

# **THE BANKING OMBUDSMAN SCHEME 2006**

**ANNUAL REPORT  
2009-2010**



**Reserve Bank Of India  
Customer Service Department  
Central Office  
Mumbai**



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## Foreword

Customer service is a challenging issue in any service oriented field as it is a very difficult task to keep pace with and meet the rising aspirations of customers.

The task is even more challenging in banking field as it is required to deliver improved and efficient customer service while increasing penetration and giving access to un-banked customers. This task can partly be achieved by leveraging appropriate technology. Apart from enabling increased penetration of the banking system, improving productivity and efficiency and making small value transactions viable, technology also allows transactions to take place faster and offers unparalleled convenience through various delivery channels. The Reserve Bank of India is, therefore, insisting on technology adoption by banks.

It is no one's case that banks have not introduced technology. In fact, most public sector banks in India in the last decade have gone through a phase of technology up-gradation and have migrated to core banking solution (CBS) platform. Adoption of technology has changed the face of the banking sector which is manifest in the various transformational developments of the recent past. The benefits of technology are, however, not commensurate with the developments. The speed, cost, convenience and efficiency

of banking services have not improved by factors that technology enables one to achieve. A part of the problem is that banks are yet trying out fledgling delivery models rather than putting in place a cost-effective, decentralised and realistic delivery model. Fixing a problem / glitch when it happens thus becomes the weakest link in providing efficient customer service.

A large number of complaints to the Banking Ombudsman relates to this area. If banks can bring in cost-effective technology with appropriate delivery model, it would improve speed, efficiency and quality of banking services. It will also ensure that customers are treated fairly as technology has this unique characteristic of bringing in equity. Unfortunately, IT has not been properly implemented which has led to a rise in the number of complaints. This is because of lack of IT strategy and vision, business process re-engineering, business model, etc., on the banks' part. Many complaints could have been avoided had banks taken adequate care of these aspects. The key to improving this deficiency is in adopting appropriate delivery model. Banks must improve their technology delivery model to bring substantial reductions in the number of customer complaints. Banking Ombudsmen will be working closely with the banks to help them in this endeavour.

Commercial banks must also resolve to reduce customer grievances by adopting the following seven principles:



1. Minimum courtesy and behavioral standards
2. Transparency
3. Non-discriminatory policy
4. Deliver what is promised
5. Allowing seamless 'switching' of products without excessive penalty
6. Appropriateness of 'sell' and
7. Firm and polite stand against unreasonable customer demands

The Offices of the Banking Ombudsmen have been rendering excellent service over the years in redressing customer grievances in an impartial and efficient manner. The Banking Ombudsman (BO) Scheme was last amended on February 3, 2009 to enhance its scope to cover deficiencies arising out of internet banking. Further, non-adherence to the Fair Practice Code for lenders and the Code of Commitment to Customers issued by the Banking Codes and Services Board of India (BCSBI), non-observance of the Reserve Bank guidelines on engagement of recovery agents by banks were also brought within the purview of the BO Scheme. The amendments to the BO scheme have always focussed on customer touch points and the increasing trend of non-face to face transactions, mainly due to deployment of technology. From a total of 11, when the BO Scheme was started in 1995, today, the BO Scheme provides for 27 grounds of complaints / deficiencies in bank services.

These proactive measures have resulted

in increase in the number of complaints received in BO Offices. During 2009-10, for instance, the Banking Ombudsmen received 79,266 complaints as against 69,117 complaints received in the previous year (an increase of 15 per cent). BOs disposed off 94 per cent of the total complaints received (87 per cent in the previous year). Only five per cent of the complaints remained pending for more than three months as on June 30, 2010, as against seven per cent in the previous year. Increase in the number of online complaints, coupled with the increase in ATM/credit card related complaints during 2009-10 were indicative of the increasing use of technology by customers for availing banking services and seeking redressal of their grievances. Out of 429 appeals received during 2010, 395 appeals were disposed off; leaving 34 cases (eight per cent) pending. During the previous year, 301 appeals were received. The increase in appeals is also an indication of the increase in customers' awareness of the BO Scheme.

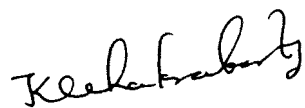
During the year, the Reserve Bank took many proactive customer-centric initiatives which largely emanated from the feedback received from the BOs. For instance, agency banks were directed to pay compensation for delay in payment of pension dues. This was apropos the feedback from BOs that delays in pension payment were a serious issue. Banks were advised to pay the complainant compensation of Rs. 100/- per day for the delay in resolving complaints about failed

ATM transactions. Again, effective April 1, 2010, payment of interest on savings bank deposits was made to be paid on a daily product basis. Banks were advised to issue no-due certificates in all cases resolved through Banking Ombudsmen intervention within a week of reaching such settlement and also suitably modify records of Credit Information Bureau of India Limited (CIBIL).

The Governor has, in the Annual Policy Statement for 2010-11, announced constitution of a committee under the Chairmanship of Shri M. Damodaran, former Chairman, Securities and Exchange Board of India. This committee

will look into the banking services rendered to retail and small customers and pensioners, structure and efficacy of the grievance redressal mechanism and will suggest measures for expeditious resolution of complaints. The committee will also review the BO Scheme.

I am sure that the offices of Banking Ombudsmen will continue to play a constructive and relevant role in customer grievance redressal.

  
(K. C. Chakrabarty)

October 21, 2010



## Vision and Goals of the Banking Ombudsman Offices

### Vision

- To be a visible and credible system of dispute resolution mechanism for common persons utilizing banking services.

### Goals

- To ensure redressal of grievances of users of banking services in an inexpensive, expeditious and fair manner that will provide impetus to improved customer services in the banking sector on a continuous basis.
- To provide feedback/suggestions to Reserve Bank of India towards framing appropriate and timely guidelines to banks to improve the level of customer service and to strengthen their internal grievance redressal systems
- To enhance the awareness of the Banking Ombudsman Scheme.
- To facilitate quick and fair (non-discriminatory) redressal of grievances through use of IT systems, comprehensive and easily accessible database and enhanced capabilities of staff through training.

## Customer Service Initiatives by the Reserve Bank of India over the years

The deregulation of interest rates and product pricing by banks in India was followed up by the RBI with certain institutional, regulatory and infrastructural changes. A summary of the important initiatives taken by the RBI for improvement in customer service rendered by banks is detailed below:-

➤ Prior to the deregulation of interest rates, when the banking industry was predominantly under Government control, the need for efficiency and courtesy in customer service was highlighted through the recommendations of the Goiporia Committee.

➤ The advent of the new private sector banks brought about a paradigm shift in the way banking services were delivered and the Indian consumer had the first taste of technology driven delivery of banking services in the form of the ATMs. Today we have come a long way in this regard in as much as setting up and licensing of ATMs has been deregulated. With a view to improve accessibility of banking services, the customers have been empowered to access ATMs of any bank across the country, free of charge.

➤ The Banking Ombudsman Scheme (BOS) was formally launched in 1995 to provide an alternative cost effective dispute resolution mechanism. The BOS has served the country and its banks' customers well. The feedback gathered in the course of administering the scheme has been used by the RBI to modify the



scheme with a view to cover the maximum customer touch points and products. The growing number of complaints under the BOS is an indicator of the increasing awareness of our customers and also the timely action taken by the RBI to focus customer-centric.

➤ The deregulation of interest rates (deposits and advances) was followed by ushering in the Risk Management Guidelines starting with the setting up of the ALCO. The fair treatment of customers was built into the guidelines which stipulated that the discrimination in interest rates offered to depositors for any maturity would be only on the basis of quantum of deposits i.e. deposits in excess of ₹15.00 lakh. The interest rates paid on savings bank deposits continue to be administered by the RBI even now. With most of the banks having switched over to core banking solution platform, it was decided by the RBI to change the methodology of calculating products of savings bank deposits for application of interest. The changes would be effective from April 1, 2010. The exact impact of this change in favor of the customer would be known once the actual implementation of the directions is taken up by the banks.

➤ The deregulation of interest rates on advances was followed by the regulatory requirement to disclose the bank specific Prime Lending Rate (PLR) in its website and to charge the borrowers an interest rate that is reflective of the risk perception of the bank vis-à-vis the borrower or the type of activity that is being financed.

➤ The deregulation of interest rates was also accompanied by the freedom

given to banks to charge the borrowers interest rates on fixed rate or floating rate basis. The banks in turn had the option to hedge the interest rate risk by undertaking an Interest Rate Swap (IRS). While interest rates were deregulated, the RBI did take care of the vulnerable sections of the society by prescribing the spread below the PLR being the interest rate at which banks could lend to these sections of the society.

➤ The Payments System initiatives like RTGS and NEFT / Speed Clearing have been followed up by directives from the RBI regarding the pricing of these services. This was again done to ensure that the customers get a fair deal.

➤ All the banks are required to place in the public domain their Fair Practices Code (Lender's liability) as directed by the RBI. The adherence to this code is to be reviewed by each bank's Board of Directors and the overall performance of the bank in this regard is analyzed by the RBI at the time of Annual Financial Inspection (AFI) of banks. The aberrations in this regard, if any, are brought to the notice of the Senior Management through the Customer Service Department.

➤ The setting up of the CPPAPS (Chairman Dr. S. S. Tarapore) and the implementation of its recommendations culminating in the formation of the BCSBI are important milestones in the fair treatment of customers. The BCSBI's Code of Commitment to Customers was initially launched in 2006. This Code has since been reviewed in its entirety and its updated version launched in August 2009. With a view to ensure that this customer – centric initiative does not suffer for want



of adequate funds and patronage, RBI has taken upon itself the responsibility to fund this project in totality for the first five years.

- The operational guidelines issued to banks for handling card products focus on fair treatment of the customer. This was necessary given the fact that this segment of the market is still in its infancy in India.
- The code of conduct to be followed by banks while appointing Direct Selling Agents (DSA) and Direct Recovery Agents (DRA) has been put in place by RBI to ensure that bank customers have no room to complain on this account.
- The issue of Most Important Terms and Conditions (MITC) along with the card products sold by banks, in a readable and legible form, has been made mandatory under the regulatory guidelines issued by the RBI.
- The various instructions issued to the banks that have a bearing on customer service, have been codified and put in one place in the form of a Master Circular. The RBI's web site has a lot of information for the bank's customers, under the head "For Common Person". The contents in this section of the web site are available in 15 regional languages.
- The annual plan of branch expansion of banks is generally approved by the concerned regulatory department after getting inputs and feedback from the Customer Service Department about the concerned bank's track record in adhering to various customer-centric guidelines issued by the RBI.
- The Reserve Bank has, over the years, undertaken a number of initiatives

for ensuring fair treatment to customers. Reserve Bank observed that within the domain of necessary freedom to banks to choose the types of services to be offered to the customers and related costs, it is necessary to further develop a credible and effective functional system of attending to customer complaints. In particular, banks' internal structure needs to be made functionally effective and scaled up to attend to not only basic customer needs, but the special needs of disadvantaged groups such as pensioners and small borrowers, including farmers. Though there exists a tiered mechanism for customer grievance redressal in the banks, its efficacy in terms of attending to customer complaints is far from satisfactory. Taking into account all these considerations, Reserve Bank of India has constituted a Committee under the Chairmanship of Shri M. Damodaran - Ex Chairman, SEBI to look into the banking services rendered to retail and small customers and pensioners, structure and efficacy of the grievance redressal mechanism and to suggest measures for expeditious resolution of complaints. The other members of the Committee are Smt. M. Rajyalakshmi Rao, Shri Ashok Ravat, Shri M. V. Nair, Shri B. M. Mittal, Shri M. S. Sundara Rajan and Shri S. Gopalakrishnan. Shri Kaza Sudhakar, CGM, CSD is the Member Secretary of the Committee. (Details in the Box item)

- The BPLR system, introduced in 2003, fell short of its original objective of bringing transparency to lending rates. This was mainly because under the BPLR system, banks could lend below BPLR. For the same reason, it was also difficult to assess the transmission of policy rates of the Reserve Bank to lending rates

of banks. Accordingly, based on the recommendations of the Working Group on Benchmark Prime Lending Rate which submitted its report in October 2009, Base Rate System was introduced replacing BPLR with effect from July 1, 2010. The Base Rate system is aimed at enhancing transparency in lending rates of banks and enabling better assessment of transmission of monetary policy.

➤ A number of complaints regarding failed ATM transactions are on the rise. Though the banks are required to reimburse to the customers, the amount wrongfully debited on account of failed ATM transactions within a maximum period of 12 days from the date of receipt of customer complaint, many instances of non adherence by banks to these instructions came to the notice of Reserve Bank of India. After reviewing the issues involved, Reserve Bank directed the banks to pay compensation of ₹ 100/- per day, to the aggrieved customer automatically without any claim from the customer, for failure to re-credit the customer's account within 12 working days from the date of receipt of the complaint.

➤ Pension is the life line of pensioners and any delay in affording their legitimate dues will rob them of dignity of life to which they are entitled to. A review of the pension payment systems obtaining in various Agency Banks was made by Reserve Bank of India which revealed several disturbing features such as inordinate delay ranging from one month to 18 months at the Agency Bank level in disbursing the revised pension, ineffective customer service on pension payment matters at the branch level, lack of effective

coordination between the branches and the Central Pension Processing Centers, wherever pension payments are centrally computerized. With a view to ensuring that the pensioners get their legitimate dues in time, Agency banks were advised to ensure payment of revised pension and arrears are credited to their account on or before the due date in respect of all the Government pensioners. Any delay beyond the due date should be compensated at the Bank Rate plus 2% penal interest automatically without any claim from the pensioner in respect of all delayed pension payments made since October 1, 2008.

➤ On the basis of recommendations of the Working Group constituted by Reserve Bank of India to examine the experience of the Business Correspondent (BC) model and suggest measures, to enlarge the category of persons that can act as BCs, in addition to the entities presently permitted, banks were permitted to appoint the following entities as BCs : (i) Individual kirana/medical /fair price shop owners (ii) Individual Public Call Office (PCO) operators (iii) Agents of Small Savings Schemes of Government of India/Insurance Companies (iv) Individuals who own Petrol Pumps (v) Retired teachers and (vi) Authorised functionaries of well run Self Help Groups (SHGs) linked to banks. With a view to ensuring the viability of the BC model, banks (and not BCs) are permitted to collect reasonable service charges from the customer, in a transparent manner under a Board-approved policy.

➤ There has been a spate of fictitious offers of cheap funds in recent



times from the fraudsters through letters, e-mails, mobile phones, SMS, etc. Communications on fake letterheads of the Reserve Bank and purportedly signed by its top executives / senior officials are also being sent to targeted people. Many residents have been victims of such teasing offers and lost huge money in the process. It is also noticed that fraudsters are seeking money from the gullible people, under different heads, such as, processing fees/ transaction fees/ tax clearance charges/conversion charges, clearing fees, etc. The victims of the fraud have also been persuaded to deposit the amount in accounts with banks in India, and such amounts have been withdrawn immediately. It is also observed that multiple accounts are being opened in the name of individuals or proprietary concerns, at different bank branches for collecting the transaction charges, etc. In addition to regularly alerting the public about such fictitious schemes/ offers, through the print and the electronic media, Reserve Bank of India has also advised banks to exercise due caution and to be extra vigilant while opening or allowing transactions in such accounts.

➤ The use of Credit/Debit Cards has been increasing in the country. Reserve Bank of India regularly reviews various options to enhance the security of online card transactions. In this direction, banks were advised to mandatorily put in place

a system of providing for additional authentication/validation based on information not visible on the cards for all on-line card not present transactions except IVR transactions with effect from August 01, 2009 and also introduce a system of “Online Alerts” to the cardholder for all ‘card not present’ transactions of the value of ₹ 5,000/ and above. After extensive deliberations with the banks/card companies, this requirement of additional authentication/validation to all ‘card not present’ transactions has also been made applicable to all IVR transactions with effect from January 01, 2011.

➤ Mobile phones as a medium for providing banking services have been attaining greater importance. In order to ensure a level playing field and considering that the technology is relatively new, Reserve Bank has brought out a set of operating guidelines for adoption by banks. With a view to further enhance the scope, the daily cap for mobile banking transactions was raised to ₹ 50,000/- per customer for both funds transfer and transactions involving purchase of goods/services. In order to facilitate the use of mobile phones for remittance of cash, banks were permitted to provide fund transfer services which facilitate transfer of funds from the accounts of their customers for delivery in cash to the recipients subject to a maximum value of ₹ 5000/- per transaction.

## PROFILE OF CUSTOMER COMPLAINTS RECEIVED AT BO OFFICES

Sr. No.	Particulars	2007-08	2008-09	2009-10
1.	Complaints b/f from the previous year	7105	5892	9433
2.	Complaints received at the BO offices during the year	47887	69117	79266
3.	Total no. of complaints handled by the BO offices during the year	54992	75009	88699
4.	Complaints disposed off during the year	49100	65576	83336
5.	Complaints pending at the close of the year at the BO offices	5892 (10.7%)	9433 (12.6 %)	5363 (6.1 %)
6.	Complaints Pending for less than one month	2712 (4.9 %)	5041 (6.7 %)	2787 (3.2 %)
7.	Complaints Pending for One to two months	1394 (2.5%)	2751 (3.7 %)	1526 (1.8 %)
8.	Complaints Pending for Two to three months	861 (1.6 %)	956 (1.3 %)	808 (0.9 %)
9.	Complaints Pending for More than 3 months	925 (1.7 %)	685 (0.9 %)	242 (0.2 %)
10.	Appeals b/f from the previous year	5	32	121
11.	Appeals received by the AA during the year	186	269	308
12.	Total no. of Appeals handled during the year by the Appellate Authority	191	301	429
13.	Appeals disposed of by the AA	159	180	395
14.	Appeals pending at the close of the year	32	121	34
15.	Appeals Pending for Less than one month	17	55	30
16.	Appeals Pending for One to two months	10	18	4
17.	Appeals Pending for Two to three months	3	20	NIL
18.	Appeals Pending for More than 3 months	2	28	NIL





## The Banking Ombudsman Scheme 2006

The word ‘Ombudsman’ (‘ahm’ ‘bedz’ ‘man’), in general, means a public official who is appointed to investigate the citizen’s complaints against the Administration. He is to intervene for the ordinary citizens in his dealings with the complex machinery of the establishment.

RBI had introduced the Banking Ombudsman Scheme (BOS) in India on June 14, 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services provided by commercial banks, regional rural banks and scheduled primary co-operative banks. There are 15 Offices of Banking Ombudsman (OBOs), spread across the country. The feedback gathered in the course of administering the BOS has been used by RBI to modify the Scheme in 2002, 2006, 2007 and 2009, inter alia, to include customer complaints on new areas such as credit card complaints, internet banking, deficiencies in providing the promised services by both bank and its sales agents (DSAs), levying service charges without prior notice to the customers, non-adherence to the Fair Practices Code adopted by individual banks, etc. RBI operates the BOS, free of cost, so as to make it common people oriented. In order to increase its effectiveness and utility, BOS is fully staffed and funded by RBI.

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 (BO) if his complaint pertains to any of

the 27 matters specified in the Scheme. The BO, on receipt of the complaint, sends a copy thereof to the bank branch named in the complaint under advice to the Nodal Officer and endeavors to promote a settlement of the complaint by agreement between the complainant and the bank through conciliation or mediation. For the purpose of promoting a settlement of the complaint, the BO has been allowed to follow such procedures as BO may consider appropriate and BO is not bound by any legal rule of evidence. The proceedings before the BO shall be summary in nature. BOs shall be guided by the evidence placed before him by the parties, BCSBI Code, the principles of banking law and practice, directions, instructions and guidelines issued by the RBI from time to time and such other factors which, in his opinion, are necessary in the interest of resolving the complaint.

The complaint should be settled by agreement within a period of one month from the date of receipt of the complaint or such further period as the BO may consider necessary. In case a settlement is not forthcoming despite the conciliatory efforts initiated by the BO, the BO shall pass an Award (Order) after affording both the parties reasonable opportunity to present their case, although physical appearance may not be necessary always. The Order shall state briefly the reasons for passing the same. A copy of the Order shall be sent to the complainant, bank and its Nodal Officer. The Order shall lapse unless the complainant furnishes to the bank, within a period of 30 days from the date of receipt of the Order, a letter of acceptance of the Order in full and final settlement of his claim. The bank shall



comply with the Order within one month from the date on which the bank received consent letter from the complainant and intimate compliance to the BO.

In case the Order is not acceptable to the bank, it may file an appeal within one month from the date on which the bank received the consent letter from the complainant. In case the Order stands unimplemented, BO should report the same to the Customer Service Department for initiating regulatory/supervisory action against the bank under Banking Regulation Act 1948.

The OBO is not an investigation agency and BO does not have investigative powers. BO does not have powers to examine the witnesses. BOs are required to resolve

the complaint based on the documents submitted before them. There is no monetary ceiling on the subject matter of the complaint that can be considered by the BO. However, the value of compensation demanded for any loss suffered by the complainant arising directly out of the act of omission or commission of the bank shouldn't exceed ₹ 10 lakh in the case of general complaints. The compensation sought for should not exceed ₹ one lakh in the case of credit card complaints, taking into account the loss of complainant's time, expenses incurred, harassment and mental anguish suffered by them. This is in addition to the resolution of the disputed amount, for which there is no monetary ceiling prescribed.

