was received from the respondent bank. The complainant approached the Banking Ombudsman and sought relief of Rs.5,600/- along with interest @ 2% for the delayed period, reversal of over limit fee charged as the credit limit exceeded because of non-crediting of the payment made and compensation of Rs.10,000/- for wasting his valuable time and for the harassment meted out on him. The bank credited only Rs.5,600/- and other charges levied thereon. Despite giving the bank sufficient opportunity it had not addressed the issue completely and satisfactorily. Therefore, a hearing of the complaint with the bank and the complainant was conducted on 14.06.2007 for conciliation and settlement as provided under Clause 11 of the Banking Ombudsman Scheme, 2006. An amicable settlement was arrived in the conciliation meeting. The bank agreed to reverse over limit fee levied Rs.330/60, pay interest of Rs.1,232/- and Rs.7,500/- as compensation for loss of time and harassment.

## **Case 7:**

### **Wrong Delivery and Misuse of Credit Card**

The complainant was transferred by his employer from Visakhapatnam to Alwaye in Kerala. The Card Issuer had intimated on January 8, 2005 that the Credit Card could not be delivered. Immediately, he had contacted Card Issuer and furnished his Alwaye address. Though he had not received the Credit Card, he continued to receive the monthly statements demanding payment. On taking up the complaint with the Card Issuers, they had informed that when they had tried to deliver the Credit Card to the complainant's mailing address as per their records, the same was returned undelivered to them. The customer had intimated the personnel at the Customer Care Centre telephonically, only about the change in his official address but had not requested for change in residential address. The Card Issuers admitted that the card was re-despatched to his previous residential address and it was delivered to another person on February 5, 2005. Evidently, the card was misused and fraudulent transactions were booked in the account. There was delay on the part of the cardholder in informing the Card Issuers regarding non-receipt of the card. As per the terms and conditions mentioned at Article 7 of the Card Issuer's Guide, the cardholder is fully liable for loss, cost, expenses or damages which arise due to loss or misuse (civil or criminal) before the card is reported lost.

The Banking Ombudsman observed that the Card Issuers should have despatched the card to the complainant at his official address, as he had already informed the change in address. Instead the card was re-despatched to the customer's previous residential address and delivered to another person. This went against the Card Issuers' own guidelines which stipulated that the Credit Card would be delivered against proof of identity of the cardholder. The Banking Ombudsman ordered that the Card Issuers should absolve the complainant of the Credit Card liabilities amounting to Rs. 58,555.00, as he was in no way responsible for the negligence of the Card Issuers. The Card

Issuers were also advised to pay Rs.100.00 towards postage and telephone charges as demanded by the complainant.

## **Case 8:**

### **Non-compliance of stop payment instructions**

The complainant instructed the bank, in writing, to stop payment of a blank cheque which was lost. The bank acknowledged the instruction and recovered the service charges for recording the above instruction. The complainant on receipt of the statement of account noticed that the bank has paid the said cheque by debit to his Cash Credit account. He demanded restoration of the amount debited to his Cash Credit account against the said cheque and also the interest charged by the bank on the cash credit account on the amount debited thereon.

The bank in its submission admitted that the complainant's signature on the request letter for recording stop payment is genuine. The bank explained that it paid the said cheque, through clearing to the collecting bank for credit to their customer's account. The collecting bank had opened their customer's account without complying with the KYC norms. The bank also claimed protection under section 20 of N.I.Act 1881. While considering the case, the Banking Ombudsman observed that the bank is under an obligation to honour the cheques drawn by its customer on his account as per the mandate given by him.

The complainant, in the instant case had cancelled his mandate for the said cheque by instructing the bank not to pay the cheque. The bank acknowledged the above instruction of the complainant and recovered charges therefor. There is no dispute regarding the fact that the bank had received proper instruction from the complainant and noted the same for compliance. The bank thus, had no right to debit the complainant's account against the said cheque. The provisions of section 20 of N.I.Act 1881 are not relevant to the case as the complainant did not deliver the cheque to a person on whose behalf the collecting bank collected it

The Banking Ombudsman passed an Award directing the bank to restore the amount debited to the complainant's account together with interest at the rate applicable to cash credit account, from the date of debit till restoration.

## **Case 9:**

### **Payment of interest on overdue deposits**

The complainant got a Fixed Deposit Receipt issued from the bank in favour of a Government Department as earnest money. The beneficiary encashed the said FDRs two years after the date of maturity. The complainant being the depositor of the money, claimed interest on the deposits for the overdue period on the ground that the deposit remained with the bank till encashment.

The bank, in response explained that the said deposits were made in favour of the Govt. Authority. The beneficiary, after maturity of the deposits demanded payment from the bank and the bank complying with the orders of the beneficiary paid the amount to them. The bank contented that since the deposits were not renewed after the date of maturity, it could not pay the interest for the overdue period. The case was analysed in light with the instructions of RBI governing payment of interest on overdue deposits. In terms of the RBI instructions on payment of interest on overdue deposits, banks enjoy discretion to allow interest on an overdue term deposit or a portion of the said overdue deposit from the date of maturity of the deposit provided that the total amount of overdue deposit or part thereof was being renewed from the date of its maturity for a period extending up to 15 days beyond the date of renewal. In the instant case, the said fixed deposit was not renewed after the date of maturity. The deposit was payable to a Govt. Department, who after maturity of the same presented the receipts, duly discharged to the bank and demanded payment. Although the money remained with the bank after the date of maturity till encashment, the same was not renewed by the beneficiary. Therefore, the bank's action of not allowing interest on the overdue deposit was in conformity with RBI instructions.

The complaint was adjudged as made without sufficient cause and rejected under clause 13 (d) of the Banking Ombudsman Scheme, 2006.

**Case 10:****Cheque collection**

The complainant company has issued a cheque of Rs. 0.66 lakh in favour of one investor 'XZ' as redemption proceeds of her investment. The cheque was payable to her SB A/c with a public sector bank's branch at Baroda. The cheque was, however, collected for one X (Y) Z by one of the branch of the defendant bank at Mumbai. On follow up by actual payee with the complainant, she was paid Rs.0.70 lakh (proceeds plus interest). The Banking Ombudsman decided that bank has not followed KYC guidelines of RBI and was negligent in collection of the instrument. As such the bank was ordered to pay the complainant Rs.0.66 lakh plus interest from 8.4.2004 till date of payment @ 2% above the FD rate prevailing on 8.4.2004.

"Disclaimer: The Reserve Bank of India does not vouch the correctness, propriety or legality of orders and awards passed by Banking Ombudsmen. The object of placing this compendium is merely for the purpose of dissemination of information on the working of the Banking Ombudsman Scheme and the same shall not be treated as an authoritative report on the orders and awards passed by Banking Ombudsmen and the Reserve Bank of India shall not be responsible or liable to any person for any error in its preparation. "