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RBI initiates Class Action to benefit Bank Customers; Annual Report of Banking Ombudsman Scheme-2008-2009 released

The Reserve Bank of India has proactively started issuing general directions to all banks so as to protect the bank customers against banks' act of commissions and omissions. Called 'class action,' such general directions are issued by the regulator in cases that could benefit not only the applicant but all those customers similarly placed without their having to approach their respective banks/ the Reserve Bank.

The Reserve Bank has already initiated such class action against several banks. A class action, for instance, was initiated against a foreign bank regarding mode of calculation of interest rates on deposit accounts. Similarly a public sector bank was advised to recalculate interest rate on all the housing loans as per terms of the agreements entered into with all the borrowers without their application for relief. A yet another public sector bank was asked to recredit insurance premium which was debited to customer's savings bank account without his concurrence under group insurance scheme. The Customer Service Department of the Reserve Bank takes proactive action even on the basis of news published by newspapers or any other media.

This was revealed in the Annual Report on the functioning of the Banking Ombudsman Scheme 2006. Dr. D. Subbarao, Governor, Reserve Bank of India released the [Annual Report of the Banking Ombudsman Scheme](#) at the annual conference of Banking Ombudsmen held here early this week.

- The Banking Ombudsmen received 69,117 complaints during 2008-09, as against 47,887 in 2007-08 (up by 44 per cent).
- Overall complaints received from rural areas increased by 65 per cent, semi urban areas by 48 per cent, urban areas by 36 per cent and metropolitan areas by 43 per cent during the year.
- While 43 per cent of the complaints were received from metropolitan areas, 23 per cent were received from urban areas. Interestingly, 34 per cent of the complaints were received from rural and semi urban areas as against 32 per cent received during the previous year.
- Complaints against public sector banks, private sector banks and foreign banks increased by 29 per cent, 58 per cent and 91 per cent, respectively.
- Twenty-three per cent of complaints were received by email, 14 per cent through online application form available on the Reserve Bank website and 63 per cent in hard copy format.
- Complaints relating to credit cards/ATM cards (25.5 per cent) were the highest in 2008-09 with complaints in this regard increasing by 74 per cent during the year.
- Up by 85 per cent, complaints relating to failure on commitments made (17 per cent) ranked second among the complaints received by the Banking

Ombudsmen. Other complaints related to deposits and remittances, maintenance of average quarterly balance, loans and advances, pension, direct selling and recovery agents, processing/renewal/pre-closure charges being levied without due notice to the customers, etc.

- During the year 2008-09, banks and complainants appealed against as many as 269 of the Banking Ombudsman's decisions. During the year 2007-08, banks and complainants had appealed against 186 of the Banking Ombudsman's decisions. Most of the resolutions/awards passed by the Ombudsmen and the Appellate Authority, however, resulted in restoring what was legitimately due to the customer, along with compensation of Rs 5000 and upwards. The increased number of appeals indicates a fair understanding of the Scheme among customers. The Banking Ombudsman Scheme permits both, the banks and the complainants to appeal against the decision of the Banking Ombudsman.

According to the Annual Report of Banking Ombudsman Scheme, increased awareness and easy accessibility of the offices of Banking Ombudsmen contributed to the increase in number of complaints received by Banking Ombudsmen. The reasons for larger number of complaints from the rural and semi urban areas were increased penetration of banking, increased awareness and increased expectations of customers in these areas, the Annual Report has noted. Banking Ombudsmen also brought about greater awareness in rural and semi urban areas through their personal visits as part of the Reserve Bank's outreach activities, media coverage of these visits and advertisements. The Annual Report further records:

The full text of the report is available on the RBI website (www.rbi.org.in).

Background

The Reserve Bank notified the Banking Ombudsman Scheme in 1995, which has since been in operation. The Scheme was revised twice - in 2002 and 2006. The Scheme provides for a system of quick and inexpensive redressal of customer grievances against banks. The Banking Ombudsman Scheme covers a wide range of complaints concerning deficiency in banking service. The Scheme also allows appeals from complainants and banks in respect of decisions made by the Banking Ombudsman. The Scheme, as further amended on February 3, 2009, also includes complaints for deficiencies arising out of internet banking, non-adherence to the provisions of the Fair Practices Code for lenders or the Code of Bank's Commitment to Customers issued by the Banking Codes and Standards Board of India (BCSBI) and non-observance of the Reserve Bank guidelines on engagement of recovery agents by banks. In addition, the Reserve Bank has also simplified the format for lodging complaint to the Banking Ombudsman.

The Reserve Bank organises a conference of all the Banking Ombudsmen every year. Senior officials from the Banking Codes and Standards Board of India, Indian Banks' Association, CIBIL and some leading banks are also invited. Various customer service related issues and regulatory measures for improving customer service in the banking sector are discussed in the meeting.