### Box I. Ready Reckoner for the BOS 2006

Item	BOS Clause
Appointment of BO	4
Duties of BO	5.2,7.2,7.3,7.4,7.5& 8.3
Grounds of Complaints	8.1 & 8.2
Discretionary powers to BO to handle any type of complaint involving violation of RBI guidelines	8.1(u)
Complaint can be filed by a representative other than advocate	9.1
Credit card complaints should be submitted as per billing address	9.1
Written complaint should be signed by the complainant	9.2(a)
Supporting evidence should be filed along with complaint	9.2(b)
Email complaints, Online complaints will be accepted	9.2(c)
Complaints should be submitted to BO one month after approaching the concerned bank	9.3(a)
Complaints should be submitted within 13 months after approaching the bank concerned	9.3(b)



Complaints already handled/decided by the BO should not be submitted again	9.3 ( c)
Complaints already handled by any Court, Forum, etc should not be submitted to the BO	9.3(d)
Complaints pending with any Court, Forum, etc should not be submitted to the BO.	9.3(d)
Frivolous Complaints should not be submitted to the BO	9.3(e)
Time barred complaints should not be submitted to the BO	9.3(f)
Closure of a complaint with full satisfaction	11.1
Issuing an award in case no settlement is reached by agreement	12
Rejecting the complaint	13(a) to 13(f)
Rejection orders which can be appealed to AA	13.d, 13.e , 13.f
Rejection orders which cannot be appealed to AA	13.a, 13.b, 13.c
Other closure advices appealable	12
Other closure advices not appealable	11.1
Pecuniary limits for compensation - General complaints	12.5
Pecuniary limits for compensation - Credit card complaints	12.6
BO can take exparte decision, in case no reply from bank	10.1
BO should maintain confidentiality of the complaint related information.	10.2
Discretionary powers to BO as to how to deal with complaints	11.2
Summary in nature proceedings under BOS	11.3
Prompt disposal of complaints	12.1
Basis for decisions by BO	12.2
Reasoned Order should be issued in all complaints	12.3
Copy of the award should be sent to both complainant & bank	12.7
Complainant should give consent to the award in 30 days	12.8
Lapsing of awards	12.8
Filing of appeal by banks	12.9
Rejection of Non Maintainable complaints	13.a or 13.b
Rejection of complaints outside the purview of BOS	13.a
Rejection since compensation requested exceeds the limits	13.b



Rejection since the complaint requires detailed examination	13.c
Rejection of complaint without sufficient cause	13.d
Rejection since complainant is not pursuing the case	13.e
Rejection since there is no loss or damage to the complainant	13.f
Rejection of First resort complaints	9.3.a read with 13.a
Rejection of time barred complaints	9.3.f read with 13.a
Rejection of complaints pending in other Forums	9.3.d read with 13.a
Rejection of complaints already dealt by the BO	9.3.c read with 13.a
Rejection of frivolous or vexatious complaints	9.3.e read with 13.a
Rejection of complaints made more than 13 months after complaining to the concerned bank.	9.3.b read with 13.a
Submission of appeals by bank/ complainant	14.1
Banks should obtain the sanction of CMD for filing an appeal	14.1
Appeal should be submitted within 30 days	14.1
Validity of the decision of Appellate Authority (AA)	14.3
Procedure for disposal of appeals by AA	14.2
Bank branches should display the contact details of BO	15.1
Copy of BOS should be displayed on the bank website	15.2
Banks should appoint Nodal Officer for each BO	15.3

## Box II. Grounds of Complaint

Any person, whose grievance against a bank is not resolved to his/her satisfaction by that bank within a period of one month after submitting the complaint, can approach the Banking Ombudsman if his complaint pertains to any of the following grounds alleging deficiency in banking including internet banking as specified in Clause 8 of BOS :-

- Non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc.
- Non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission in respect thereof;
- Non-acceptance, without sufficient cause, of coins tendered and for charging of commission in respect thereof;
- Non-payment or delay in payment of inward remittances ;
- Failure to issue or delay in issue of drafts, pay orders or banks' cheques;
- Non-adherence to prescribed working hours ;
- Failure to provide or delay in providing a banking facility (other than loans and advances) promised in writing by a bank or its direct selling agents;
- Delays, non-credit of proceeds to parties' accounts, non-payment of deposit or non-observance of the RBI directives, if any, applicable to rate of interest on deposits in any savings, current or other account maintained with a bank ;
- Complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank-related matters;
- Refusal to open deposit accounts without any valid reason for refusal;
- Levying of charges without adequate prior notice to the customer;
- Non-adherence by the bank or its subsidiaries to the instructions of RBI on ATM/Debit card operations or credit card operations;
- Non-disbursement or delay in disbursement of pension
- Refusal to accept or delay in accepting payment towards taxes, as required by RBI/Government;
- Refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities;
- Forced closure of deposit accounts without due notice or without sufficient reason;
- Refusal to close or delay in closing the accounts;
- Non-adherence to the fair practices code as adopted by the bank and
- Non-adherence to the provisions of the Code of Bank's Commitment to Customers issued by BCSBI and as adopted by the bank
- Non-observance of RBI guidelines on engagement of recovery agents by banks; and
- Any other matter relating to the violation of the directives issued by the RBI in relation to banking or other services.
- The BO may also deal with any complaint on any one of the following grounds alleging deficiency in banking service in respect of loans and advances:
  1. Non- observance of RBI Directives on interest rates;
  2. Delays in sanction, disbursement or non-observance of prescribed time schedule for disposal of loan applications;
  3. Non- acceptance of application for loans without furnishing valid reasons to the applicant; and
  4. Non- observance of any other direction or instruction of the RBI, as may be specified by the RBI for this purpose, from time to time.



## 2. Complaint Handling Procedure

### 2.1 The Banking Ombudsman on receipt of complaint considers the following issues for its disposal:

Parameters	Disposal
Whether the subject matter of the complaint is covered under clause 8 of the Scheme?	If yes, handle the complaint; if not, reject the same under clause 13.a of the Scheme, with copy to the bank/Nodal Officer for direct redressal. Copy of the complaint may be forwarded to the appropriate Regulatory Department like DBS, DBOD, RPCD, etc, as the case may be, where ever required.
Whether the complaint is against an Entity (commercial banks, RRBs and scheduled primary cooperative banks) covered under the Scheme?	If yes, handle the complaint; if not, reject the same under clause 13.a of the Scheme, advising the complainant to approach the appropriate authority. Copy of the complaint should be forwarded to the appropriate authority like IRDA, SEBI, PFRDA, DNBS, etc, as the case may be, for direct disposal.
Whether it is a first resort complaint or not?	If yes, reject the same under clause 13.a read with 9 (3) (a) of the Scheme, advising the complainant to go to the concerned bank for redressal, simultaneously sending a copy to the bank/Nodal Officer for direct disposal. Send a complaint form to enable the complainant to submit the complaint afresh if it is not responded to/redressed by the bank within one month.
Whether the complainant approached the BO within a year of receipt of reply from the bank or within a period of 13 months after submitting a complaint to the bank?	If yes, handle the complaint; if not, reject the same under clause 13.a read with 9 (3) (b) of the Scheme, advising the complainant of other alternatives, with copy to the bank/Nodal Officer. Alternately, BO may handle the complaint, applying discretionary powers to condone the delay.
Whether the complaint has been handled earlier by the BO?	If not, handle the complaint; if yes, reject the same under clause 13.a read with 9 (3) (c) of the Scheme, advising the complainant of other alternatives. Never reopen a decided case.
Whether the complaint is pending before any Court or tribunal or arbitrator or any other forum or it has been decided by any Forums earlier?	If not, handle the complaint; If yes, reject the same under clause 13.a read with 9 (3) (d) of the Scheme, advising the complainant the rules of jurisdiction of BO.

Whether the complaint is submitted after expiry of the limitation Period as per Indian Limitation Act?	If not, handle the complaint; If yes, reject the same under clause 13.a read with 9 (3) (f) of the Scheme, with copy to the bank/Nodal Officer, advising the complainant the rules of jurisdiction of BO.
Whether the complaint is frivolous or vexatious in nature?	If yes, reject the same under clause 13.a read with 9 (3) (e) of the Scheme, advising the complainant the rules of jurisdiction of BO.
Whether the complaint relates to ATM/POS transactions carried out at ATMs/POS abroad?	If yes, reject the same under clause 13.a & 1.4 of the Scheme, with copy to the bank/Nodal Officer, advising the complainant of other alternatives. BOS jurisdiction is confined to transactions within the country except internet transactions.
Whether the compensation sought for is within the pecuniary ceiling under the Scheme?	If yes, handle the complaint; if not, reject the same under clause 13.b, advising the complainant of other alternatives, with copy to the bank. Please note that there is no monetary ceiling on the subject matter of the complaint that can be considered by the BO.

### 3. Receipt of Complaints

**3.1** The Banking Ombudsman Offices receive complaints pertaining to deficiency in service provided by banks. The number of complaints received has increased substantially over the years and this trend is maintained during the year 2009-10 also by recording an increase of 15% over the previous year.

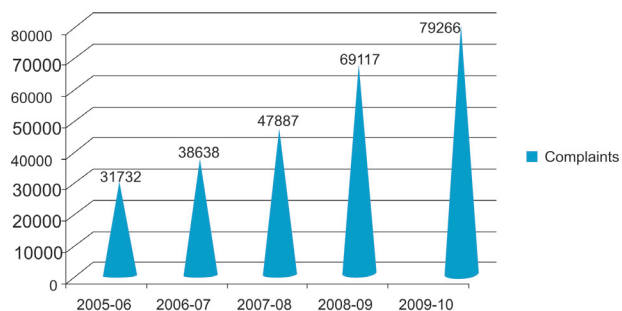
**Table 1 - Number of complaints received by the BO Offices**

Period	No. of BO offices	No. of complaints received during the year	Rate of increase (% over previous year)
2005-06	15	31,732	20
2006-07	15	38,638	22
2007-08	15	47,887	24
2008-09	15	69,117	44
2009-10	15	79,266	15

The number of complaints received has recorded substantial increase since 2006 as 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, etc were included in the Scheme. Further, internet banking related complaints were added as a new ground for complaint as per the February 3, 2009 amendment of the Scheme. Increased awareness among the public about the BOS and online accessibility to BO office through internet also contributed to the increase in receipt of complaints.



**Chart 1 - Number of complaints received**



## BO Office-wise Receipt of Complaints

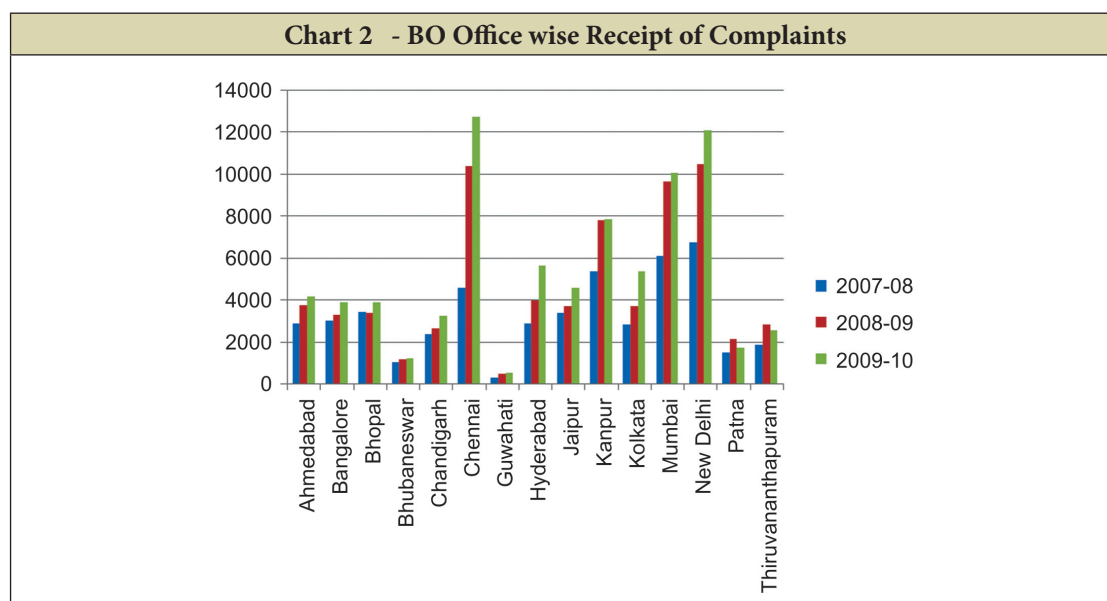
3.2 The 15 Offices of the Banking Ombudsman receive and consider complaints from customers relating to the deficiencies in banking services in respect to their territorial jurisdiction. The current territorial jurisdiction is given in Annex 1.

**Table 2- BO Office-wise Receipt of Complaints**

BO Office	No. of complaints received during			% increase in 2009-10 over 2008-09	% to total complaints
	2007 -08	2008-09	2009-10		
Ahmedabad	2855	3732	4149	11	5.2
Bangalore	2975	3255	3854	18	4.9
Bhopal	3402	3375	3873	15	4.9
Bhubaneswar	998	1159	1219	5	1.5
Chandigarh	2331	2634	3234	23	4.1
<b>Chennai</b>	<b>4545</b>	<b>10381</b>	<b>12727</b>	<b>23</b>	<b>16.10</b>
Guwahati	282	455	528	16	0.6
Hyderabad	2843	3961	5622	42	7.1
Jaipur	3369	3688	4560	24	5.8
<b>Kanpur</b>	<b>5340</b>	<b>7776</b>	<b>7832</b>	<b>1</b>	<b>9.9</b>
Kolkata	2815	3671	5326	45	6.7
<b>Mumbai</b>	<b>6070</b>	<b>9631</b>	<b>10058</b>	<b>5</b>	<b>12.7</b>
<b>New Delhi</b>	<b>6742</b>	<b>10473</b>	<b>12045</b>	<b>15</b>	<b>15.20</b>
Patna	1480	2110	1707	-	2.2
Thiruvananthapuram	1840	2816	2532	-	3.2
<b>Total</b>	<b>47887</b>	<b>69117</b>	<b>79266</b>	<b>15%</b>	<b>100%</b>

Four BO offices at Chennai, New Delhi, Mumbai and Kanpur accounted for 54% of all the complaints in that order, with Chennai at 16.10%, followed by New Delhi 15.20%, Mumbai 12.7% and Kanpur at 9.9%. Among other BO

offices, Hyderabad accounted for 7.1% of the complaints followed by Kolkata 6.7%. Percentage wise, Kolkata office witnessed the highest increase in the number of complaints 45% during the year, followed by Hyderabad 42%.



### Average Number of Complaints Received

3.3 Average number of complaints received per BO office is also on the increase due to enlargement of the scope of the Scheme

coupled with the awareness programmes undertaken by the BO offices on a regular basis.

**Table 3 - Average Number of Complaints received per BO Office**

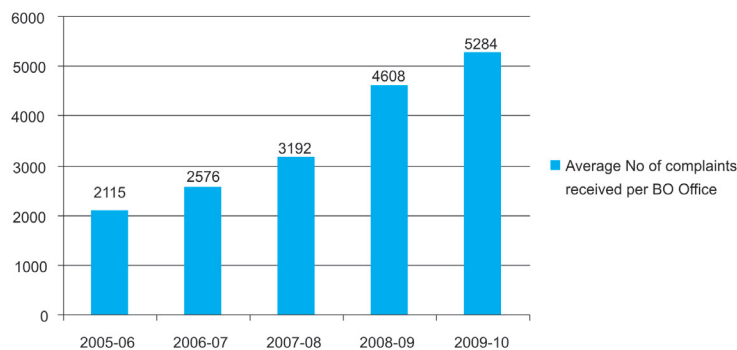
Period	No. of BO offices	No. of complaints received during the year	Average No. of complaints received per BO office
2005-06	15	31732	2115
2006-07	15	38638	2576
2007-08	15	47887	3192
2008-09	15	69117	4608
2009-10	15	79266	5284

On an average, each BO office handled 5284 complaints during the current year as compared to just 2115 complaints during

the year 2005-06, indicating the popularity of the Scheme.



Chart 3 – Average number of Complaints received per BO Office



### Region- wise Receipt of Complaints

3.4 The offices of the Banking Ombudsman received maximum number of complaints from rural and metropolitan areas during the year 2009-10. This is a testimony to the success of the awareness efforts undertaken by the Offices of the Banking Ombudsman as well as the RBI Regional Offices through personal/village visits, media campaign etc. During the year, the

RBI had celebrated its platinum jubilee and all offices including Central Office Departments had conducted outreach programmes. Further, Top Executives of the Bank had visited very remote and moffusil areas of the country as a part of outreach activity of Platinum Jubilee year celebrations. The detailed region wise position of complaints is given below:

Table 4- Region-wise receipt of Complaints at the BO Offices

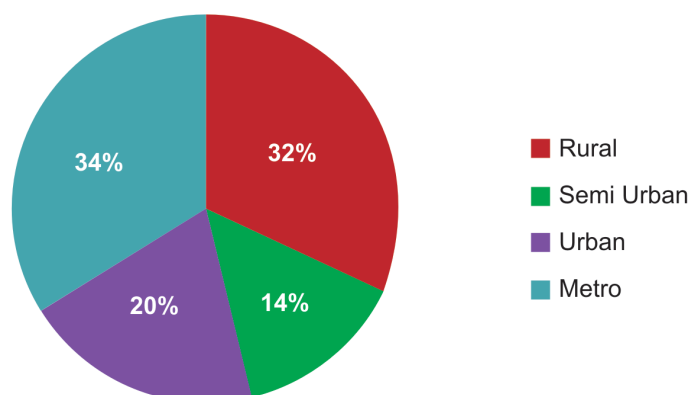
Region	No of complaints received during 2007-08	No of complaints received during 2008-09	No of complaints received during 2009-10	% increase
Rural	8418	13915	25,055 (32%)	80%
Semi Urban	6641	9817	10,741(14%)	9%
Urban	10,978	15,723	16,423 (20%)	5%
Metropolitan	21,850	29,662	27,047(34%)	(-) 9%
Total	47,887	69,117	79,266 (100%)	15%

While the number of complaints from rural areas increased by 80 % during the year 2009-10, complaints from the semi-urban areas increased by 9 % only. On the

other hand, complaints from the metros had decreased by 9%. These figures can be well compared against the total increase in the number of complaints by 15 %.



Chart 4 – Region wise receipt of Complaints



### Mode-wise Receipt of Complaints

3.5 Complainants can log on to the RBI web site at “www.rbi.org.in” and complain about deficiency in bank’s services by using the online complaint form. The email ids of the Banking Ombudsmen are also available in the public domain and

complainants can send emails to them. For those who have no access to internet, complaints can be sent by post. During the year 2007-08, 2008-09 and 2009-10 the complaints received by different modes are as under:

Table 5 - Mode wise Receipt of Complaints at the BO Offices

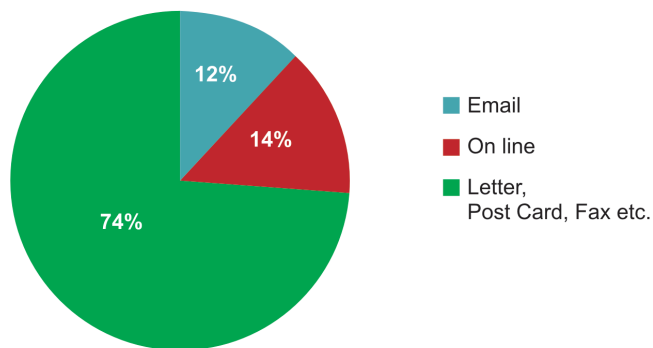
Mode	No. of Complaints received during 2007-08		No. of Complaints received during 2008-09		No. of Complaints received during 2009-10	
	No.	%	No.	%	No.	%
Email	7183	15%	15,927	23%	9221	12%
On line	7662	16%	9352	14%	11,400	14%
Letter, post-card, Fax, etc.	33,042	69%	43,838	63%	58,645	74%
<b>Total</b>	<b>47,887</b>	<b>100</b>	<b>69,117</b>	<b>100</b>	<b>79,266</b>	<b>100</b>

Since 46% of the complaints are received from the rural (32%) and semi urban (14%) areas, the receipt of complaints through the postal mode has increased from 63% to 74% during the current year, indicating

the less access to internet facilities in the rural/semi urban areas as compared to the urban and metro. Email complaints have decreased from 23 % to 12 % of the total complaints during the year.



**Chart 5 – Mode wise Receipt of Complaints**



The Complaint Tracking Software in place in the Banking Ombudsman Office gives acknowledgement automatically and complaint number is given as soon as it is taken into the book of the Banking Ombudsman. The Complaint Tracking Software is updated from time to time to meet the changing requirements related to complaints.

### Complainant's Group-wise Receipt of Complaints

**3.6** The majority of complaints are received from individuals as seen from the break up given below. Since the Scheme is primarily meant for common individual customers, its focus continues to remain on the non-institutional category.

**Table 6 – Complainant's group-wise Receipt of complaints**

Complaints category	No. of complaints received during 2007-08	% to total complaints	No. of complaints received during 2008-09	% to total complaints	No. of complaints received during 2009-10	% to total complaints
Individual	42,294	88	62,327	90	71,341	90
Individual-Business	1602	3	1446	2	2742	3
Proprietorship /Partnership	336	1	329	0	367	0
Limited Company	743	2	930	2	1099	1
Trust	102	0	87	0	191	0
Association	267	1	222	0	519	1
Government Department	318	1	262	0	477	1
PSU	114	0	429	1	115	0
Others	2111	4	3085	5	2415	4
<b>TOTAL</b>	<b>47,887</b>	<b>100</b>	<b>69,117</b>	<b>100</b>	<b>79,266</b>	<b>100</b>

There is no substantial change regarding the source of complaints as compared to previous years.

