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RBI expands Scope of Banking Ombudsman Scheme; Includes Fair Banking Practices

The Reserve Bank of India today announced the revised Banking Ombudsman Scheme with enlarged scope to include customer complaints on certain new areas, such as, credit card complaints, deficiencies in providing the promised services even by banks' sales agents, levying service charges without prior notice to the customer and non adherence to the fair practices code as adopted by individual banks. Applicable to all commercial banks, regional rural banks and scheduled primary cooperative banks having business in India, the revised scheme will come into effect from January 1, 2006.

In order to increase its effectiveness, the revised Banking Ombudsman Scheme will be fully staffed and funded by the Reserve Bank instead of the banks. Under the revised Banking Ombudsman Scheme, the complainants will be able to file their complaints in any form, including online. The bank customers would also be able to appeal to the Reserve Bank against the awards given by the Banking Ombudsmen.

The new scheme provides a forum to bank customers to seek redressal of their most common complaints against banks, including those relating to credit cards, service charges, promises given by the sales agents of banks, but not kept by banks, as also, delays in delivery of bank services. The bank customers would now be able to complain about non-payment or any inordinate delay in payments or collection of cheques towards bills or remittances by banks, as also non-acceptance of small denomination notes and coins or charging of commission for acceptance of small denomination notes and coins by banks.

The Reserve Bank had first introduced the Banking Ombudsman Scheme in 1995 to provide expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services. The Scheme was revised in 2002 mainly to cover Regional Rural Banks and to permit review of the Banking Ombudsmen's awards against banks by the Reserve Bank. The Banking Ombudsmen currently have their offices in 15 centres.

The Reserve Bank is also in an advanced stage of setting up an independent Banking Codes and Standards Board of India to ensure that comprehensive code of conduct for fair treatment to customers are formulated by banks and adhered to. The Reserve Bank of India had announced setting up of the Board in its Annual Policy for 2005-2006 announced by the Governor, Dr Y V Reddy in April 2005.

Alpana Killawala
Chief General Manager