### Box III. Enhancing Internal Grievance Redressal Machinery of banks

Bankers are required to place a complaint form in their home page on their website. With a view to enhance the effectiveness of the internal grievance redressal mechanism, banks were advised to place a review of complaints before their Boards / Customer Service Committees along with an analysis of the complaints received with effect from February 2007. The analysis should (i) Identify customer service areas in which the complaints are frequently received, (ii) Identify frequent sources of complaints, (iii) Identify systemic deficiencies and (iv) Make recommendations for initiating appropriate action to make the grievance redressal mechanism more effective. Details of complaints received and disposed off, awards passed and unimplemented awards of the Banking Ombudsman are required to be disclosed along with financial results. Banks were also advised in May 2008 to (i) Ensure that the complaint registers are kept at prominent place in their branches which would make it possible for the customers to enter their complaints, (ii) Have a system of acknowledging the complaints, where the complaints are received through letters / forms, (iii) Fix a time frame for resolving the complaints received at different levels, (iv) Ensure that redressal of complaints emanating from rural areas and those relating to financial assistance to Priority Sector and Government's Poverty Alleviation Programmes also form part of the above process, (v) Prominently display at the branches, the names of the officials who can be contacted for redressal of complaints, together with their direct telephone number, fax number, complete address (other than Post Box No.) and e-mail address etc. for proper and timely contact by the customers and for enhancing the effectiveness of the redressal machinery.

## Bank Group wise Receipt of Complaints

3.7 The complaints received by BO offices against different bank groups are indicated below:

Table 7 - Bank-group-wise Receipt of Complaints						
Bank group	2005-06	2006-07	2007-08	2008-09	2009-10	Cumulative Total of last five years
Nationalized Banks	10,137 (33%)	10543 (30%)	12033 (26%)	14974 (22%)	19092 (25%)	66,779 (26%)
SBI Group	9892 (34%)	11,117 (33%)	13,532 (29%)	18,167 (27%)	22,832 (30%)	75,540 (29%)
Private Sector Banks	6754 (20%)	9,036 (23%)	14,077 (29%)	21,982 (32%)	22,553 (29%)	74,402 (29%)
Foreign Banks	2997 (10%)	3,803 (11%)	6,126 (13%)	11,700 (17%)	11,450 (15%)	36,076 (14%)
Scheduled Primary Co-op. Banks	198 (1%)	313 (1%)	295 (1%)	302 (1%)	183 (-)	1291 (1%)
RRBs	794 (3%)	536 (2%)	826 (2%)	846 (1%)	785 (1%)	3,787 (1%)
<b>Subtotal</b>	<b>30,772 (100%)</b>	<b>35,348 (100%)</b>	<b>46,889 (100%)</b>	<b>67,971 (100%)</b>	<b>76,895 (100%)</b>	<b>2,57,875 (100%)</b>
Others*	2591	3,290	998	1,146	2,371	10,396
<b>Total</b>	<b>33,363</b>	<b>38,638</b>	<b>47,887</b>	<b>69,117</b>	<b>79,266</b>	<b>2,68,271</b>



## Complaints vis-a-vis business size

3.8 Instead of considering complaints in isolation, the number of complaints is seen with reference to the bank's business size and the number of accounts and is analyzed as such. The private sector banks and foreign banks continue to have

a larger share in the number of complaints vis-a-vis the total number of deposits and loan accounts. The break-up of bank wise (Commercial banks) complaints received in the year 2009 - 10 is given in Annex 4.

**Table 8 -Bank Group-wise Complaints in Relation to no. of Accounts**

Bank group	No. of deposit and loan accounts as on March 2007 (in millions) @	No. of complaints received by BO during 2007-08 #	No. of deposit and loan accounts as on March 2008 (in millions)@	No. of complaints received by BO during 2008-09 #	No. of deposit and loan accounts as on March 2009 (in millions)@	No. of complaints received by BO during 2009-10 #
Nationalized Banks	3126 (51)	12,033 (26)	2690 (49)	14,974 (22)	3764 (49)	19,092 (24)
SBI Group	1347 (22)	13,532 (29)	1224 (22)	18,167 (26)	1754 (22)	22,832 (29)
Private Sector Banks	708 (12)	14,077 (30)	750 (13)	21,982 (32)	990 (13)	22,553 (28)
Foreign Banks	153 (2)	6126 (13)	135 (2)	11,700 (17)	140 (2)	11,450 (15)
RRBs/SCBs/ others	800 (13)	826 (2)	780 (14)	2294 (3)	1076 (14)	3339 (4)
<b>Total</b>	<b>6134 (100)</b>	<b>46,594 (100)</b>	<b>5579 (100)</b>	<b>69,117 (100)</b>	<b>7724 (100)</b>	<b>79,266 (100)</b>

@ Figures in bracket indicate % to aggregate no. of accounts

# Figures in bracket indicate % to aggregate no. of complaints

Private sector banks and foreign banks with 15% of the number of deposits and loan accounts as on March 2009 have accounted for 43% of the aggregate number of complaints received during the year which is disproportionately higher. On the contrary nationalized banks with 49 % of

the number of deposits and loan accounts as on March 2009 have accounted for only 24% of the aggregate number of complaints, indicating better level of customer service by them. Similarly the State bank group with 22% business share has accounted for 29% of complaints.

## 4. Nature of Complaints Handled

4.1 The grounds of complaints have been enumerated in Clause 8 of the Banking Ombudsman Scheme 2006. The following Table gives the broad category wise complaints received during the last three years:-

Table 9 - Category-wise receipt of complaints					
Nature of complaints	Complaints Received during			% to aggregate complaints	
	2007-08	2008-09	2009-10	2008-09	2009-10
Deposit accounts	5,612	6,706	3,681	9.7	4.7
Remittances	5,213	5,335	5,708	7.7	7.2
Credit cards	10,129	17,648	18,810	25.5	23.7
Loans and advances -	6,054	8,174	6,612	11.8	8.3
Charges without notice	3,740	4,794	4,764	6.9	6.0
Pension	1,582	2,916	4,831	4.2	6.1
Failure to meet commitments	6,388	11,824	11,569	17.2	14.6
DSAs and recovery agents	3,128	3,018	1,609	4.4	2.0
Notes and coins	141	113	158	0.2	0.2
Others	5,900	8,589	18,840	12.4	23.8
Out of Subject	-	-	2,684	-	3.4
<b>Total</b>	<b>47,887</b>	<b>69,117</b>	<b>79,266</b>	<b>100.00</b>	<b>100.00</b>

4.2 Complaints relating to credit cards (comprising 24 % of the total complaints in 2009-10 as compared to 25.5% previous year) show a declining trend this year. These complaints include complaints related to debit cards and ATM cards also. The types of card-related complaints consists of items like issuance of unsolicited credit cards and unsolicited insurance policies and recovery of premium charges, charging of annual fee in spite of being offered as 'free' card and issuance of loans over phone, disputes over wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card holder, abusive calls, excessive charges, wrong debits to account, non dispensation of money from ATM, etc . A general source of these

complaints continues to be the difficulty in accessing the credit card issuers and the poor response from the call centers. Simply put, this is the issue of non-transparency and mis-selling.

4.3 Complaints under the head 'Others' constituted 24 % of the total complaints as against 12.4% during the previous year. These include mainly non-adherence to prescribed working hours, refusal to accept or delay in accepting payments towards taxes as required by RBI/ Government of India, refusal to accept/delay in issuing or failure to service or delay in servicing or redemption of Government securities, refusal to close or delay in closing of accounts, etc. These complaints are of very

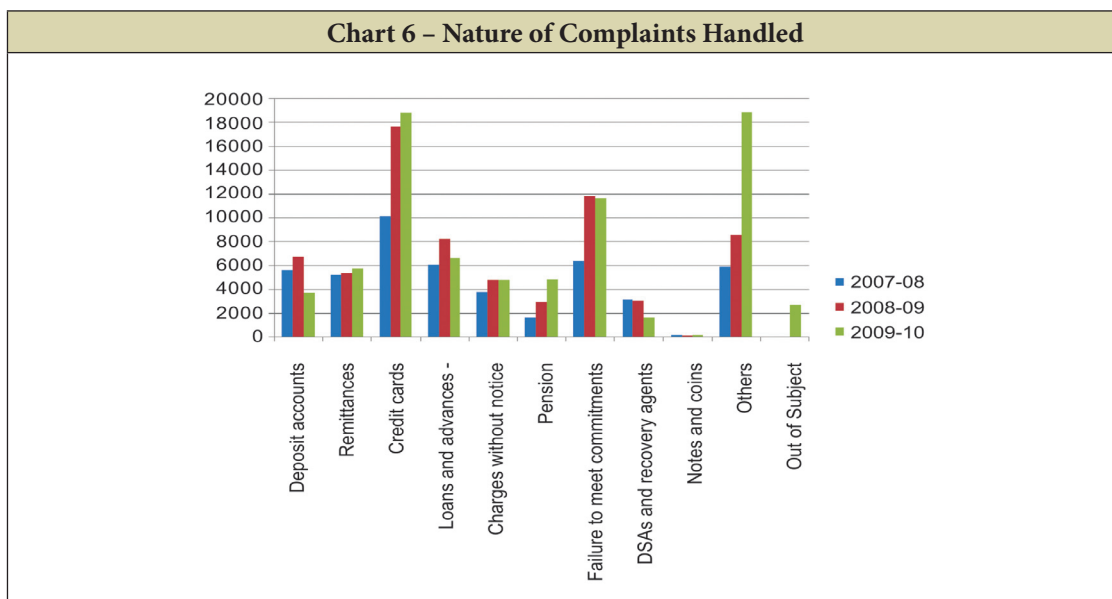


primary in nature and need not had to be escalated to the offices of BOs and should have been redressed at individual banks' level.

**4.4** Complaints relating to failure on commitments made (non-adherence to fair practices code as adopted by the bank, failure to provide or delay in providing banking facilities other than loans and

advances etc.) ranked the third major item of complaint this year at 15 % of the total complaints as compared to 18% during the previous year and showing a declining trend. This points to the lack of sensitivity, transparency and need for improved MITC at the point of sales. As these complaints mostly relate to basic banking facilities, banks need to address these issues on priority basis without any demur.

**Chart 6 - Nature of Complaints Handled**

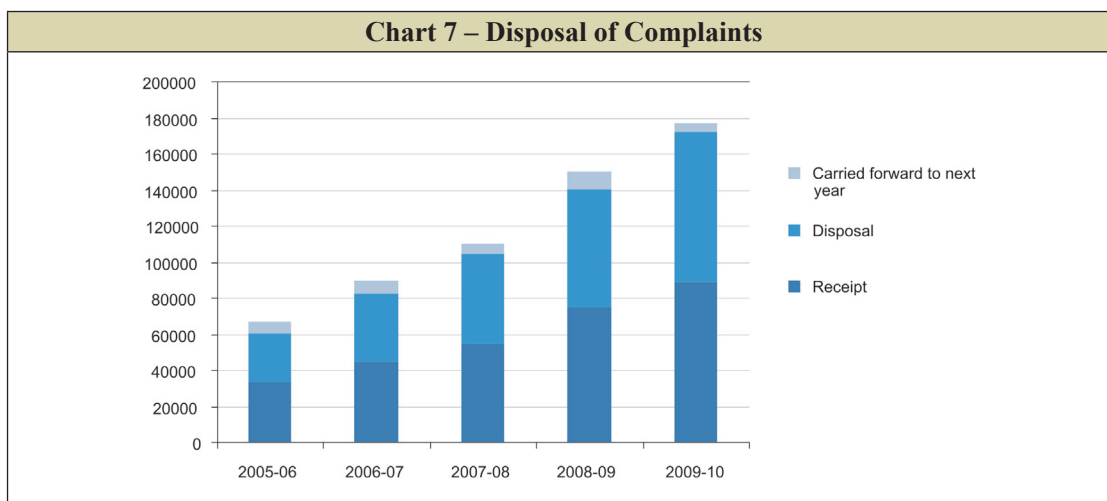


## 5. Disposal of Complaints

**5.1** A brief profile of the complaints disposed of by BO offices during the year is given below:

**Table 10 - Disposal of Complaints by BO Offices**

Particulars		2005-06	2006-07	2007-08	2008-09	2009-10
Complaints received during the year including complaints brought forward from previous year		33,363	44,766	54,992	75,009	88,699
Complaints disposed of during the year	No.	27,193	37,661	49,100	65,576	83,336
	%	82	84	89	87	94
Complaints carried forward to next year	No.	6,170	7,105	5,892	9,433	5,363
	%	18	16	11	13	6



Banking Ombudsman Offices disposed of 94% (83,336) of the 88,699 complaints received during the year 2009-10, as against disposal of 87% of the complaints received during previous year, indicating promptness in disposal of cases at all the BO offices.

## 5.2 Mode of Disposal of Complaints

**Table 11 - Mode of Disposal of Complaints**

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
Complaints disposed during the year	27,193	37,661	49,100	65,576	83,336
No. of complaints disposed by mutual settlement or by issue of awards.	14,743 (54%)	22,066 (57 %)	29,295 (60 %)	22,388 (34%)	31,489 (38 %)
No. of complaints not admitted/rejected due to various reasons	12,450 (46 %)	15,595 (43 %)	19,735 (40 %)	43,115 (66 %)	51,847 (62 %)

Broadly, around 38% (31,489) of the complaints dealt with have been settled by way of mutual settlement or by issue of awards while 62% (51847) of the complaints have been disposed of (rejected), citing reasons like : First resort complaints (19.4%), Subject matter outside the BO Scheme (14.4%), Complicated complaint requiring elaborate evidence (3%), Complaint without sufficient cause (7.7%), bank branches outside the BO jurisdiction (5%),incomplete address (7.7%), Complaints dealt with earlier (1.6%), etc as shown in Table 13. Out of these, non maintainable complaints under the Scheme like First Resort Complaints, Subject matter outside the Scheme, Complaints outside the BO jurisdiction, etc were rejected at the initial scrutiny stage itself. While rejecting such complaints, one copy of the complaint is endorsed to the bank concerned. The banks were generally prompt in redressing such complaints forwarded to them. Other complaints like Complicated complaint requiring elaborate evidence, Complaint without sufficient



cause, complaints dealt with earlier, etc were rejected only after due processing. Meetings are arranged, wherever necessary, and if the complaint cannot be resolved fully under the BO Scheme provisions, it is rejected giving reasons like complicated complaint requiring elaborate evidence, beyond the pecuniary jurisdiction of BO Scheme, etc

### 5.3 Disposal of Maintainable Complaints

Table 12 - Mode of disposal of Maintainable complaints (Other than rejected complaints)						
Sr. No	Year	No. of complaints disposed of	Disposal by Award		Disposal by settlement	
			No.	%	No.	%
1.	2005-06	14,889	146	0.98	14,743	99.02
2.	2006-07	22,150	84	0.38	22,066	99.62
3.	2007-08	29,365	70	0.24	29,295	99.76
4.	2008-09	22,461	73	0.32	22,388	99.68
5.	2009-10	31,489	211	0.67	31,278	99.33

As many as 31278 complaints were settled by mutual agreement during the year as compared to mutual settlement of 22388 complaints during the previous year. BO offices issued 211 awards during the year as compared to 73 awards issued during the previous year. Lesser number of awards issued by the BOs may be attributed to the bank's attempt to resolve the complaints before issue of awards, since receipt of awards is considered as un-desirable.

### 5.4 Conciliation Meetings

Conciliation meetings which enable two parties to meet "face to face" have played an important role in the process of resolution

of complaints. Although, Banking Ombudsman does not force parties to come to settlement, such meetings facilitate them to come to their own solution rather than have a solution imposed on them by way of an award. During the year, as many as 31278 complaints were settled by the BO offices after holding conciliation meetings and other persuasive efforts. Thus, the objective of the BO Scheme (expeditious and inexpensive resolution of customer complaints without having to examine elaborate documentary evidences) could be satisfactorily achieved to a large extent by promoting settlement by mutual consent.



## 5.5 Rejected complaints

**Table 13 - Reasons for Rejection of Complaints**

Reasons	Complaints rejected during					
	2007-08	%	2008-09	%	2009-10	%
First resort complaints	7,950	40	18,187	42	16,163	31
Time barred complaints	260	1	510	1	642	1
Complaints dealt earlier	333	2	804	2	1,357	3
Complaints pending in other forum	476	2	707	2	948	2
Frivolous complaints	137	1	194	1	132	-
Incomplete address etc	434	2	3,019	7	6,337	12
Complaints without sufficient cause	3,249	16	4,764	11	6,301	12
Not pursued by the complainants	706	4	806	2	626	1
Complicated, requiring elaborate evidence	478	2	512	1	2,514	5
No loss to the complainants	547	3	143	0	511	1
Complaints outside the scheme	3,673	19	10,771	25	12,006	23
Bank branches outside BO jurisdiction -	1,492	8	2,698	6	4,310	9
<b>Total</b>	<b>19,735</b>	<b>100</b>	<b>43,115</b>	<b>100</b>	<b>51,847</b>	<b>100</b>

Although as much as 51847 complaints were shown as rejected during the year, it may be mentioned that, as stated in paragraph 5.2, in most of these cases, the Scheme could provide relief to the complainant to a large extent by way of reversal of bank charges, overdue interest, over limit charges, partial settlement/ write off of overdue, etc during the process of resolution.

## 5.6 First resort complaints (19.4% of total complaints handled)

First resort complaints accounted for the highest percentage of complaints rejected (31 % in 2009-10 as against 42 % in 2008-09 and 40 % in 2007-08). High percentage of first resort complaints indicates greater faith of the complainants in the institution of the BO Scheme rather than in their

banks or the inept handling of customer's complaints by front line staff in the banks. While this highlights the marked increase in the customer awareness about the BO Scheme, it also points to the requirement of educating the public to lodge their complaints first with the bank concerned, and to approach the BO later, if they are not satisfied with the response from the bank. While rejecting such complaints, one copy of the complaint is endorsed to the bank concerned. The banks were generally prompt in redressing such complaints forwarded to them. Thus, although no data is available as to the exact number of such complaints redressed, it is our experience that very few first resort complaints rejected by BOs were received back. It could be that the reference to BO has helped the complainants to get their grievances redressed from the banks concerned.



### 5.7 Complaints outside the BO Scheme (14.4% of total complaints handled)

The second-highest cause of rejection is due to ‘complaints outside the Scheme’ (23 % of rejected complaints in 2009-10 as against 25 % in 2008-09 and 19 % in 2007-08), indicates that the customer awareness campaigns need to be more fine-tuned and focused. These complaints were also rejected after initial scrutiny. However, copies of these complaints, as in the case of first resort complaints, were endorsed to the banks concerned. Banks were generally prompt in redressing the cases forwarded to them. In several cases, banks have kept BO informed of the redressal measures taken on these complaints. Some of these complaints were sent to other RBI departments like Department of Banking Supervision, Department of Banking Operations and Development, Department of Non Banking Supervision, Rural Planning and Credit Department, etc or other organizations like Securities and Exchange Board of India, Insurance Regulatory and Development Authority for redressal.

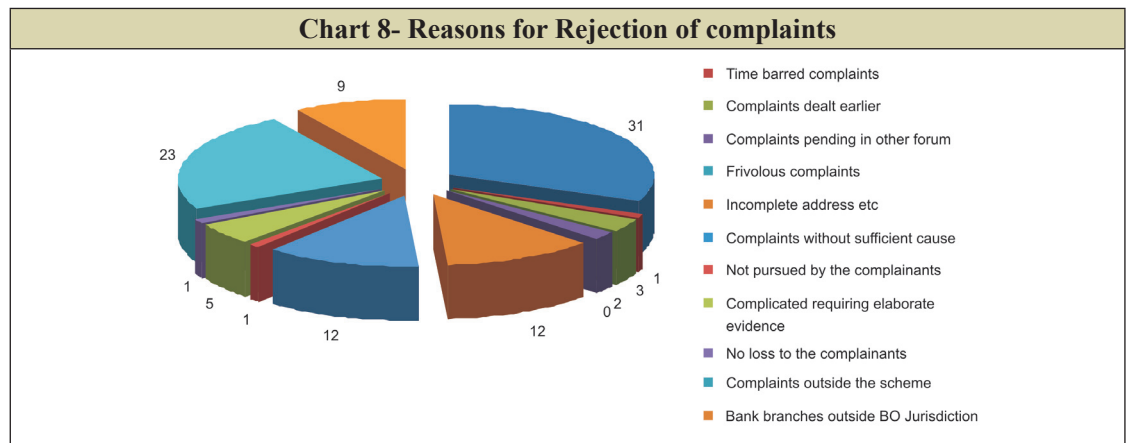
### 5.8 Complaints made without sufficient cause (7.7% of total complaints handled)

Complaints made without sufficient cause constituting 12% of the rejected complaints represent those complaints where the banks concerned may have acted as per the covenants of the products and service contracts. Here also the complaints will be processed as usual and a decision taken to reject the complaint as it was made without sufficient cause.

### 5.9 Rejection due to other reasons (20.5% of the total complaints)

Such complaints constituting 44% of the rejected complaints were rejected due to reasons like Complicated complaints requiring elaborate evidence, bank branches outside the BO jurisdiction, Not pursued by the complainants, No loss to the complainants, incomplete address, complaints dealt with earlier, Frivolous complaints, Complaints pending in other forum etc as shown in Table 13. Rejection of such complaints will be done only after giving proper opportunities to both the parties and due examination of bank’s submissions.

Chart 8- Reasons for Rejection of complaints



## 5.10 Pending Position of Complaints at BO Offices

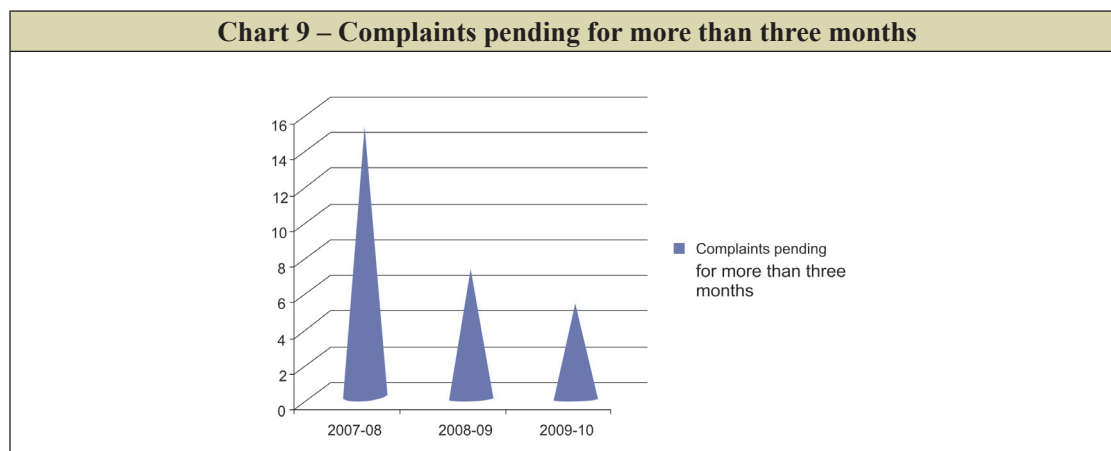
**Table 14- Details of complaints pending at the end of the year**

Period of pending	No. of cases pending					
	2007-08	% to total pending	2008-09	% to total pending	2009-10	% to total pending
Up to 1 month	2712	46	5041	54	2787	52
1-2 months	1394	24	2751	29	1526	28
2-3 months	861	15	956	10	808	15
More than 3 months	925	15	685	7	242	5
<b>Total</b>	<b>5892</b>	<b>100</b>	<b>9433</b>	<b>100</b>	<b>5363</b>	<b>100</b>

As regards pendency, only 6% of the complaints received during the current year were carried forward to the next year as against carry forward position of 13% during the previous year. Only 15% of the pending complaints were outstanding for more than 2 months and 5% for more than 3 months as compared to 10 % and 7 % respectively during the previous year.

This indicates substantial improvement in prompt disposal of complaints due to the close follow-up, both by the BOs and Top Management. The complaints not accompanied by documentary evidence, unusually long time given to the concerned banks to respond to queries, etc mostly contributed to the delay in disposing of the complaints.

**Chart 9 – Complaints pending for more than three months**



### Disposal of Complaints staff wise

**5.11** During the year under review, most of the SLBC staff has been repatriated back to their banks in a phased manner. To handle the increased number of complaints

and as replacement for the SLBC staff, the offices of Banking Ombudsman were given additional staff. The staff wise position of complaints handled is given in the following table



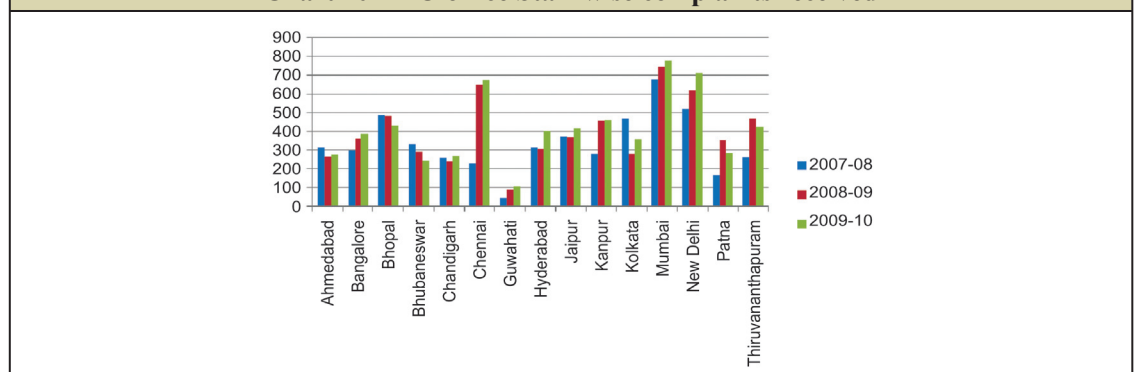
**Table No. 15 - BO Office Staff-wise complaints received**

Office	2007-08			2008-09			2009-10		
	No. of complaints received	No. of officers	No. of complaints per officer	No. of complaints received	No. of officers	No. of complaints per officer	No. of complaints received	No. of officers	No. of complaints per officer
Ahmedabad	2855	9	317	3732	14	267	4149	15	277
Bangalore	2975	10	297	3255	9	362	3854	10	385
Bhopal	3402	7	486	3375	7	482	3873	9	430
Bhubaneswar	998	3	333	1159	4	290	1219	5	244
Chandigarh	2331	9	259	2634	11	240	3234	12	270
<b>Chennai</b>	<b>4545</b>	<b>20</b>	<b>227</b>	<b>10381</b>	<b>16</b>	<b>649</b>	<b>12727</b>	<b>19</b>	<b>670</b>
Guwahati	282	6	47	455	5	91	528	5	106
Hyderabad	2843	9	316	3961	13	305	5622	14	402
Jaipur	3369	9	374	3688	10	369	4560	11	415
<b>Kanpur</b>	<b>5340</b>	<b>19</b>	<b>281</b>	<b>7776</b>	<b>17</b>	<b>457</b>	<b>7832</b>	<b>17</b>	<b>461</b>
Kolkata	2815	6	469	3671	13	282	5326	15	355
<b>Mumbai</b>	<b>6070</b>	<b>9</b>	<b>674</b>	<b>9631</b>	<b>13</b>	<b>741</b>	<b>10058</b>	<b>13</b>	<b>774</b>
<b>New Delhi</b>	<b>6742</b>	<b>13</b>	<b>519</b>	<b>10473</b>	<b>17</b>	<b>616</b>	<b>12045</b>	<b>17</b>	<b>709</b>
Patna	1480	9	164	2110	6	352	1707	6	285
Thiruvananthapuram	1840	7	262	2816	6	469	2532	6	422
<b>All India</b>	<b>47887</b>	<b>145</b>	<b>330</b>	<b>69117</b>	<b>161</b>	<b>429</b>	<b>79266</b>	<b>174</b>	<b>456</b>

Thus the BO office “Staff-wise complaints received” position is the highest in Mumbai (774 complaints per staff per year), followed by New Delhi (709), Chennai (670) and Kanpur (461) as against the BO

average of 456 complaints per staff per year, indicating the urgency in augmenting the staff position in these four offices on a priority basis so as to keep the quality of the decisions.

**Chart 10 – BO office Staff-wise complaints received**



## 6. Cost of Running the Scheme

6.1 Earlier, the total expenditure in operationalizing the Banking Ombudsman Scheme was shared by the banks, in the proportion of their working funds, up to December 2005. From January 1, 2006, the expenditure is fully borne by RBI in terms of the revised Banking Ombudsman Scheme, 2006. The cost of the Scheme includes 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. The details are given as below.

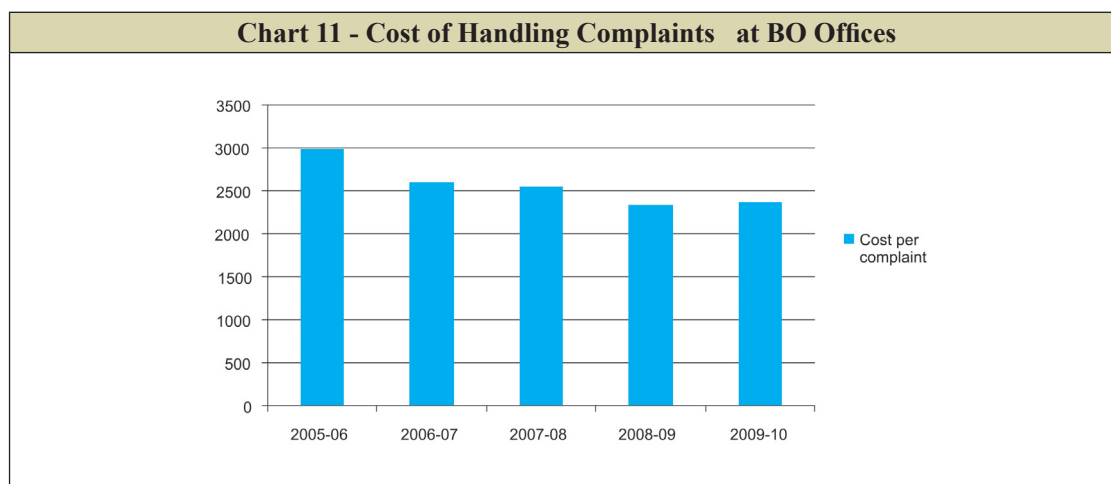
**Table 16- Cost of handling complaints at BO Offices**

Period	Total Cost (₹ in Cr)	No. of Complaints disposed of	Cost per complaint (₹ in)
2005-06	8.12	27193	2986
2006-07	9.81	37661	2604
2007-08	12.50	49100	2546
2008-09	15.29	65576	2331
2009-10	19.74	83336	2368

While the aggregate cost of running the 15 Banking Ombudsman offices has increased by 29 % in absolute terms during the year under review, the cost per complaint

disposed of has maintained at the same level due to the increase in the number of complaints received /disposed of.

**Chart 11 - Cost of Handling Complaints at BO Offices**





## 7. Appeal against the Decisions of the Banking Ombudsmen

7.1 The Banking Ombudsman Scheme 2006 permits both the banks and complainants to appeal against the decisions of the Banking Ombudsman. The Appellate Authority

is the Deputy Governor in charge of the Banking Ombudsman Scheme in RBI, with the Secretariat service provided by the Customer Service Department. The number of Appeals preferred by complainants and banks during the year 2007-08, 2008-09 and 2009-10 are given in the Table No. 17 below.

Table 17- Number of Appeals received and disposed of			
Particulars	No. of Appeals Received During		
	2007-08	2008-09	2009-10
Appeals b/f from previous year	5 @@	32	121
Appeals received from the complainants during the year	169	251	271
Appeals received from banks during the year	17	18	37
Total no. of appeals received during the year	186	269	308
<b>Total no. of appeals handled during the year</b>	191	301	429
Appeals disposed of during the year	159	180	395
<b>Appeals pending at the close of the year Break Up Of Disposal</b>	32 (17%)	121 (40%)	34 (8%)
Appeals Remanded to the BO by AA		17 (9%)	23 (6%)
Appeals withdrawn Post Appeal stage by the appellants		-	20 (5%)
Appeals Rejected by AA		143(80%)	269 (68%)
<b>Appeals Allowed by AA</b>		20(11%)	83 (21%)
Total Appeals disposed of during the year	127	180 (60%)	395(92%)
<b>Appeals pending as on June 30</b>	<b>32 (17%)</b>	<b>121 (40%)</b>	<b>34 (8%)</b>
Pending for less than 1 Month	17	55	30
Pending for I month – 2 Months	10	18	4
Pending for Two- three months	3	20	NIL
Pending for More than 3 Months	2	28	NIL

@@ The system of appealing against any decision of BO (rejections, awards, other decisions, etc) by both the complainant and banks was started from May 2007 onwards. Earlier, appeal facility was available only to the banks and that too, against the awards issued by the BO.

7.2 The number of appeals received at Central office level by the Appellate authority (AA) is increasing steadily since the appealing facility was widened to cover all decisions of BO and that appeals can

be submitted by both the complainant and banks since May 2007. AA has received 308 appeals during the year as against 269 during the previous year, recording an increase of 15%. 271 out of 308 appeals received during the year were from the public and 37 appeals were from the banks as compared to 251 and 18 respectively during the previous year. Thus, the AA has handled as much as 429 appeals during the year, including 121 appeals carried forward from the previous year, out of which 395 complaints (92%) were disposed of as compared to the disposal of 180 appeals during the previous year.

**7.3** Thus, out of the 395 appeals disposed off at CO level, the AA had upheld the decision of BO in 269 cases (68%), while BO decisions were set aside in 83 cases (21%). In addition, 23 cases (6%) were remanded to the BO for fresh disposal in accordance with the directions of the AA while 20 appeals (5%) were withdrawn by the complainants since the bank has resolved the issue to their satisfaction during the appeal stage. The fact that AA has upheld the BO's decision in 68% of the cases amply exemplifies the quality of decisions taken at BO level,

keeping in view the spirit of the Banking Ombudsman Scheme, particularly, when the proceedings under the Scheme are summary in nature. On the other hand, the appealing facility could help resolve the issue to the satisfaction of the parties to the extent of 32% cases, reflecting the success of the appealing facility.

## **8. Important Developments during the year 2009-10**

**8.1. Committee on Customer Service in banks:** A Committee has been constituted by Reserve Bank of India under the Chairmanship of Shri M. Damodaran - Ex Chairman, SEBI to look into the banking services rendered to retail and small customers and pensioners, structure and efficacy of the grievance redressal mechanism and to suggest measures for expeditious resolution of complaints. The other members of the Committee are Smt. M. Rajyalakshmi Rao, Shri Ashok Ravat, Shri M. V. Nair, Shri B. M. Mittal, Shri M. S. Sundara Rajan and Shri S. Gopalakrishnan. Shri Kaza Sudhakar, CGM, CSD is the Member Secretary of the Committee. (Details in Box item)





#### Box IV. Committee on Customer Service in banks

*The Reserve Bank of India has constituted a Committee under the chairmanship of Shri M. Damodaran, former Chairman, SEBI to look into banking services rendered to retail and small customers, including pensioners and also to look into the system of grievance redressal mechanism prevalent in banks, its structure and efficacy and suggest measures for expeditious resolution of complaints. The other members of the committee are*

- 1. Smt. M. Rajyalakshmi Rao, former member, National Consumer Disputes Redressal Commission, New Delhi*
- 2. Shri Ashok Ravat, Hon. Secretary, All India Bank Depositors' Association, Mumbai*
- 3. Shri M. V. Nair, former Chairman, Indian Banks' Association and CMD, Union Bank of India, Mumbai*
- 4. Shri B. M. Mittal, Chief Executive Officer, BCSBI, Mumbai*
- 5. Shri M. S. Sundara Rajan, former CMD, Indian Bank, Chennai*
- 6. Shri S. Gopalakrishnan, former Banking Ombudsman, Chennai and former CMD, Vijaya Bank, Chennai*
- 7. Member Secretary: Shri Kaza Sudhakar, Chief General Manager, Customer Service Department, Reserve Bank of India, Central Office, Mumbai*

*The Terms of Reference of the Committee are:*

- 1. To review the existing system of attending to customer service in banks - approach, attitude and fair treatment to customers from retail, small and pensioners segment.*
- 2. To evaluate the existing system of grievance redressal mechanism prevalent in banks, its structure and efficacy and recommend measures for expeditious resolution of complaints. The committee may also lay down a suitable time frame for disposal of complaints including last escalation point within that time frame.*
- 3. Committee may examine the functioning of Banking Ombudsman Scheme - its structure, legal framework and recommend steps to make it more effective and responsive.*
- 4. The Committee may examine the possible methods of leveraging technology for better customer service with proper safeguards including legal aspects in the light of increasing use of Internet and IT for bank products and services and recommend measures to enhance consumer protection.*
- 5. Review the role of the Board of Directors of banks and the role of Regulators in customer service matter.*

*The Committee has constituted sub-groups and allocated specific terms of reference for detailed study, analysis and framing of draft recommendations. The Committee has so far interacted with all BOs in Northern and Southern Zone as also BO Chennai, BO Mumbai, and Nodal Officers of banks in southern and northern regions and Top Management of some of the leading banks in Mumbai. The Technology Sub-Group of the Committee met a few bankers and heads of IT Departments of banks and discussed areas of customer service which could gainfully be improved by leveraging technology. The members of the Committee are also interacting with bank branches, customers in rural / semi urban areas, pensioners and consumer fora. The Committee has solicited suggestions from members of the public, bank customers, academicians, social / consumer organizations, other NGOs, banks & bankers.*



## 8.2. Customer Service Meeting:

The sixth Customer Service Meeting convened on July 20, 2009 was chaired by Deputy Governor Dr. K. C. Chakrabarty. Important customer service related issues, viz. high rates of interest & high service charges, housing loan on floating rates, strengthening of internal grievance redressal mechanism at banks, charging of high Average Quarterly Balance (AQB) on savings accounts by banks, need for simplified MITC for retail loan products, complaints in respect of submission of 15G/15H and tax deduction at source, etc., were discussed. The meeting was attended by Chairman, BCSBI, Chief Executive from IBA, regulatory departments of RBI and Banking Ombudsmen of Kolkata and Bangalore.

## 8.3. INFE- OECD Meetings:

The meeting of International Network on Financial Education (INFE) and OECD-Brazilian International Conference on Financial Education was held at Rio de Janeiro, Brazil in December 2009. The meeting was attended to by the Deputy Governor, Dr K C Chakrabarty and CGM, CSD. Dr Chakrabarty made a power point presentation on 'Financial Education in India' covering important milestones on financial education in India and RBI's efforts in this regard, like the outreach programme, initiating the BCSBI Code and the BO Scheme apart from establishing FLCC etc. It also outlined the future direction of the financial education programme in India and the setting up of the FINWEB.

The Deputy Governor also moderated a session on 'Reaching out a wide audience and targeted groups: Development of tailored financial products, delivery

channels and programmes'. A meeting of the Advisory Board of INFE conducted in June 2010 at Rome, Italy was attended by Dr K C Chakrabarty and CGM, CSD. In a symposium, presentation focusing on recent National developments with emphasis on Financial Education through Financial Access was made.

## 8.4. Class Action:

Class action refers to a corrective action in the form of general directions by the Regulator to all banks or to a particular bank to protect the interests of the complainant as well as other affected customers. In a complaint received from a senior citizen who is a Government pensioner alleging inordinate delay at the Agency Banks in payment of 6th Pay Commission revised pension/arrears, the Department has conducted a detailed review of the pension payment systems obtaining in various Agency Banks which revealed several disturbing features such as inordinate delay ranging from one month to 18 months in disbursing the revised pension, ineffective customer service on pension payment matters at the branch level, lack of effective coordination between the branches and the Central Pension Processing Centers, wherever pension payments are centrally computerized. With a view to ensuring that the pensioners get their legitimate dues in time, Agency banks were advised to ensure payment of revised pension and arrears are credited to their account on or before the due date in respect of all the Government pensioners. Any delay beyond the due date should be compensated at the Bank Rate plus 2% penal interest automatically without any claim from the pensioner in respect of all delayed pension payments made since October 1, 2008. Copy of the circular issued in this regard is given as box item.



### Box V. Circular on Pension Payments by Agency banks

DO No CSD.CO/ /13.01.001/2009-2010

April 8/9, 2010

To the CMD of all Agency Banks

Dear Shri .....

#### **Pension Payments by Agency Banks - Delay**

As you are aware, the 6th Pay Commission report for Central Govt pensioners has already been implemented by the GOI in two phases. Subsequently most of the State Govts, barring a few like Mizoram, Assam, Nagaland, etc had accepted the Report for implementation and issued necessary Orders. As per our Circular No. DGBA. GAD. H. 11303/ 45.01.003/2005-2006 dated February 6, 2006 - RBI/2005-06/296 - , pension paying banks were advised to put in place mechanism so that the pensioners should get the revised pension / arrears in the succeeding months pension payment itself. The Controlling Offices/Head Offices of Agency Banks were also advised to closely monitor and supervise timely and correct disbursement of the pension to the pensioners. A review of the pension payments systems obtaining with agency banks has revealed several disturbing features:-

1. Even though pension relief orders were issued by the respective State Governments, there is an inordinate delay ranging from one month to 18 months at the agency bank level in disbursing the revised pension as also the payment of the pension arrears. The delay was more pronounced in the case of those State Govt pensioners residing outside their States drawing pension from agency bank branches.
2. Being banks coming under the Public Sector, customer sensibility should have been drilled into the rank and file more so at the branch level whereas customer service on pension payment matters is not effective at the branch level where customers normally interface with the front office.
3. There is lack of effective coordination between the branches and the Central Pension Processing Centers. Transparency in the pension calculations is yet another victim.
4. Non State resident pensioners have not received adequate attention and timely receipt of the revised pension / arrears for months together. What is worse is that there is no credible system of customer service at the branch level.

All of you are aware that pension is the lifeline of the pensioners and delay in affording their legitimate dues will rob them of the dignity of life to which they are legitimately entitled to. Pension payment is an agency function entrusted to you for a commission @ Rs 60 per each credit transaction and this agency commission forms a significant part of your income every year. With a view to ensuring that the pensioners get their legitimate dues in time from you, the following measures may be taken by you with immediate effect:-

- a) All the non state resident pensioners linked to your branches may be paid their revised pension /arrears if not already done within 15 days from the date of receipt of this letter.
- b) All the pensioners may be compensated for the delayed period beyond the due date (as prescribed in our Circular No. DGBA.GAD.H.11303/45.01.003/2005-2006 dated February 6, 2006 - RBI/2005-06/296) at the Bank Rate plus 2% penal interest. This compensation shall be credited to the pensioner's account automatically without any claim from the pensioner, on the same day when the bank affords the credit for revised pension/pension arrears.
- c) A review of the pension payment system obtaining in your bank may be placed before the Board of Directors under the Customer Service head in the next Board Meeting. The minutes of the meeting may be sent to the Chief General Manager, Customer Service Department, Central Office, Reserve Bank of India in due course.

Please acknowledge the receipt of this letter.

With regards,

Yours sincerely,

(Dr.K.C.Chakrabarty)

Deputy Governor

## 8.5. Introduction of Base Rate for Lending

RBI issued guidelines to the banks replacing BPLR system with Base Rate system with effect from July 1, 2010. Actual lending rates charged to the customers will be the Base Rate plus borrower specific charges which will include product specific operating cost, credit risk premium and tenor premium. All categories of loans will be priced only with reference to the base rate. Base rate will be the minimum for all commercial loans. Banks are not permitted to any lending other than staff loan and DRI below the base rate. BPLR concept as the ceiling rate for loans up to ₹ two lakh is withdrawn.

## 8.6. FAQs on Housing loan and Cheque Collection:

FAQs on Housing Loans & Cheque Collection by banks were placed on the website of the Bank for information to common man. CSD also published a booklet on cheque collection policy giving all details about cheque collection.

## 8.7. Master Circular on Customer Service

Master Circular on Customer Service was issued on July 1, 2010 incorporating various issues such as customer service, operations of deposit accounts, levy of service charges, service at counters, disclosure of information, operation of accounts by old and incapacitated persons, facilities to visually impaired persons, guardianship in deposit accounts, remittances, drop box facility, collection of instruments, dishonour of cheques, dealing

with complaints, erroneous debits due to wrong/fraudulent transactions, safe deposit lockers, nomination facility, settlement of claims of deceased depositor/missing person, unclaimed deposits and inoperative accounts, customer confidentiality obligations, transfer of internal account in branch, switching of bank, coordination of officers of CBDT, implementation of recommendation of Working Groups/Committees, and BCSBI's Code of Commitment to Customers and instructions issued thereon.

## 8.8. Updation of Customer Records:

It was observed from the number of complaints received that many customers face inconvenience on account of delay in updation of customer records covering any change of address, e-mail, telephone number etc. Banks were advised to ensure that the customer records are updated immediately on receipt of intimation of change of address and other details by the customers and also ensure proper co-ordination with billing department.

## 8.9. CIBIL Credit Report:

CIBIL was advised to revise the format of reporting of data by banks to CIBIL to classify accounts as closed accounts, settled accounts, restructured accounts and written off accounts with dates and with specific flag in status field separately, to better reflect credit history of an individual. Earlier, accounts were classified as 'written off' even if it was settled with the bank. CIBIL credit report has now been made available to customers against payment of ₹ 142/-.

It was observed from the complaints received that the banks were not taking



any corrective action to sterilize or for washing out the records with CIBIL, of the customers whose cases had been settled by the Banking Ombudsmen where bank had been a willing party to the settlement / compromise / write off / reversal of charges etc. Banks were therefore issued instructions to stick to the agreed decision and also implement the same both in letter and spirit by suitably modifying the CIBIL records and not trouble the customer once the account is treated as settled failing which RBI will be constrained to advise Banking Ombudsmen to modify their awards suitably. Banks were advised to issue no-due certificates in all cases resolved through Banking Ombudsman intervention within a week of reaching such settlement in the presence of Banking Ombudsman.

#### **8.10. ATM/ Internet banking frauds:**

Banks were advised to ensure that the following disclaimer is displayed on the monitor either as pop up or voice enabled message before a customer undertakes a net banking transaction:

1. “Our bank does not ask for the details of your account/PIN/password. Therefore any one pretending to be asking you for information from the bank/technical team may be fraudulent entities, so please beware. You should know how to operate net transactions and if you are not familiar you may refrain from doing so. You may seek bank’s guidance in this regard. Bank is not responsible for online transactions going wrong.”
2. “We shall also not be responsible for wrong transactions and wanton disclosure of details by you. Viewing option and transactions option on the

net are different. You may exercise your option diligently.”

#### **8.11. Issuance of Loan Statements**

The matter of issuance of Loan statements to borrowers was taken up with IBA and IBA has issued instructions to all banks to provide loan statements on annual basis for all retail loans with details such as particulars of principal, interest and outstanding balance, etc.

#### **8.12. Compensation for failed ATM Transactions:**

Banks were advised to redress the complaints in respect of failed/dispensation of short cash ATM transactions within 12 days of receipt of complaint, or to pay compensation of ₹ 100/- per day for delay in redressing of such complaints on its own.

#### **8.13. Interest on Daily Product Basis:**

As announced in Annual Policy 2009-10, RBI advised banks to make payment of interest on savings banks deposits on daily product basis with effect from April 1, 2010.

#### **8.14. Exclusive time for customer service in Board meeting:**

The banks were advised to ensure to devote exclusive time in a Board meeting once, every six months to review and deliberate on customer service.

#### **8.15. BCSBI Code Revision:**

BCSBI reviewed the Code of Bank’s Commitment to Customers in August 2009. Highlights of the revised code are as follows:



- I. Borrowers at floating rate of interest will be informed of the reference rate to which floating rate of interest is anchored and the bank will have to disclose on its website changes in such reference rate as and when they take place.
- II. Banks are now committed to disclose minimum interest clause, reset clause, all charges etc. at the time of offering loan products, as also convey the Most Important Terms and Conditions (MITC) for credit cards and loans.
- III. Customers are entitled to compensation for delay in collection of cheques or delay in returning documents/securities beyond 15 days of settlement of dues without their demanding the same.
- IV. Banks are also now committed to explain the provisions of Income Tax Act applicable to interest income and obtain Form 15G/H at the time of opening a term deposit account, wherever applicable; notify the joint holder/s, in addition to the first holder of an account, before classifying an account as dormant/inoperative; not to insist that insurance cover for securities lodged be obtained from a particular provider; disburse any pre-sanctioned credit facilities offered and accepted over telephone, only after obtaining written consent from the customer; introduce a system of checks before referring a loan to a Collection Agent; dispose customer complaints in 30 days etc.

### **8.16. Upgraded version of Complaint Tracking Software (CTS):**

The upgraded version of CTS package which went live from July 1, 2009 is running smoothly in all BO offices. The upgraded

CTS package has provision to enter the complaints, acknowledge the complaints, edit and update the complaints, upload/download supporting files in respect of a complaint by the banks, view complaint details, view status of complaints, etc. It is capable of generating reports like complaint received reports, complaint disposed reports, award issued reports, complaint pending reports, bank wise/subject wise reports, non-maintainable complaints report, monthly /quarterly statements, etc. All the data for Annual Reports of all BO Offices as well as BO Scheme 2006 was taken from the upgraded CTS package.

### **8.17. Outreach activities by BOs for creating awareness of BOS 2006:**

Popularity of the BO Scheme is evidenced by increasing number of complaints received by all the offices of the Banking Ombudsmen. One of the striking features observed from the complaints received by all the B O Offices is that a large number of complaints were non-maintainable or first resort complaints which reflected general unawareness about scope and applicability of the BO Scheme. Though Banking Ombudsmen are trying to enlighten general public about the BO Scheme through various outreach activities and awareness campaigns, a lot needs to be done to educate the general public.

As a part of the Platinum Jubilee celebrations, all the offices of Banking Ombudsman including Customer Service Department, RBI organized Outreach Programmes in semi-urban / rural areas to spread awareness about the Ombudsman Scheme among the general public.



Following are some of the other major initiatives taken by Banking Ombudsmen during the year.

#### **8.17.1. Interaction with banks:**

Meetings with the Nodal officers of banks were conducted at regular intervals by all Banking Ombudsmen. The issues discussed were bringing down response time and complaint resolution time, streamlining redressal system in tune with the changes and spreading awareness about B O Scheme.

#### **8.17.2. Innovative mode of Awareness Campaign through Documentary Film:**

As a part of innovative initiatives for creating awareness about the BO Scheme, a documentary film capturing salient features of the BO Scheme was released and telecast on regional Doordarshan by one BO Office so as to ensure wider reach among the common public dwelling in the rural and semi-urban areas of the State. A mobile van loaded with posters, banners and pamphlets on the Scheme was also hired for screening the film in rural areas of the State through two big size LCDs. The BO Office has also arranged for display of the salient features of the Scheme through LED Scroller located at 11 different rural Post offices in the State.

#### **8.17.3. Advertisement Campaign/ Broadcast through All India Radio/ Doordarshan**

The Bank in collaboration with Government of India launched a campaign under 'Jago Grahak Jago' series on the

Banking Ombudsman Scheme and the advertisement appeared on August 9, 2009. Some of the Banking Ombudsmen have used services of All India Radio and Doordarshan for an audio-visual campaign regarding the Scheme and also conducted interactive phone - in sessions on All India Radio.

#### **8.17.4. Interaction through Rotary / LIONS Clubs/ Chamber of Commerce etc. :**

Banking Ombudsmen are also interacting with LIONS / Rotary Clubs, Chamber of Commerce to spread awareness of the BO Scheme by participating in Seminars / Conclaves arranged by these Organisations.

#### **8.17.5. Incognito visits:**

To strengthen customer service in banks branches, and to evaluate its service from the customer-end, some of the OBOs undertook incognito visits to some bank branches to get a firsthand experience of difficulties faced by the public.

#### **8.17.6. Workshop conducted by an NGO :**

A workshop was conducted in Mumbai by consumer activist NGO in May 2010. Shri Kaza Sudhakar, Chief General Manager of Customer Service Department and Shri O.P. Aggarwal, Banking Ombudsman (BO), Maharashtra and Goa were the main speakers. The workshop was attended by various consumer groups, Nodal Officers, media persons and others.

## Annex - 1

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. 079-26582357/26586718 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. 080-22210771/22275629 Fax No.080-22244047	Karnataka
Bhopal	C/o Reserve Bank of India Hoshangabad Road, Post Box No.32, Bhopal-462 011 Tel.No. 0755-2573772/2573776 Fax No.0755-2573779	Madhya Pradesh and Chhattisgarh
Bhubaneswar	C/o Reserve Bank of India Pt. Jawaharlal Nehru Marg Bhubaneswar-751 001 Tel.No. 0674-2396207/2396008 Fax No.0674-2393906	Orissa
Chandigarh	C/o Reserve Bank of India New Office Building Sector-17, Central Vista Chandigarh-160 017 Tel.No. 0172-2721109/2721011 Fax No.0172-2721880	Himachal Pradesh, Punjab, Union Territory of Chandigarh and Panchkula, Yamuna Nagar and Ambala Districts of Haryana.
Chennai	C/o Reserve Bank of India Fort Glacis, Chennai 600 001 Tel No. 044-25399170/25395963/ 25399159 Fax No.044-25395488	Tamil Nadu, Union Territories of Pondicherry (except Mahe Region) and Andaman and Nicobar Islands
Guwahati	C/o Reserve Bank of India Station Road, Pan Bazaar Guwahati-781 001 Tel.No. 0361-2542556/2540445 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. 040-23210013/23243970 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. 0141-2570357/2570392 Fax No.0141-2562220	Rajasthan
Kanpur	C/o Reserve Bank of India M.G. Road, Post Box No.82 Kanpur-208 001 Tel.No. 0512-2306278/2303004 Fax No.0512-2305938	Uttar Pradesh (excluding Districts of Ghaziabad and Gautam Budh Nagar) and Uttaranchal
Kolkata	C/o Reserve Bank of India 15, Nethaji Subhas Road Kolkata-700 001 Tel.No. 033-22306222/22305580 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. 022-24924607/24960893 Fax No.022-24960912	Maharashtra and Goa
New Delhi	C/o Reserve Bank of India, Sansad Marg, New Delhi Tel.No. 011-23725445/23710882 Fax No.011-23725218	Delhi, Jammu and Kashmir and Ghaziabad and Gautam Budh Nagar districts of Uttar Pradesh  Haryana (except Panchkula, Yamuna Nagar and Ambala Districts)
Patna	C/o Reserve Bank of India, Patna-800 001 Tel.No. 0612-2322569/2323734 Fax No.0612-2320407	Bihar and Jharkhand
Thiruvananthapuram	C/o Reserve Bank of India Bakery Junction Thiruvananthapuram-695 033 Tel.No. 0471-2332723/2323959 Fax No.0471-2321625	Kerala, Union Territory of Lakshadweep and Union Territory of Pondicherry (only Mahe Region).



## Annex - 2

Important Notifications Relating to Customer Service and BO Scheme in 2009-10	
Date	Policy Announcement
July 01, 2009	<b>Master Circular on Customer Service in banks</b> - DBOD.No.Leg. BC.9 /09.07.006/2009-10 - RBI has been time and again issuing various instructions /guidelines in the area of customer service to bring about improvements in the quality of customer service in banks and their branches. In order to have all current instructions on the subject at one place, RBI have compiled the important instructions issued in the area of customer service, in the form of a Master Circular.
July 17, 2009	<b>Delayed reimbursement of Failed ATM transactions</b> – Time limit - DPSS No.101/02.10.02/2009-2010 –RBI has made it mandatory for the banks to reimburse the customers the amount wrongfully debited on account of failed ATM transactions, within a maximum period of 12 working days from the date of receipt of the customer complaint. Failure to do so will attract compensation @ ₹ 100/-, per day, which shall be credited to the customer’s account automatically without any claim from the customer.
July 21, 2009	<b>Grievance Redressal Mechanism in banks - Display of names of Nodal Officers appointed under the Banking Ombudsman Scheme, 2006</b> - DBOD.No.Leg.BC.24 /09.07.005/ 2009-10 - The banks were advised to ensure that the names of the contact officials displayed at the branches for redressal of complaints also include the name and other details of the Nodal Officer appointed under the BOS, 2006. Banks may also display on their websites, the names and other details of the officials at their Head Office / Regional Offices / Zonal Offices who can be contacted for redressal of complaints. This list should also include the names of the Nodal Officers / Principal Nodal Officers appointed under the BOS, 2006.
July 22, 2009	<b>Cash Withdrawal at Point-of-Sale (POS)</b> - DPSS.CO.PD.No. 147/02.14.003/ 2009-10 - As a step towards enhancing the customer convenience in using the plastic money, cash withdrawals were permitted at POS terminals for all debit cards issued in India, upto ₹ 1000/- per day.
August 12, 2009	<b>Payment of interest on accounts frozen by banks</b> - DBOD. No. Leg. BC.30 / 09.07.005/2009-10 - Banks were advised that while obtaining the request letter from the depositor for renewal, banks should also advise him to indicate the term for which the deposit is to be renewed. In case the depositor does not exercise his option of choosing the term for renewal, banks may renew the same for a term equal to the original term.
August 14, 2009	<b>Use of RTGS/NEFT/NECS/ECS for Credit to NRE Accounts –Compliance with FEMA Regulations and Wire Transfer Guidelines</b> - DPSS (CO) EPPD No.327/04.03.02/2009-10 - All banks participating in RTGS / NEFT / NECS / ECS were advised that when the destination of funds is to an NRE account, the originating / sponsor bank must ensure that the funds are eligible to be credited to an NRE account in India under the existing FEMA Regulations and Wire Transfer Guidelines. Beneficiary / Destination banks have to make requisite changes to the interface software, if not already done, so that all valid transactions indicating credit to an NRE account are not returned.



August 20, 2009	<b>Payment of interest on accounts frozen by UCBs</b> - UBD (PCB) BPD Cir No. 4 /13.01.000/2009-10 - UCBs were advised that while obtaining the request letter from the depositor for renewal, also advise him to indicate the term for which the deposit is to be renewed. In case the depositor does not exercise his option of choosing the term for renewal, banks may renew the same for a term equal to the original term.
August 24, 2009	<b>Collateral Free loans – Micro and Small Enterprises (MSEs)</b> - RPCD. SME&NFS.BC.No.16/06.02.31 (P) /2009-10 - Banks were advised that the guidelines on extending collateral free loans upto ₹ 5 lakh to the units of MSE sector are mandatory and banks must not obtain collateral security in the case of loans upto ₹ 5 lakh extended to all units of the MSE sector.
August 27, 2009	<b>Collection of account payee cheque – Prohibition on crediting proceeds to third party account</b> - DBOD.BP.BC No. 32 / 21.01.001/ 2009-10 – Earlier, banks were advised that the practice of collection of cheques crossed ‘account payee’ through third party accounts (co-operative credit societies) is not permissible. In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers’ account can be collected by the member banks of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee's account only, upon realisation.
September 01, 2009	<b>Payment of interest on Savings Bank Account on a Daily Product Basis</b> – UCBs – UBD.(PCB).BPD.Cir.No.7/13.01. 000/ 2009-10 - UCBs were informed that with effect from April 1, 2010 interest on balances in savings bank accounts would be calculated on a daily product basis.
September 7, 2009	<b>Collection of Account Payee Cheques - Prohibition on Crediting Proceeds to Third Party Account</b> - RPCD.CO.RF.BC.No.18 /07.38.03/2009-10 – Earlier, all State Co-operative Banks and District Central Co-operative Banks were advised that the practice of collection of cheques crossed ‘account payee’ through third party accounts (co-operative credit societies) is not permissible. In order to facilitate collection of cheques from a payment system angle, account payee cheques deposited with the sub-member for credit to their customers’ account can be collected by the member bank of the Clearing House. Under such arrangements, there should be clear undertaking to the effect that the proceeds of the account payee cheque will be credited to the payee’s account only, upon realisation.
September 11, 2009	<b>KYC norms/ AML standards/Combating of Financing of Terrorism (CFT)/Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002</b> - DBOD. AML.BC. No.43 /14.01.001/2009-10 - All Scheduled Commercial banks were advised to maintain for at least ten years from the date of transaction between the bank and the client, all necessary records of transactions referred to at Rule 3 of the Prevention of Money-Laundering, etc Rules, 2005 (PMLA Rules), both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

September 24, 2009	<b>Payment of Interest on Savings Bank Account on a Daily Product Basis</b> - RPCD.CO.RRB.BC.No. 25 /03.05.33/2009-10 - RRBS were advised to work out modalities to ensure a smooth transition to the revised procedure of calculation of interest on balances in savings bank accounts on a daily product basis with effect from April 1, 2010.
September 29, 2009	<b>KYC norms/ AML standards/Combating of Financing of Terrorism (CFT) / Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002</b> - RPCD. CO. RRB. BC. No. 27 / 03.05.33(E)/2009-10 - RRBS were advised to maintain for at least ten years from the date of transaction between the bank and the client, all necessary records of transactions referred to at Rule 3 of the Prevention of Money-Laundering, etc Rules, 2005 (PMLA Rules), both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.
October 5, 2009	<b>Cash Withdrawal at point of Sale (POS) – UCBs</b> - UBD.CO. BPD.No. 13/09.18.300/2009-10 - UCBs were informed that as a further step towards enhancing the customer convenience in using the plastic money, cash withdrawals are permitted at POS terminals for all debit cards issued in India, upto ₹1000/- per day.
October 20, 2009	<b>Credit Information Companies (Regulation) (Removal of Difficulties) Order, 2008</b> - RPCD. CO RRB. No. 32/ 03.05.33/ 2009-10 - In terms of Section 15(1) of the Credit Information Companies (Regulation) Act, 2005, every credit institution has to become member of at least one credit information company within a period of three months from commencement of the Act or any extended time allowed by the Reserve Bank on application. As RRBs fall under credit institutions as defined in sub-section (f) of Section 2 of the Act, they would be required to take membership of at least one credit information company and provide credit data to the credit information company in the format prescribed by the credit information company.
October 30, 2009	<b>Inoperative Accounts</b> - DBOD.Leg. No.BC. 55 /09.07.005 / 2009-10 - There may be instances where the customer has given a mandate for crediting the interest on Fixed Deposit account to the Savings Bank account and there are no other operations in the Savings Bank account. In such cases since the interest on Fixed Deposit account is credited to the Savings Bank accounts as per the mandate of the customer, banks should treat the same as a customer induced transaction and treat the account as operative account as long as the interest on Fixed Deposit account is credited to the Savings Bank account. The Savings Bank account can be treated as inoperative only after two years from the date of the last credit entry of the interest on Fixed Deposit account.
November 9, 2009	<b>Dishonour of Cheques</b> – Dealing with incidents of frequent dishonour - DBOD. No.Leg.BC.59 /09.07.005/2009-10 - Banks were advised to have a Board approved policy for dealing with frequent dishonour of cheques of value of less than ₹1 crore. The policy should also deal with matters relating to frequent dishonour of ECS mandates.



November 16, 2009	<b>Marketing/distribution of mutual fund/insurance etc., products by banks</b> - DBOD.No.FSD.BC. 60/24.01.001/2009-10 – Banks were advised to disclose to the customers, details of all commission/other fees (in any form) received from the various mutual fund/insurance/other financial companies for marketing/ referring their products.
November 17, 2009	<b>RTGS System - Government Receipts</b> - DPSS (CO) RTGS No.991/04.04.002/2009 – 2010 - As per the extant Government rules, only accredited banks are permitted to receive payments to Government accounts and every credit to the Government account needs to be supported by a Challan. The RTGS message transfer platform is designed to carry only funds transfer messages and not Challan. The receiving bank therefore is not in a position to afford credit to the Government account. This often results in transactions getting returned. As an interim measure to facilitate Government receipts through RTGS, it has been decided that participants originating Government transactions in RTGS can do so only when the receiving bank is in agreement with the sending bank to receive funds. In case it is bilaterally decided to undertake such a funds transfer in RTGS, banks have to use the interbank mode R 42 for such transfers.
November 19, 2009	<b>Sorting / Processing of Notes – Installation of Note Sorting Machines</b> - DCM. No. Cir. NPD.3161/09.39.00 (Policy)/2009-2010 - Banks were advised that the bank notes in denominations of ₹100/- and above may be re-issued by banks over their counters or through ATMs only if these banknotes are duly checked for authenticity / genuineness and fitness by machines. For this purpose, banks should: (i) Use such machines in all their branches having average daily cash receipts of ₹ 1 crore and above by March 2010 and (ii) Use such machines in all their branches having average daily cash receipts between ₹ 50 lakh and ₹ 1 crore by March 2011.
November 30, 2009	<b>Financial Inclusion by Extension of Banking Services – Use of Business Correspondents (BCs)</b> - DBOD.No.BL.BC. 63 /22.01.009/2009-10 - Banks were permitted to appoint following entities as BCs, in addition to the entities presently permitted: (i) Individual Kirana/Medical /Fair Price Shop Owners (ii) Individual Public Call Office (PCO) Operators (iii) Agents of Small Savings Schemes of Government of India/Insurance Companies (iv) Individuals who own petrol pumps (v) Retired teachers and (vi) Authorised functionaries of well run Self Help Groups (SHGs) linked to banks. Banks (and not BCs) are permitted to collect reasonable service charges from the customer, in a transparent manner under a Board-approved policy.

December 1, 2009	<b>Credit Information Companies (Regulation) Act, 2005</b> - RPCD.CO.RF. BC.No.44/07.40.06/2009-10 - In terms of Section 15(1) of the Credit Information Companies (Regulation) Act, 2005, every credit institution has to become member of at least one credit information company within a period of three months from commencement of the Act or any extended time allowed by the Reserve Bank on application. As Co-operative Banks fall under credit institutions as defined in sub-section (f) of Section 2 of the Act, they would be required to take membership of at least one credit information company and provide credit data to the credit information company in the format prescribed by the credit information company. State and Central Co-operative Banks are advised to ensure strict compliance with the provisions of the Credit Information Companies (Regulation) Act, 2005 as well as the rules and regulations framed there under.
December 3, 2009	<b>Marketing/Distribution of Mutual Fund/Insurance Products by Urban Cooperative Banks</b> - UBD.No.BPD. PCB.26/09.11. 200/ 2009-10 - Urban Co-operative Banks were advised to disclose to the customers, details of all commissions/other fees (in any form) received from the various mutual fund/ insurance/other financial companies for marketing/referring their products.
December 3, 2009	<b>Credit Information Companies (Regulation) Act, 2005</b> - UBD.BPD (PCB) Cir No.25/09.11.200/2009-10 - In terms of Section 15(1) of the Credit Information Companies (Regulation) Act, 2005, every credit institution has to become member of at least one credit information company within a period of three months from commencement of the Act or any extended time allowed by the Reserve Bank on application. As Urban Co-operative Banks fall under credit institutions as defined in sub-section (f) of Section 2 of the Act, they would be required to take membership of at least one credit information company and provide credit data to the credit information company in the format prescribed by the credit information company.
December 18, 2009	<b>Extension of Service Window for RTGS Transactions</b> - DPSS (CO) RTGS No. 1313/ 04.04.002 / 2009 – 2010 - RTGS Standing Committee has extended RTGS timings for customer and inter-bank transactions on Saturdays. Accordingly, the revised time window for customer transactions would be 9:00 hours to 13:30 hours and for interbank transactions time window would be 9:00 hours to 15:00 hours.
December 18, 2009	<b>Display of information for lodging of ATM related complaints</b> - DPSS No.1316 /02.10.02/2009-2010 - Banks were advised to display prominently the following information at the ATM locations: i) Information that complaints should be lodged at the branches where customers maintain account to which ATM card is linked ii) Telephone numbers of help desk/contact persons of the ATM owning bank to lodge complaint / seek assistance.
December 24, 2009	<b>Mobile Banking Transactions in India</b> - Operative Guidelines for Banks-DPSS.CO.No.1357/02.23.02/2009-10- In modification to the guidelines issued vide circular no. RBI/2008-09/208, DPSS.CO.No.619 /02.23.02/ 2008-09 dated October 08, 2008 on Mobile Banking Transactions in India, banks are now permitted to offer this service to their customers subject to a daily cap of Rs 50,000/- per customer for both funds transfer and transactions involving purchase of goods/services.





February 19, 2010	<b>Payment of Interest on Savings Bank Account on Daily Product Basis</b> - DBOD. No. Dir. BC 77/13.03.00/2009-10 - Banks were advised that the payment of interest on savings bank accounts would be made on a daily product basis with effect from April 1, 2010.
February 22, 2010	<b>Standardisation and Enhancement of Security Features in Cheque Forms</b> - DPSS.CO.CHD.No. 1832/ 04.07.05 /2009-10 - It has been decided to prescribe certain benchmarks towards achieving standardisation of cheques issued by banks across the country. These include provision of mandatory minimum security features on cheque forms like quality of paper, watermark, bank's logo in invisible ink, void pantograph, etc., and standardisation of field placements on cheques. The benchmark prescriptions shall be known as 'CTS-2010 standard' Effective date of implementation of the standard will be advised in due course.
March 4, 2010	<b>Payment of Interest on Savings Bank Account on Daily Product Basis</b> - UBD (PCB) BPD.Cir.No. 48/13.01.000 / 2009-10 - UCBs were advised that the payment of interest on savings bank accounts may be made on a daily product basis with effect from April 1, 2010.
March 26, 2010	<b>Know Your Customer (KYC) guidelines - accounts of proprietary concerns</b> - DBOD.AML.BC.No.80/ 14.01.001/ 2009-10 - Banks were advised that apart from following the extant guidelines on customer identification procedure as applicable to the proprietor, they should call for and verify any two of the following documents before opening of accounts in the name of a proprietary concern: i) Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST/VAT certificate, certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities, Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc. These documents should be in the name of the proprietary concern.
March 29, 2010	<b>Public Provident Fund Scheme, 1968: 1) Clarification regarding reckoning of the date of deposit 2) Reiteration of instructions on opening of an account for a minor</b> - DGBA.CDD. H- 7530/15.02. 001/ 2009 - 10 - The GOI, have decided that when a deposit is made in the PPF account by means of a local cheque or demand draft by the subscriber, the date of realization of the amount will be the date of deposit. All the Agency banks were advised to bring this to the notice of their branches undertaking PPF business and ensure that the same is also incorporated in the computerized system. It is also reiterated that as per Rule 3 (1) of PPF Scheme, 1968, an individual may, on his own behalf or on behalf of a minor, of whom he is the guardian, subscribe to the Public Provident Fund. Further, as clarified, vide Ministry of Finance letter F.7/34/88/-NS II dated November 17, 1989, either father or mother can open a PPF account on behalf of his/her minor child but not both.

April 8, 2010	<b>Cheque Collection Policy (CCP) - Immediate credit of Local / Outstation Cheques</b> - RPCD.CO.RRB.BC.No.65/03.05.33/2009-10 - RRBs were advised that the Cheque Collection Policy should include instructions on immediate credit for local/outstation cheques in addition to the aspects of time-frame for collection of local/outstation instruments and interest payment of delayed collection.
April 9, 2010	<b>Guidelines on the Base Rate</b> - DBOD. No. Dir. BC 88 /13.03.00/2009-10 - Banks were issued guidelines for implementation of the Base Rate System. These guidelines on the Base Rate system, replacing the BPLR system will become effective on July 1, 2010.
April 12, 2010	<b>Collateral Free Loans - Educational Loan Scheme</b> - RPCD.SME&NFS. BC.No.69/06.12.05/2009-10- Banks were advised that it is mandatory that they do not insist on collateral security in the case of educational loans upto ₹ 4 lakh. Suitable instructions may be issued to branches/controlling offices for meticulous and strict compliance in this regard.
April 23, 2010	<b>Credit/Debit Card transactions- Security Issues and Risk mitigation measures for IVR transactions</b> - RBI / DPSS No. 2303 / 02.14.003 / 2009-2010 - It has been decided to extend the requirement of additional authentication/validation to all Card Not Present transactions including IVR transactions with effect from January 01, 2011.
May 06, 2010	<b>Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, etc Amendment Rules, 2010 - Obligation of banks</b> - RPCD.CO RRB. AML. BC. No. 80/03.05. 33(E)/ 2009 -10 - In terms of the amendment to the Prevention of Money-laundering Rules, 2005, RRBs are, inter alia, required i) to maintain the records of all transactions including the records of transactions detailed in rule 3 sub-rule (1) and ii) the records referred to in rule 3 should contain all necessary information specified by the Regulator to permit reconstruction of individual transactions including the information detailed in rule 4.
May 26, 2010	<b>Remittance towards participation in lottery, money circulation schemes, other fictitious offers of cheap funds, etc.</b> - A.P. (DIR Series) Circular No.54 - It has been brought to the notice of the Reserve Bank that fraudsters are seeking money from the gullible people, under different heads, such as, processing fees/ transaction fees/tax clearance charges/conversion charges, clearing fees, etc. The victims of the fraud have also been persuaded to deposit the amount in accounts with banks in India, and such amounts have been withdrawn immediately. It is also observed that multiple accounts are being opened in the name of individuals or proprietary concerns, at different bank branches for collecting the transaction charges, etc. AD Category-I banks were advised to exercise due caution and to be extra vigilant while opening or allowing transactions in such accounts. It is clarified that any person resident in India collecting and effecting / remitting such payments directly /indirectly outside India would make himself/ herself liable to be proceeded against with, for contravention of the Foreign Exchange Management Act, 1999 besides being liable for violation of regulations relating to KYC norms /AML standards.





June 9, 2010	<b>KYC norms/ AML standards/Combating of Financing of Terrorism (CFT)/ Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002</b> - DBOD.AML.BC.No.108/ 14.01.001/2009-10 - With a view to preventing banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing, it is clarified that whenever there is suspicion of money laundering or terrorist financing or when other factors give rise to a belief that the customer does not, in fact, pose a low risk, banks should carry out full scale customer due diligence (CDD) before opening an account.
June 10, 2010	<b>KYC norms/ AML standards/Combating of Financing of Terrorism (CFT)/ Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002</b> - DBOD. AML.BC. No.109/14.01.001/2009-10 - Banks were advised not to allow opening and/or holding of an account on behalf of a client/s by professional intermediaries, like Lawyers and Chartered Accountants, etc., who are unable to disclose true identity of the owner of the account/funds due to any professional obligation of customer confidentiality. Further, any professional intermediary who is under any obligation that inhibits bank's ability to know and verify the true identity of the client on whose behalf the account is held or beneficial ownership of the account or understand true nature and purpose of transaction/s should not be allowed to open an account on behalf of a client.
June 15, 2010	<b>KYC norms/ AML standards/Combating of Financing of Terrorism (CFT)/Obligation of banks under Prevention of Money Laundering Act (PMLA), 2002</b> - DBOD. AML.BC. No. 111/14.01.001/2009-10 - Banks were advised that they should examine the background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible be examined, and written findings together with all documents should be retained and made available to Reserve Bank/other relevant authorities, on request. It is clarified that banks should not enter into relationship with shell banks and before establishing correspondent relationship with any foreign institution, banks should take appropriate measures to satisfy themselves that the foreign respondent institution does not permit its accounts to be used by shell banks.
June 18, 2010	<b>Agricultural Loans – Waiver of Margin/Security Requirements</b> - RPCD. PLFS. BC. No. 85/05.04.02/2009-10 - Banks may waive margin/security requirements for agricultural loans from the existing level of ₹ 50,000/- to ₹ 1,00,000/- with immediate effect.
June 21, 2010	<b>Compromise/Negotiated/One Time settlement of Non Performing Assets-</b> DBOD.BP.BC.No.112/ 21.04.048/2009-10 - Banks have been advised that adequate care should be taken to ensure that the compromise settlements are done in a fair and transparent manner and in full compliance with RBI guidelines on the matter. The officer/authority sanctioning a compromise/ one time settlement should append a certificate stating that the compromise settlements are in conformity with the RBI guidelines.
June 22, 2010	<b>Standardisation and Enhancement of Security Features in Cheque Forms</b> - DPSS.CO.CHD.No.2806/04.07.05/2009-10 - DPSS has clarified that the prescription on 'prohibiting alterations / corrections on cheques' has been introduced to curtail cheque frauds on account of alterations in the various fields of cheques and to give protection to customers as well as banks. It will be applicable only for cheques cleared under the image-based Cheque Truncation System (CTS).

### Annex - 3

## Exemplary Cases dealt with by BO offices during 2009-10

#### 1. Floating rate of interest :

Treating the Spread as variable: The complainant had availed home loan from the bank repayable in ten years at floating rate of interest. As per the sanction letter, the interest rate applicable was to be PLR minus 3.75% (spread). Instead of reducing the interest rate subsequently with reduction in PLR, the bank had kept the interest rate unchanged by changing the spread to BPLR, although, the spread should have remained constant while the BPLR could be changed by the bank depending on market movements. Moreover, the interest rates could be changed only at the time of review/renewal of account, which was also not followed by the bank, the rates being charged on adhoc basis. The BO directed the bank to recast the amount of interest payable by the complainant at the rate agreed at the time of sanction of housing loan and revise only at the time of review/renewal of account.

#### 2. Non-payment of sum assured against home loan insurance cover :

The complaint was lodged by the widow of the borrower for non payment of sum assured against insurance policy taken against home loan. The loan was disbursed by the bank and insurance premium was also debited to the loan account. The bank stated that a demand draft was issued in favour of the Insurance Company and despatched to them. However, the insurance policy was not issued and the bank made no efforts to follow up with the insurance company to rectify the position. Unfortunately, the

borrower expired and the failure of the bank to ensure proper insurance cover deprived the widow of the borrower and his legal heirs, the benefit of the insurance cover. The BO held that the bank's failure to ensure proper insurance cover as per terms and conditions of sanction or advise the complainant to find alternate cover, constituted deficiency of service. The sum assured under the insurance policy was quantified as the amount of actual loss and the bank was directed to pay ₹ 4.28 lakh to compensate the complainant.

#### 3. Levying of charges in Housing Loan Account :

A borrower had complained that the bank had levied supervision charges and service tax in his housing loan account without any prior information. The bank submitted that the charges were recovered as per its internal guidelines and furnished a copy of loan sanction letter according to which processing charges and service charges were to be recovered from the loanee. These charges did not include supervision charges. Therefore, the bank was advised to justify the necessity of supervision charges in the housing loan account as these charges were not specifically mentioned in the loan sanction letter, failing which the bank should reverse the charges. As advised by BO, the bank had reversed the supervision charges in the complainant's loan account.

#### 4. Charging higher rate of interest linked to BPLR on Housing Loan:

The complainant who had availed of a housing



loan from the bank alleged that the bank was charging higher rate of interest than agreed upon. The bank forwarded a copy of agreement letter signed/accepted by the complainant wherein complainant had agreed to floating rate of interest, in terms of which the rate of interest was changed with changes in the PLR of the bank. The bank also advised that changes in rate of interest were displayed in the branch and through their bank's website from time to time. The BO directed that as the complainant had agreed to the terms and conditions which provided for floating rate of interest, bank's action of charging the higher rate of interest was in order.

**5. Failure to carry out instructions of the borrower:** The complainant had availed home Loan from a bank and had given post dated cheques (PDCs) drawn on a Co-operative bank which was later placed under moratorium. No sooner the complainant came to know about this, he issued fresh PDCs drawn on another bank to avoid any default in payment. The complainant issued written instructions to the bank not to present the PDCs drawn on the Co-operative bank and to return the same to him. Despite acknowledging the letter, the bank presented the cheques drawn on Co-operative bank and levied cheque return charges, penal charges and also issued legal notices to the complainant. The BO observed that the bank had not followed the minimum standards of banking service. The bank accepted the error and reversed the cheque return charges and penal charges levied on his home loan account. The BO directed the bank to suitably compensate the complainant who was a senior citizen. The bank paid ₹ 7750/- as compensation.

**6. Dispute over failed ATM transaction:** One account holder complained about wrong debit by the bank for failed ATM transaction. On taking up the matter, the bank submitted that as reported by the acquirer bank, the transaction was successful. The bank also submitted an Electronic Journal (EJ) copy indicating '000' code for the successful transaction. Complainant insisted that he had not received the money though his account was debited. Later on, the issuing bank informed the credit of the disputed amount, as they had received the fund from the acquirer bank. The bank was advised to compensate the complainant for the delay in reversal of the disputed ATM transaction.

**7. ATM withdrawal :** Penalty for delayed reversal of wrong debit: The complainant maintained an account with AB Bank. He withdrew an amount of ₹ 500 from the ATM of DH bank on July 28, 2009. The cash dispensed by the machine was only ₹ 400. However, his account was debited by ₹ 500/-. The amount of ₹ 100/- was credited back to his account only on January 27, 2010 despite lodging the complaint immediately no penalty was paid to him as per the instructions issued by DPSS vide its circular dated July 17, 2009. Since the bank had delayed in affording the credit to the complainant's account by more than five months, BO directed the bank to pay the penalty amount of ₹ 16, 200/- for the delayed period.

**8. Customer, a victim of lack of coordination at the bank :** The complainant had alleged that despite making full payment of the outstanding amount on his card account and request

for closure of the card, the card company was issuing monthly statements showing outstanding dues and giving constant telephone calls. While the issue was pending with BO, the card company had even served a legal notice harassing him. The response of the card company to his pleas was quite evasive. BO observed lack of coordination between the accounts wing and collection wing of the card company. Relying on the evidence of full payment of dues by the complainant, request for closure, copy of legal notice and absence of any written response to the complainant, BO observed that the approach of the card company was very lukewarm to the customer. Issuance of legal notice by the card company after receipt of a communication from the BO regarding the dispute also reflected the lack of sensitivity of the card company to customer grievances. The card company was directed to pay an amount of ₹ 5000/- to the complainant as compensation for the harassment.

**9. Fraudulent transfer of funds by using net banking:** A complaint was received about fraudulent transfer of ₹ 1.60 lakh from account of the complainant using the net banking facility by unauthorized persons. The complainant had opted for net banking facility for non financial transactions only. The bank informed that the complainant might have compromised his password to the fraudsters which was denied by the complainant. It was observed that the fraud had taken place due to faulty security system of the bank as a financial transaction had taken place using the complainant's password for non-financial transaction. The bank was advised to furnish details including

copies of the account opening forms of the "beneficiaries" and all other related papers. BO observed that the bank had violated KYC norms while opening the account of the fraudsters enabling them to perpetrate the fraud and abscond. The bank was ordered to re-credit the complainant's account with the amount fraudulently withdrawn together with interest for the period he was out of funds.

**10. Unreasonable/usurious credit card charges :** A complainant submitted that in the year 2000 he paid his card dues partially (₹ 2500/- in place of ₹ 5196/-). However the bank never sent any statement/notice till date. Suddenly, they raised a demand of ₹ 108,000/- in this regard. As the amount demanded was excessive as compared to the actual outstanding, the issue was taken up with the bank, which offered a full and final settlement for ₹ 3975/-.

**11. Fraudulent transactions against lost credit card :** The complainant collected his ATM card personally from the DEF Bank. He had reportedly never used the card for he had misplaced it immediately on receipt itself. His card was reportedly misused at various POS which he came to know only when he got his passbook updated in mid-October 2009. Immediately he contacted the helpline to hotlist the card. The BO observed that the bank failed in its duty to provide the complainant the copies of charge slips or details of the concerned merchant establishments; instead, it merely directed the complainant to contact the acquirer bank for addressees of the merchant establishments. Bank could not produce the charge-slips to the BO



also. The bank also failed to do a charge-back as per the guidelines of the VISA/Master Card. BO also observed from the charge-slips produced by the complainant that the signatures on the charge slips were not reasonably matching with the signatures of the complainant on the reverse of the card. Hence, BO passed an award directing the bank to reverse all the disputed transactions. AA, while examining the appeal, observed that when the Debit card itself was missing, BO had no means of confirming the signature on the lost card. As such, the question of BO verifying the signature on the reverse of the Card does not arise. In a card lost scenario, it is not possible to verify the genuineness of the signatures appearing on the Charge Slip with that on the Card, unless the lost card is found subsequently. Therefore, AA decided to remand the complaint back to the Office of the BO for issuing fresh orders.

**12. Non-updation of CIBIL records:** One credit card holder complained about the bank's claim against his settled credit card account dues, and non-updation of his status with CIBIL. The bank accepted that although the credit card account was settled three years ago, the status of the account could not be updated in the records of the bank with CIBIL, which was rectified subsequently. Clear negligence was observed on the part of the bank for not updating their records for more than three years, resulting in undue harassment to the complainant. The bank was directed to pay an amount of ₹ 10000/- to the complainant as a token compensation for the violation of BCSBI Codes.

**13. Cheque lost in transit by the bank :** A complaint relating to non-credit of cheque amount to the account of the complainant was received. The Complainant had reportedly taken up the matter with the bank several times but there was no response by the bank. The bank reported to the BO that the cheque in question was lost in transit resulting in non-credit of the cheque amount to the complainant's account. At the instance of BO, the bank took up the matter with the issuer and got issued a duplicate cheque and the amount was credited to the complainant's account.

**14. Unauthorized Debit :** A complainant stated that he had deposited a cheque on March 26, 2010 and the amount was duly credited to his account. However, the same was reversed by the bank on the next day without assigning any reason. The bank submitted that the drawer of the cheque had issued 'stop payment instruction' in writing on March 26, 2010 as the 'cheque was stolen' and so it reversed the entry as a precautionary measure. On examination, it was observed that the bank was deficient in providing services as it had first cleared the cheque and subsequently reversed the same on receiving the stop payment instruction later from the drawer, which was in violation of the banking practice and para 8.4.a of the BCSBI codes. The bank had thus debited the account without any authority. The bank was directed to credit ₹ 2.99 lakh being the amount of cheque plus an interest at the rate applicable to SB Account.

**15. Loss of cheque from Cheque drop box :** Complainant X, an SB account holder with bank A, had dropped



a cheque for ₹ 50,000/- drawn on bank B in the cheque drop box of bank A as advised by the staff of bank A. The proceeds of the cheque in question was collected through clearing by bank C after opening an account purportedly in the name of X which was subsequently withdrawn. Bank A submitted that the list of instruments deposited on the relevant date did not contain the details of the disputed instrument. The collecting bank C stated that it had collected the proceeds of the instrument to the account of its customer through clearing and the account of the customer was opened by adhering to KYC norms prescribed by RBI and also as per bank's internal guidelines. After considering the submissions made by all the parties, the BO observed that bank A had contributed to the negligence insofar as not displaying mandatory instructions issued by RBI on the cheque drop box with regard to the option of dropping the cheque in the box or tendering the instrument at the counter for obtaining acknowledgement. Further, the collecting banker C had not followed the KYC norms in opening the account in the name of the new customer and allowing withdrawal soon after collecting the high value cheque for ₹ 50,000/-, particularly when the account was opened with initial deposit of ₹ 200/- only 3 days before depositing the cheque. BO, therefore directed both the banks to share the loss suffered by the complainant equally and pay a compensation of ₹ 6000/-.

**16. Wrong credit of cheques sent for collection :** The complainant alleged that five cheques amounting to ₹ 46,100/- deposited with the bank for collection were wrongly credited to a Government

account. In spite of repeated assurance given by the bank, the amount was not re-credited for almost 20 months. The bank was directed to credit the amount together with interest at the term deposit rate to the complainant's account for the period he was out of funds.

**17. RTGS Issues :** One complainant had initiated two RTGS remittances from one bank to his loan account with another bank. The debit status was successful but the credit status was 'returned / unpaid'. Due to technical problem at RBI level, the originating bank transferred the funds on the next working day only and as such, the destination bank charged penal interest in his loan account for the delay in credit to his loan account. As per the terms and conditions applicable to RTGS members, the liability of RTGS operator (RBI) is excluded for system failure. The complaint was closed accordingly.

**18. Unilateral closure of SB account :** One SB account holder alleged unilateral closure of her saving bank account, without any intimation to her. The bank submitted that the inoperative account was automatically closed by levying minimum balance charges as per bank's extant rule. However, the bank was silent on the issue of not following the prescribed procedure for closing the account. As per its schedule of service charges, no service charge is applicable if stipulated minimum balance is maintained in the account. Otherwise ₹ 75/- per annum would be levied, and if the balance is less than ₹ 75/-, the account is to be closed with notice/advice to the customer. However, the account was closed by the bank unilaterally without any notice/advice to the complainant.



Hence, deficiency in the services on the part of the bank was clearly established. The bank had violated its own policy, RBI guidelines and Para 2 of BCSBI Code of Bank's Key Commitments to Customers causing inconvenience to the complainant. In view of the observations, the bank was directed to pay a token compensation of ₹ 500/.

**19. Freezing the savings bank account without any valid reason :** The complainant, an ex-employee of the bank, alleged that the saving bank account was unilaterally put on hold by the bank without citing any reason for the same. As a result, a cheque issued by him bounced for the reason 'account on hold'. The bank submitted that the complainant's account had since been 'de-frozen' and the charges in respect of the cheque return would be reversed. The bank, however, could not give a convincing reply for freezing the account and did not furnish any documentary evidence as to under whose orders the account was frozen and for what purpose. BO observed that the bank's action of not issuing a notice to the complainant for freezing the account and subsequently dishonouring the cheques issued by him, was not fair and not in accordance with the practice of banking. It tantamount to high handedness and the deficiency in service was thus established. The bank was directed to pay ₹ 5000/- as compensation.

**20. Discriminatory charges :** A current account holder complained against a scheduled co-operative bank regarding levy of cash handling charges, which was different from the information displayed on their website. The bank stated that they have fixed separate cash

handling charges for the said branch in view of the high inflow of cash at the said branch in small denominations and the charges were applicable to all customers of the said branch. Since there was no Board approved schedule of charges prescribing for separate parameters for the said branch, the BO directed the bank to refund the excess charges collected from the account holder.

**21. Change in the contracted rate of interest on Fixed Deposit :** The complainant had deposited an amount of ₹ 30,000/- with a bank as fixed deposit for a period of 120 months with an interest rate of 11% per annum. As per the Fixed Deposit Receipt given to him, the Maturity Value was ₹ 88,796/-. After the maturity period, when the complainant went to collect the maturity value against the receipt, he was told that the rate of interest mentioned in the Deposit Receipt was wrong and in place of 11%, the rate of interest would be 10% and accordingly, the maturity value would be about ₹ 80,000/- against the maturity value ₹ 88,796/- mentioned in the receipt. The bank submitted that the deposit was made on 4.4.2000 for 10 years and while issuing the deposit receipt, the branch, by mistake, mentioned the interest rate to be 11%. However, the HO of the bank reduced the rate of interest on the deposit on the same day i.e. 4.4.2000 to 10% and the same might have been received by the branch afterwards. BO observed that the revision of interest rate was done post facto and that too without informing the depositor and this was not correct. Subsequently, the bank agreed to pay interest on the deposit as per the receipt issued to depositor.



**22. Forging of signature of wife by the estranged husband :**

The Appellant, having an SB Account in her name with modest balance of just over Rs 8000/, suspected that her account was being operated by her husband by forging her signature and made enquiry with the branch. She was informed that there were 8 withdrawals from her account of ₹ 1000/ each by her husband, all in a short span of 20 days. Branch officials, sensing problems and ignoring her request to investigate into the matter, closed her account by getting her forced signature on a paper which was duly converted by the branch officials as the account closure letter. Even though she requested them to take action, no FIR was filed by the branch. BO closed the case under clause 13.C of BOS. AA observed that her signatures on the cheques glaringly differ from her specimen signature and that forgery is quite visible with naked eyes. Besides, there are over writings also in the cheques which were not authenticated. It seems, being small amount of ₹ 1000/ each, no signature verification was done by the branch officials before paying the amount. Instead of filing an FIR against the alleged fraudster, as requested by her, the branch came with false statements like “She came to the branch on her own free will and requested to close her account”, “her husband was withdrawing the money with her consent and knowledge”, “bank is not liable for the forged payments”, etc . AA noted that the branch found it convenient to close her account, rather than to redress her grievances, to avoid further problems, which is a deficiency in service. The AA directed the bank to reopen her SB account, re credit the amount of ₹ 8,000/

irregularly paid by the bank and to pay her a token compensation of ₹ 5,000 towards cost of the appeal, the mental agony, harassment and misery caused to her by the branch.

**23. Refusal to open S B Account without introduction :**

The complainant approached the AB bank with a request to open a Savings Bank Account to enable his employer to credit his pension amount. The bank refused to open the account without introduction of an account holder from the same bank on the plea that it was in terms of KYC guidelines. On taking up the complaint, the bank replied that the above condition is a must while opening the accounts. However, it was observed that no such condition was mentioned in the KYC- FAQs placed on the bank’s website. The bank was therefore advised to stop restrictive practice with an advice to insert appropriate changes in their Citizens’ Charter regarding the alternative proof of identification to be produced while opening account in the absence of introduction from the existing customer of the same bank.

**24. Non-payment of dues of the deceased account holder :**

A complainant alleged that balance in the saving/fixed deposit account of her deceased husband was not paid to her. The account holder who died in December 1998 did not mention the name of the nominee while opening the accounts. She reportedly complied with the requirement of the bank. She further alleged that after fulfilling the requirements of the bank, the branch manager told her that the payment would be made only after enquiry officer completed the enquiry. In spite of



several requests the complaint remained unresolved. At the intervention of BO, the bank paid all the dues to the complainant through banker's cheque.

**25. Fraudulent conversion to a joint account and transfer of funds through net banking :**

A complaint was regarding unauthorized transfers from the account of the complainant through net banking whereas she had never applied for net banking facility. The complainant alleged that with the connivance of her ex-husband, who was also bank's Deputy Manager, the bank staff had transferred funds from her savings bank accounts through net banking and other instruments with forged signatures. The bank had converted her account as joint with her ex-husband and allowed various debits in the account without her knowledge. She also alleged that she was also not allowed to operate the account. The bank representative submitted that the account opening form was not traceable in the branch. BO observed that the bank converted the savings bank account (with single operation) as joint with her ex-husband without her consent. It irregularly withheld transactions in the savings bank account on the basis of a request made by her ex-husband. All the transactions were made by her ex-husband as the joint account holder without any mandate of the only account holder. As crucial records of the bank were missing, mala fide intention on the part of the complainant's ex-husband or some other officials appeared to have been established resulting in deficiency in services of the bank. The bank was, therefore, directed to pay to the complainant the amount so appropriated immediately with up-to-date

interest @ FD rate from the date of debit to the date of payment, restore the account as a single operated account in the name of the complainant, cancel the Internet Banking facility and allow operations to the complainant on her accounts.

**26. Delay in commencement of Family Pension :**

The complainant approached the BO complaining that her family pension which was supposed to commence from October 2009 was not credited even after a lapse of six months. In response to the complaint, the bank replied stating that the pension along with arrears had been paid to the complainant, but not commented over the issue of compensation for the delay in payment. Therefore, the bank was directed to pay compensation for the period of delay @ Bank Rate + 2%.

**27. Mis-selling of Insurance products:**

The complainant had filed a complaint against AB bank for misleading him and selling a private insurance policy to him and debiting his account towards payment of initial premium amount. He denied giving any mandate for debiting his account. On examination of the complaint it was observed that the complainant was aware of all the facts while taking this policy as seen from the consent given on the application form by the complainant. Further, it was also observed that the complainant had provided the mandate for debiting his account towards the initial payment of premium. Therefore, the complainant's allegations were not tenable.

**28. Insurance cover against loan:**

While granting personal loans against credit cards to the complainant, the bank issued four Insurance Certificates, which clearly indicated that the personal

accident insurance benefit available to the 'bearer' of the certificate was of value five times of the loan amount. Subsequently, the complainant met with an accident, but the bank did not honour its commitment. It was observed that the certificates were issued by the bank's Credit Card Division to the credit card holder. The bank was not transparent while issuing these certificates as it insisted that the cover was available only in case of accident leading to permanent disability as per the definition of Personal Accident by the insurance company, a sister concern. However, the certificate did not indicate the same. BO directed the bank to reimburse ₹ 44,442/- to the complainant in accordance with the terms of the Insurance Certificates.

**29. Delay in payment of insurance premium :** A complainant had subscribed to the Healthcare Plus Scheme started by a bank with a tie up with an Insurance Company. The insurance policy was valid subject to continuous renewal of the policy. In one year the bank renewed the policy after a lapse of 5 days from the due date despite the complainant submitting the renewal application form to the bank well in advance. The bank clarified that they could not renew the policy in time due to some technical problem in their system. During June 2009, the complainant fell sick and underwent a surgery. Her claim for reimbursement of medical expenses was rejected by the Insurance Company stating the reason that the policy was not continuously valid for the previous six months. As there was clear deficiency of service on the part of the bank in not renewing the insurance policy on the due date and consequently the complainant had to undergo hardship on account of

the same, the bank was directed to pay the amount paid by the complainant to the hospital authorities.

**30. Non-processing of application for booking a car :** It was complained that his application for booking of Nano car was not processed due to failure of the bank to realize the cheque for advance money deposited with the application. On inquiry with the bank it transpired that the bank's designated branch had not processed the application for technical reasons. Thus, he was deprived of the opportunity of allotment of a Nano car. The bank admitted deficiency in service in the hearing. As it was a system failure on the part of the bank and the complainant was not at fault, the BO directed the bank to resolve the contentious issue to the satisfaction of the complainant within 15 days. The bank complied with the directions and got an out-of-turn allotment of Nano car to the complainant with intervention of their HO.

**31. Delay and non-sanction of education loan :** A student had applied for education loan from a bank for pursuing MBA course. He had deposited ₹5000/- with the School as Registration fees. The Branch Manager assured him to provide the loan without delay. However after three months the branch returned all the papers stating that the Loan Disbursement Officer was ill because of which they were unable to provide the education loan. With the intervention of BO, it was agreed by both the parties, that the complainant would resubmit the loan application and the bank would consider the same again. Moreover, since the complainant had lost ₹ 5000/- which had



been paid as registration fee to the Institute, the bank agreed to pay ₹ 5000/- as a token compensation and another ₹ 5000/- as a service gesture. The education loan was sanctioned subsequently by the bank and the student got admitted to the MBA course in the same School of Business.

**32. Education Loan :** Collateral Security - The complainant had availed educational loan amounting to ₹ 2.98 lakhs from AB Bank on 20/02/2007. The bank had taken LIC policies and FD of ₹ 75,000/- as security. As per the terms and conditions of sanction, payment of interest to commence 6 months after the completion of Course and EMI from March 2009 in 84 installments. Contrary to the above, bank started recovering the EMIs from September 2007 by encashing 6 cheques (PDCs) without obtaining the consent of the borrower and also levied cheque bouncing charges. The BO noticed that the bank had not adhered to the terms and conditions set out while sanctioning the loan. Further, as per IBA guidelines education loan up to ₹ 4 lakh was to be granted by obtaining the co-obligation of parents without insisting on collateral. BO directed the bank to make an offer to the complainant to settle the issue wherein the complainant would pay the overdue amount and bank would reschedule the EMIs, reverse the cheque bounce charges and return the collateral securities.

**33. Rejection of educational loan :** The complainant approached the bank for an educational loan for pursuing a one year full time programme called "Advanced Certificate Course in Clinical Trial Management" which is a post graduate level programme in a University

owned by the State Government for his daughter, offering himself as a co-obligant. The bank rejected the loan application stating that the said course was not coming under the approved list of the bank for considering educational loan. According to the bank, Certificate courses were not covered under their Student Loan Scheme. Accordingly, the complaint was rejected by the BO under Clause 13(d) of BOS - Without any sufficient cause. The complainant went in Appeal before the Appellate Authority. It was observed that the revised model educational loan scheme framed by IBA provided an indicative list of all eligible courses for granting educational loans to all banks further advising that each bank is free to extend loan to any course which is not covered in the RBI/IBA list, with the avowed target that no eligible student should be deprived of higher education for want of finances. In the instant case, AA observed that the Appellant wanted to pursue a full time twelve months Advanced (post graduate level) Certificate Programme in Clinical Trial Management run by the prestigious University with assured placements and as such, cannot be treated as a routine Certificate Course of short duration. Going by the spirit of the GOI /RBI/IBA policy, even routine Certificate Courses are eligible for granting educational loan, if the application is otherwise in order. AA directed the bank to grant the educational loan as requested by them treating the appellant as a co-obligant under the usual terms and conditions governing such loans.

**34. Loan against Fixed Deposit receipt not in the name of the borrower :** The complainant had a fixed deposit with the



bank. He did not receive the fixed deposit receipt for some time. Later on, he found that against his term deposit receipt, the bank had sanctioned loan to another person. At the instance of BO, the bank conducted an enquiry and the loan account against the fixed deposit was closed. The fixed deposit receipt was handed over to the complainant. The bank was advised to properly investigate into the matter and fix staff responsibility/accountability.

**35. Attaching under Banker's General Lien, the security pledged by the son against a loan taken by his father :**

The complainant approached the BO for non-return of jewels which were retained by the bank as security even after clearing of all dues in respect of a loan availed of by him. The jewels were retained by the bank on the plea that the complainant's father had also taken a loan and that it was overdue. The bank refused to return the jewels to him stating that as the son was a member of the family; his jewels also could be construed as that of the family and hence retainable as security for the outstanding loan of his father under the Banker's General Lien. The bank's stand was not upheld by the BO as the loan was taken by the son in some other context and he had no dues to the bank. The bank was, therefore, directed to return the jewels to the son.

**36. Attaching under Banker's General Lien the security pledged by the husband against a loan taken by his wife:**

In one case, the deceased husband of the appellant had availed an agricultural gold loan by pledging his gold ornaments and this loan was waived under the agricultural loan waiver scheme of GOI. The appellant,

a daily wage earner, approached the bank for taking delivery of the jewellery pledged by her late husband which was refused by the bank on the plea that she was a member of an SHG which has turned an NPA and the bank was exercising its right of general lien, even though her husband was not a SHG member. BO disposed the case under Clause 13.d of BOS 2006. The complainant went in appeal where the Appellate Authority observed that under the banker's right of general lien, if the borrower has several loan accounts with the bank, bankers have the right to appropriate the security pledged in respect of one loan account against other loans even if the particular loan is repaid in full. In the instant case, the deceased did not have any other loan account with the bank. He has no connection with the SHG loan where his wife was a member. His widow was only claiming the gold pledged by him as his legal heir as the loan is closed. She has not deposited this gold with the branch for availing any loan. The gold had come to the possession of the branch quite accidentally. Since this gold was not deposited by her in connection with some other loan she has taken from the bank, the general lien will not be applicable in this case. AA allowed the appeal and directed the bank to return the gold to her along with a token compensation of ₹ 5000/-.

**37. Higher Processing and upfront Fees :**

The complainant firm alleged that the bank had charged higher processing and upfront fees for credit facilities without prior intimation. The credit facilities sanctioned were not availed since the charges intimated to them after sanctioning the loans were not acceptable to the company. The company desired



to avail credit facilities from another bank but was forced to pay commitment charges for release of title deeds. They paid the same under protest so as to get back their security documents. BO advised the bank to produce documentary evidence for having given prior intimation to the complainant for charging higher processing fees. As the bank was not able to provide any documentary evidence, it was advised to reimburse the excess fees levied to the complainant.

**38. Wrongful possession of vehicle :**

The complainant availed a vehicle loan of ₹ 27,500/- for purchase of a two wheeler in January 2007 and closed the account by June 10, 2008. He later found that his vehicle was missing. He came to know that his vehicle was seized and sold by the bank for an amount of ₹ 27,500/-. As this was a clear case of taking possession of the vehicle wrongly by the bank, the BO intervened in the matter and directed the bank to pay an amount of ₹ 50,000/- as compensation to the complainant towards the wrongful possession of his vehicle besides returning the vehicle in good condition.

**39. Application of wrong interest rate :**

The complainant availed of various agricultural facilities from AB bank which became overdue. These accounts were covered under Central Govt. Debt Relief Scheme 2008. The borrowers had paid 75% of amount against OTS amount to avail of the benefit of 25% relief. The complainant's grievance was that interest applied on the above loans was incorrect as the bank had not adhered to RBI instructions on Agricultural Debt Waiver and Debt Relief Scheme. The bank replied

that the interest has been applied correctly as per the instructions issued by their Central Office. Since the reply was not found satisfactory, BO issued instructions to the bank to certify that RBI guidelines on Agricultural Debt Waiver Scheme have been adhered to. At this stage, the bank found a discrepancy in the interest applied and refunded an amount of ₹72, 440/- to the complainant.

**40. Non-honouring of Bank Guarantees:**

The High Court of Jabalpur directed the BO to consider the issues raised by Municipal Corporation, Jabalpur about non-honouring of Bank Guarantees by a bank, despite the same not being covered under the B O Scheme. The bank submitted that the guarantee was not invoked as per the terms and condition of the guarantee document. However, BO observed that the guarantee was invoked as per the terms and conditions specified in the Guarantee Agreement and the same could have been paid by the bank without demur. Accordingly, BO directed the bank to honour the guarantee and compensate the complainant for the loss of interest.

**41. Harassment to a senior citizen for a loan he never took :**

Even though the complainant had no business relationship with ABC bank, he was getting calls / SMS from the recovery agents using abusive languages demanding repayment of some loans which he had never taken. His several complaints to the bank against this harassment calls fetched no effect. The bank pleaded to the BO that the telephone numbers from which he was getting the abusive calls did not belong to any of their recovery agents. Based on this, the BO closed the case under clause 13(d)

of BO Scheme (i.e. complaint without any sufficient cause). As the complainant continued to get the harassment calls, he went in appeal. During the appeal, the bank admitted that the phone numbers from which he was getting abusive harassment calls belonged to their recovery agents and that they had since taken necessary corrective action to discontinue such calls. The AA observed that the bank had not conducted proper due diligence while sanctioning the loan to some third person indicating a major KYC lapse. To cap it all, the bank had misguided the BO resulting in the BO pronouncing a wrong order, damaging the credibility of the BOS. The AA set aside the decision of the BO and directed the bank to pay the appellant ₹ 1 lakh towards compensation.

**42. Frivolous complaint :** A borrower with overdraft facility alleged that the bank was charging excessive rate of interest (higher than their agreed rate) and submitted a purportedly tampered copy of loan agreement without any authentication by the bank officials, in his support. The bank submitted a copy of the sanction letter and the original loan agreement duly signed by both the parties, revealing the actual terms & conditions. The complaint was treated as frivolous/vexatious in nature and the bank was advised to take appropriate action against the complainant, after proper investigation.

**43. Purchase of property in an auction conducted by bank :** A lady won the public auction conducted by a bank under SARFAESI Act for sale of a plot of land mortgaged to the bank and bank issued her “Sale Certificate” on March 20, 2009. When she approached the Sub-Registrar

to register the property in her name, she found that the property was already sold by the earlier owner (bank’s borrower) to some other person in September 2006 itself and was, as such, encumbered. The bank neither helped her to register the property in her name nor refunded the amount deposited. Since the bank had failed to hand-over the property without encumbrance, it was directed to refund ₹ 12.00 lakh paid by the complainant along with the applicable interest at FD rate.

**44. Loss of original Title Deed of property mortgaged with the bank :** A customer availed of home loan and original Title Deed of his residential property was mortgaged with the bank. The loan was fully repaid; however, the bank did not return the original Title Deed. The bank stated that Title Deed was not traceable. BO observed that the bank’s action of misplacing the Title Deed had resulted in permanent defects in the documents of title and it amounted to sheer negligence of service and violation of BCSBI Code by the bank. Therefore, BO directed the bank to arrange for a duplicate set of Title Deed duly certified by the Registrar and also issue a certificate under its letter head to the complainant stating that the property documents citing full details of all lost documents at its hand and that the certified copy may be construed as the original. The bank was also directed to issue an advertisement in a prominent local newspaper regarding loss of original documents and pay compensation of ₹ 20, 000/- to the complainant.

**45. Auctioning the gold pledged without serving proper notice to the borrower :** The complainant had pledged





gold ornaments to avail an agricultural loan payable after one year. Since the borrower did not turn up after one year for renewal or closure/ servicing the loan, the bank auctioned the gold after sending him a notice. The bank reported to the BO that the gold was auctioned after serving notice to the complainant in advance. Based on this, BO closed the case. In the appeal, the Appellate Authority observed that the notice although sent by the bank ten days before auctioning, was returned unserved by the post office since the door was locked. In fact the branch admitted having received the notice back from the post office before auctioning the gold. But it went on with the auctioning programme. Since the auctioning was done without information to the customer, AA directed the bank to return him the auctioned gold by crediting the difference between the market value and auctioned value. In addition, the customer was given a compensation of ₹ 5000/- also.

**46. Irregular sale of shares offered as a security :** The complainant was enjoying a LAS (Loan against Securities) with a credit of ₹ 20 lakhs from a foreign bank with 50% margin. Since value of the securities had drastically reduced due to the meltdown in the equity market, the bank sent a letter dated October 23, 2008 asking him to regularize the account by October 28, 2008. He deposited a cheque for ₹ 4 lakh on October 27, 2008 itself which was credited to his account on October 29, 2008 and the account was thus regularized. However, another Department of the bank sold his margin shares aggregating ₹ 10.33 lakh on October 29, 2008 and credited the same to the loan account. BO identified

the deficiency in service but closed the case under clause 13.c of BOS. The bank admitted its mistake of unauthorisedely selling his margin securities and offered him an amount of ₹ 1.55 lakh on 30-11-2009 towards compensation which was rejected by him. At the appeal stage, the bank improved their offer and credited to his account an amount of ₹ 8.78 lakh being the price differential in the value of the margin securities unauthorisedely sold by them. AA observed that since the account was regularized in time and was well within the prudential limits prescribed by RBI, the bank's action of selling the securities on 29-10-2008 was unwarranted and indicative of the lack of communication / coordination between various departments in the bank. AA directed the bank to compensate the complainant by restoring the margin securities sold in his demat account by way of crediting into his account the price difference of the shares between October 29, 2008 (date of unauthorized sale) and date of AA's order (April 6, 2010) after adjusting ₹ 8.33 lakh credited to his account. Further, all other benefits like dividend, right issue, bonus issue, etc, if any, declared during the period should be passed on to the appellant and the bank should pay a compensation of Rs one lakh towards the mental harassment and agony suffered by the complainant, a senior citizen.

**47. Misbehavior by bank staff :** The complainant visited a branch of the bank for depositing ₹ 2.50 lakh in cash at the close of business for the day. By that time the cashier had already closed the cash and requested the complainant to deposit the amount on the next day. The main

grievance was about rude behaviour of the cashier. The bank conducted an inquiry into the matter. Not being satisfied with the employee's response, the bank transferred him to one of its farthest branches. Based on the action taken by the bank, the BO treated the complaint as closed. According to the complainant, transfer was not a punishment. He appealed to the AA seeking redressal to his complaint regarding mental agony and harassment in compliance with the applicable law in the best interest of justice. Since 'Treating the bank customers fairly' is gaining currency with the awakening of consumers on the issues of investor / consumer protection and banking being a service industry, it is all the more important that there is a well defined and functional mechanism to ensure fair treatment of the customer. That is crux of the BO Scheme. Therefore, the bank was advised that the issue in general and the present case in particular should be deliberated by the Board of Directors of the bank.

**48. Casual approach of a bank in preparing loan documents :** The bank sanctioned OD limit of ₹ 30 lakhs to a SSI Entrepreneur on March 16, 2009. As per the sanction letter and the loan agreement the interest rate was @ PLR minus 2% which was 10%. However, on receipt of first loan statement, the complainant found that the bank had charged interest @ 16.50% (instead of 10%) and requested the bank to rectify the same. The bank advised the complainant that due to oversight, the rate of interest was written as PLR minus 2% in the sanction letter and loan agreement, instead of PLR plus 1.5% and accordingly the correct interest rate would be 14% instead of 10%. The

bank also stated that it had committed another mistake that the interest rate was keyed in the system as 16.5% instead of 14% and assured to reverse the excess interest. When the PLR changed from 12.5% to 12%, the bank committed one more mistake. Instead of keying the rate as 13.5%, it posted it as 16%. Seeing three major mistakes in applying the rate and refusal of the bank to keep the committed rate of PLR minus 2% as stated in both the sanction letter and loan agreement, the complainant closed the OD account and claimed refund of the excess interest charged by the bank. BO accepted the mistake of "Quoting the interest rate as @ PLR minus 2% in the Sanction letter/ loan Agreement but applying the ROI as PLR plus 1.5% in the loan books and post it as 16.5% in the system" as bonafide mistakes and ordered that the complainant cannot claim undue benefit of bank's mistake and rejected the complaint u/c 13(d) of BOS 2006 as one made without any sufficient cause. The Appellate Authority observed that stamped Loan Agreement is a carefully prepared legal document and the bank cannot plead that it was prepared casually. Failure to honour the mutually agreed Terms and Conditions is a deficiency in service. The Appellate Authority observed that the bank was grossly negligent and directed the bank to treat the rate of Interest at PLR minus 2% throughout the tenor of the OD as per sanction letter / stamped loan agreement and refund the excess interest charged over and above the agreed rate.

**49. Closure of account despite KYC formalities at non-home branch :** In a complaint regarding unilateral closure of a SB account where the complainant had



submitted that despite submission of the KYC documents twice, the bank had closed his account without any intimation to him, it was ascertained that the complainant had submitted the documents at a non-home branch and as per the system prevailing in the bank, the KYC documents can be submitted at a non-home branch. The bank was directed to pay a token compensation of ₹ 5000/- for inconvenience caused to the complainant.

**50. Failed ATM transaction :** In a case of failed ATM transaction where the account was debited though no cash was dispensed it was observed that as per BO's orders the amount was credited to complainant's account, but the bank did not pay the penal interest in terms of extant RBI instructions for the delayed period credit of approximately 2 months. The bank was directed to pay penalty at ₹ 100/- per day amounting to ₹ 6500/-.

**51. Failure of bank to repay maturity proceeds of a fixed deposit:** In a complaint about delay in credit of maturity proceeds of the deposit the bank officials had explained that the record of the fixed deposit certificate issued in the name of the complainant was not available in the bank's CBS system. It appeared from the old records that the account was entered from the manual system to the computer system and marked "closed". It was observed from the correspondences, that for more than a year, the queries and replies from the Zonal Office and the branch were perfunctory and without any effective proposal to solve the problem of the depositor. In view of the clear case of deficiency in customer service by the bank branch, the Banking Ombudsman

passed an award that the full maturity value together with interest on the amount @ 9.5% till the date of payment of the amount, should be paid to the depositor and further ₹ 10,000.00 towards the loss suffered by the complainant.

**52. Harassment by Recovery Agents:** In a complaint about harassment by recovery agents despite payment of all dues and not utilizing the card, it was observed that a credit card was issued to the complainant on the basis of the signed application. Subsequently, an add-on card was issued on the complainant's account in another name on the basis of a signed additional add-on card application. However, the signature on the add-on card application did not even prima facie match the signature of the Complainant. The bank submitted that their interim findings were that the add-on card was fraudulently sourced and issued. The bank failed to establish that the add-on card was solicited on behalf of or issued to the complainant and the transactions thereon were initiated at the complainant's behest. The bank's action of attempting to coerce the complainant to accept liability for fraudulent transactions put through his account as a result of the bank's lack of due diligence and operational weakness constituted unfair treatment to the customer. The bank was advised to reverse all outstanding and considering the age and trauma of the complainant and the nature of deficiency, the bank was advised to pay the complainant a monetary compensation of ₹ 40,000/-.

**53. No response to queries by the bank :** The Complainant had defaulted on 4 EMIs of the home loan. The bank

sanctioned additional Loan of ₹ 60,000/- to enable him to tide over difficulties and regularize his home loan. The complainant deposited ₹ 50,000/- in his loan account. However this entry did not reflect in any of his accounts and the bank started sending notices to him to regularize his home loan account. It was observed that the bank had no practice of indicating the mode of accepting deposit whether by cash/ cheque and the counterfoils did not bear a date stamp and signature of cashier for receiving cash. The bank was advised to conduct an internal investigation and report back. Since there was no response from the bank even after a lapse of more than 1 month an award was passed directing the bank to pay an amount of ₹ 55000/- to complainant towards his housing loan account and compensation of ₹ 5000/- towards filing and follow up the complaint.

**54. Wrong billing for credit card transaction :** An alleged fraudulent transaction worth ₹ 8557.00 was billed to the complainant's card towards a Hotel bill. The same was reversed after 4 years by the bank giving permanent credit. However, the bank statement was reflecting ₹ 27207.00 as outstanding on the credit card which was due to charges for nonpayment of the above alleged fraudulent transaction. Since the bank failed to resolve the issue even after a lapse of 4 years the Banking Ombudsman concluded that there was deficiency of service on the part of the bank. Accordingly, the Banking Ombudsman advised the bank to reverse all the dues, issue No Dues certificate to CIBIL and pay compensation of ₹ 10,000/- towards expenses.

**55. Dishonour of settlement of credit card dues :** In a complaint related to

dishonour of the settlement by the bank in respect of credit card dues of complainant where the bank had misplaced one cheque and the complainant was declared a defaulter for missing EMI's and was harassed for recovery, it was observed that the bank had caused avoidable mental harassment to the complainant without examining the issue at their end. The bank was directed to waive balance outstanding and pay a compensation for ₹ 1 lakh towards harassment and mental anguish suffered by the complainant.

**56. Losses due to delayed updation of CIBIL :** In a case where it was proved that the bank had been negligent by not immediately updating the CIBIL record of their customer and as a result the home loan of the complainant could not be transferred to another bank, the bank was directed to pay a compensation of ₹ 30000/- to the complainant as a rough estimate towards direct loss on account of loss of opportunity to go for a lower rate of interest in another bank and expenses incurred by him towards follow up of complaint on account of established deficiency of the bank.

**57. Deficiency in operation of Govt. accounts :** Three complainants having PPF accounts with the bank in HUF category approached the BO office alleging reversal of interest credited to their accounts. They stated that even after maturity of the PPF accounts they continued to deposit cash regularly. The bank also credited regular interest in those accounts even after maturity. Subsequently, the bank reversed the interest amount, resulting in a loss of the said amount paid in each of these accounts. The bank submitted that



the said PPF accounts were under HUF category and as per the PPF rules; the accounts were not eligible for extension from the date of maturity and payment of interest for the period beyond the date of maturity. Hence, the branch had recovered the interest wrongly credited to complainant's account after the maturity. On examination, it was observed that the PPF (HUF) account holders were not eligible for the interest as claimed by them as they were expected to be aware of the Government regulations/notifications in

this regard. However, the bank was found to be deficient in rendering services as they could have taken immediate action to close the account after maturity in terms of the Govt. Notification and RBI Guidelines. Moreover, the bank also failed to bring this fact to the notice of the complainants. The bank was directed to pay an amount of ₹ 1000/- to each complainant, by way of token compensation for loss caused to them arising out of the act of omission of the bank.

#### 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

**Annex - 4**  
**Break Up Of Bank Wise ( Scheduled Commercial Banks) Complaints Received In The Year 2009-10**

Name Of Bank	Total Number Of Complaints Received	Number Of Complaints Other Than Credit/Debit Card Complaints / 1000 Accounts*	Number Of Credit/Debit Cards Complaints / 1000 Accounts@	Number Of Complaints Per Branch #	Deposit	Remittance	Credit/Debit/Atm Cards	Loans And Advance General & Housing	Charges Without Notice	Pension	Failure To Meet Commitment	Dsg/ Recovery Agent	Notes/ Coins	Others	Out Of Subject
<b>Scheduled Commercial Banks</b>	<b>75927</b>	<b>0.09</b>	<b>0.09</b>	<b>1.10</b>	<b>3565</b>	<b>5499</b>	<b>18533</b>	<b>6156</b>	<b>4677</b>	<b>4709</b>	<b>10910</b>	<b>1554</b>	<b>153</b>	<b>18228</b>	<b>1943</b>
<b>Public Sector Banks</b>	<b>41924</b>	<b>0.06</b>	<b>0.07</b>	<b>0.71</b>	<b>1946</b>	<b>3358</b>	<b>9550</b>	<b>4109</b>	<b>1939</b>	<b>4577</b>	<b>6407</b>	<b>657</b>	<b>92</b>	<b>7838</b>	<b>1451</b>
<b>Nationalised Banks</b>	<b>19092</b>	<b>0.04</b>	<b>0.05</b>	<b>0.46</b>	<b>988</b>	<b>1639</b>	<b>3250</b>	<b>2322</b>	<b>1027</b>	<b>1294</b>	<b>3582</b>	<b>351</b>	<b>48</b>	<b>3747</b>	<b>844</b>
Allahabad Bank	797	0.03	0.09	0.36	41	95	63	108	38	53	114	8	2	203	72
Andhra Bank	822	0.03	0.06	0.53	54	54	238	74	33	98	180	10	1	76	4
Bank Of Baroda	1782	0.05	0.05	0.58	82	171	236	200	137	125	254	29	5	431	112
Bank Of India	1452	0.04	0.06	0.48	75	116	309	114	37	105	308	21	6	317	44
Bank Of Maharashtra	296	0.02	0.01	0.21	17	42	18	28	14	14	43	9	0	95	16
Canara Bank	2153	0.05	0.11	0.71	105	171	575	272	54	124	471	46	5	285	45
Central Bank Of India	1272	0.04	0.12	0.35	63	111	142	171	47	126	272	16	4	255	65
Corporation Bank	441	0.04	0.02	0.41	21	36	87	46	48	4	67	12	0	111	9
Dena Bank	502	0.05	0.03	0.45	12	22	26	75	56	55	44	10	0	181	21
Indian Bank	758	0.03	0.02	0.45	42	36	76	210	24	60	150	18	0	102	40
Indian Overseas Bank	833	0.04	0.06	0.41	51	47	127	183	13	52	196	17	2	106	39
Oriental Bank Of Commerce	638	0.05	0.06	0.42	38	74	122	57	41	10	126	15	0	120	35





Name Of Bank	Total Number Of Complaints Received	Number Of Complaints Other Than Credit/Debit Card / 1000 Accounts*	Number Of Credit/Debit Cards Complaints / 1000 Credit/Debit Cards Accounts @	Number Of Complaints Per Branch #	Deposit	Remittance	Credit/Debit/Atm Cards	Loans And Advance General & Housing	Charges Without Notice	Pension	Failure To Meet Commitment	Dsa/ Recovery Agent	Notes/ Coins	Others	Out Of Subject
Punjab And Sind Bank	215	0.03	0.10	0.25	17	15	3	28	10	16	58	4	0	48	16
Punjab National Bank	2800	0.05	0.06	0.59	139	303	620	276	134	239	452	37	9	472	119
Syndicate Bank	933	0.03	0.04	0.40	37	66	161	110	47	57	213	20	2	175	45
Uco Bank	811	0.05	0.09	0.39	43	67	66	98	84	47	159	17	2	183	45
Union Bank Of India	1237	0.04	0.05	0.44	65	117	240	161	58	70	185	22	4	246	69
United Bank Of India	309	0.02	0.02	0.20	22	30	21	20	9	25	86	6	2	77	11
Vijaya Bank	322	0.04	0.05	0.28	19	18	67	26	12	9	67	9	0	75	20
IDBI Bank Limited	719	0.19	0.02	1.04	45	48	53	65	131	5	137	25	4	189	17
<b>State Bank Group</b>	<b>22832</b>	<b>0.09</b>	<b>0.08</b>	<b>1.33</b>	<b>958</b>	<b>1719</b>	<b>6300</b>	<b>1787</b>	<b>912</b>	<b>3283</b>	<b>2825</b>	<b>306</b>	<b>44</b>	<b>4091</b>	<b>607</b>
State Bank Of India	18939	0.11	0.08	1.52	798	1386	5219	1295	663	2939	2339	242	38	3500	520
State Bank Of Bikaner And Jaipur	1328	0.11	0.11	1.53	35	141	334	222	107	132	92	26	4	214	21
State Bank Of Hyderabad	696	0.03	0.09	0.62	25	49	345	47	21	55	90	7	0	57	0
State Bank Of Indore	473	0.11	0.03	1.00	30	48	43	34	31	52	73	7	1	146	8
State Bank Of Mysore	350	0.04	0.08	0.51	13	27	131	30	6	46	18	0	0	60	19
State Bank Of Patiala	468	0.05	0.05	0.53	24	43	101	44	29	35	96	12	0	51	33
State Bank Of Travancore	578	0.07	0.03	0.77	33	25	127	115	55	24	117	12	1	63	6

Private Sector Banks	22553	0.18	0.08	2.25	1165	1873	4725	1652	2009	67	3369	669	41	6582	401
<b>Old Private Sector Banks</b>	<b>1394</b>	<b>0.04</b>	<b>0.01</b>	<b>0.28</b>	<b>68</b>	<b>76</b>	<b>126</b>	<b>319</b>	<b>130</b>	<b>2</b>	<b>286</b>	<b>59</b>	<b>4</b>	<b>289</b>	<b>35</b>
Bank Of Rajasthan Ltd	200	0.06	0.06	0.44	3	22	22	24	39	1	24	7	2	52	4
Catholic Syrian Bank Ltd	72	0.03	0.01	0.20	3	0	3	31	11	0	9	2	0	12	1
City Union Bank Limited	40	0.03	0.02	0.18	1	3	5	8	0	0	17	2	0	4	0
The Dhanalakshmi Bank Ltd	44	0.03	0.01	0.18	2	0	5	14	1	0	12	1	0	8	1
Federal Bank Ltd	194	0.04	0.00	0.29	6	0	8	68	20	0	42	10	0	31	9
Ing Vysya Bank Ltd	323	0.11	0.03	0.68	24	22	31	29	33	1	54	15	0	107	7
Jammu And Kashmir Bank Ltd	38	0.01	0.01	0.08	6	7	8	0	4	0	4	1	0	6	2
Karnataka Bank Ltd	66	0.01	0.01	0.14	5	3	13	5	2	0	14	1	2	19	2
Karur Vysya Bank Ltd	132	0.04	0.01	0.39	3	8	12	41	9	0	44	4	0	9	2
Lakshmi Vilas Bank Ltd	50	0.03	0.01	0.19	2	1	3	17	1	0	15	4	0	7	0
Naimital Bank Ltd	9	0.02	0.00	0.09	0	1	0	1	0	0	3	0	0	1	3
Ratnakar Bank Ltd	2	0.00	0.00	0.02	0	0	0	0	0	0	1	0	0	1	0
SBI Commercial And International Bank Ltd	1	0.08	0.00	0.50	0	0	0	0	0	0	1	0	0	0	0
South Indian Bank Ltd	123	0.04	0.01	0.22	8	6	12	48	5	0	21	3	0	20	0
Tamilnad Mercantile Bank Ltd	100	0.04	0.01	0.46	5	3	4	33	5	0	25	9	0	12	4



Deutsche Bank(Asia)	444	0.63	0.34	34.15	13	6	121	13	33	3	51	16	1	184	3
Hongkong And Shanghai Banking Corpn.Ltd.	3388	0.64	0.84	67.76	146	62	1469	91	248	23	311	47	6	958	27
Jpmorgan Chase Bank National Association	1	0.02	0.00	1.00	1	0	0	0	0	0	0	0	0	0	0
Societe Generale	2	0.16	0.00	1.00	0	0	0	0	0	0	1	0	0	0	1
Sonali Bank	1	0.44	0.00	0.50	0	0	0	0	0	0	0	0	0	1	0
Standard Chartered Bank	2263	0.46	0.42	24.07	100	67	857	98	200	8	252	59	3	600	19
State Bank Of Mauritius Ltd	2	0.13	0.00	0.67	0	0	0	0	0	0	0	0	0	2	0
AB Bank Limited	4	4.60	0.00	4.00	1	0	2	0	0	0	1	0	0	0	0
<b>Others</b>	<b>2371</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66</b>	<b>112</b>	<b>271</b>	<b>265</b>	<b>42</b>	<b>111</b>	<b>515</b>	<b>35</b>	<b>5</b>	<b>307</b>	<b>642</b>
Primary Co-Operative Banks	183	0	0	0	26	14	1	10	27	1	26	2	0	69	7
RRBs	785	0	0	0	24	83	5	181	18	10	118	18	0	236	92
	3339				116	209	277	456	87	122	659	55	5	612	741
<b>Grand Total</b>	<b>79266</b>				<b>3681</b>	<b>5708</b>	<b>18810</b>	<b>6612</b>	<b>4764</b>	<b>4831</b>	<b>11569</b>	<b>1609</b>	<b>158</b>	<b>18840</b>	<b>2684</b>

\* The number of accounts as on March 31, 2009

#The number of branches as on March 31, 2010

@ The number of credit/debit cards as on June 30, 2010

\*\* Presently Royal Bank of Scotland

