

COMPENSATION POLICY 2017-18

Introduction:

The technology revolution in the payment and settlement system has caused qualitative changes in operational systems and processes. This in turn has enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the Bank's endeavour to offer services to its customers with best possible utilization of its technology infrastructure. Withdrawal of the Reserve Bank of India guidelines to commercial banks on time frame for collection of outstation cheques, payment of interest on delayed collection of outstation cheques/instruments, with effect from 1st November 2004, had offered the Bank further scope to increase its efficiency for better performance.

This Compensation Policy of the Bank is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques/instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this Policy is to establish a system whereby the Bank compensates the customer for any financial loss he/she might incur due to deficiency in service on the part of the Bank or any act of omission or commission directly attributable to the Bank. By ensuring that the customer is compensated before he demands for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

It is reiterated that the Policy covers only compensation for financial losses which customers might incur due to deficiency in the services offered by the Bank which can be measured directly and as such the commitments under this Policy are without prejudice to any right the Bank will have in defending its position before any Forum duly constituted to adjudicate banker-customer disputes.

1. Unauthorized/Erroneous Debit

If the Bank has raised an unauthorized / erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position.

In the event the unauthorized/erroneous debit has resulted in a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest to the bank in a loan account, the Bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized/erroneous debit, the Bank will compensate the customer to the extent of such financial losses.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank shall arrange to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit. In case, the verification involves a third party or where verifications are to be done at overseas centres, the Bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

Erroneous transaction reported by customer in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by card association.

2. ECS direct debits/other debits to accounts

The Bank will undertake to carry out direct debit/ECS debit instructions of customers in time. In the event the bank fails to meet such commitments customer will be compensated to the extent of any financial loss the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions.

The Bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the Bank.

In the event the Bank levies any charge, the Bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

Where it is established that the Bank had issued and activated a credit card without written consent of the recipient, the Bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of charges reversed as per regulatory guidelines in this regard.

3. Payment of Cheques after Stop Payment Instructions

In case a cheque has been paid after stop payment instruction is acknowledged by the Bank, the bank shall reverse the transaction and give value dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as provided under Para 1 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank.

4. Fraudulent collection of cheques under CTS

If a cheque presented under CTS is fraudulently collected in the account maintained with our Bank, the Bank will immediately make payment of the disputed amount to the drawee/paying bank on being informed of the fraudulent collection, after verifying the position. The payment in such cases will be made on a case-to-case basis with the approval of competent authority/Official in Central Office.

5. Foreign Exchange Services

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries, as the bank would not be able to ensure timely credit from overseas banks. It is the Bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank, however, may consider upfront credit against such instrument by purchasing the Cheque/instrument provided the conduct of the account has been satisfactory in the past.

However, the Bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the Bank with its correspondent. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account/ due date after taking into account normal cooling period stipulated. The compensation in such cases will be worked out as follows:

- a) Interest for the delay in crediting proceeds as indicated in the Collection Policy of the Bank.
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate.

6. Payment of Interest for delayed Collection

As part of the compensation policy, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period specified in Bank's cheque collection policy. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

Interest for delayed collection shall be paid at the following rates:

- a) Savings Bank rate for the period of delay beyond T+2 days in collection of local cheques.
- b) MCLR applicable for the period of delay beyond T+6 days in collection of outstation cheques sent to Bank's own branches at other centers.
- c) In case of cheques sent to other bank branches for collection where delay is beyond T+10 days interest will be paid at the rate applicable to term deposit for the respective period or Savings Bank rate, whichever is higher.
- d) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding interest rate mentioned above.
- e) In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

7. Compensation for loss of instrument in transit

The bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection by the customer would also be as indicated in our collection policy. The same is extracted below for information:

7.1 Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the Bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that he/she can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The Bank would provide all required reasonable assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the Compensation Policy of the Bank, the Bank will compensate the accountholder in respect of instruments lost in transit in the following way:

- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (T+2/T+6/T+10 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- b) In addition, Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The Bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/institution who would charge a fee for issue of duplicate instrument.

7.2 Fraudulent encashment of cheques lost in transit

In case cheques sent for collection by our Bank are lost in transit and later on fraudulently encashed by collecting/presenting through other banks, the Bank will make payment of the disputed amount to the original payee who has not received the credit, on being informed of the fraudulent collection, after verifying the position. The payment in such cases will be made on a case-to-case basis with the approval of competent authority in Central Office.

8. Issue of Duplicate Demand Draft and Compensation for delays

Duplicate Draft will be issued within a fortnight from the receipt of such request from the purchaser thereof provided all the required documentation as per Bank's procedure in vogue is completed by the Customer

For delay beyond the above stipulated period, interest at the rate applicable for fixed deposit of corresponding period will be paid as compensation to the customer for such delay.

It is clarified that the above instructions would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of draft endorsed to third parties.

9. Violation of the Code by Bank's agent

In the event of receipt of any complaint from the customer that the bank's representative / courier or DSA has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers, which the bank has adopted voluntarily, the bank is committed to investigate the matter and endeavor to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified, compensate the customer for, reasonable financial loss, if any, as contemplated under this policy.

10. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonour of such Instruments when the remitter has already paid for the instruments. In this connection it is clarified that the Bank will not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for non-payment/delayed payment of cheques in the absence of adequate funding arrangement.

11. Lenders liability; Commitment to borrowers

The Bank has adopted the principles of lenders liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to Customers adopted by the Bank, the Bank would return to the borrowers all the securities/ documents/title deeds to mortgaged property within 15 days of repayment of all dues to the satisfaction of the Bank, provided the Bank has not exercised any lien thereon on account of any other dues to the party, agreed to or contracted. The bank will compensate the borrower for monetary loss suffered, if any, due to delay in return of the same.

In the event of loss of title deeds to mortgage property at the hands of the Bank the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount ₹100/- per day beyond 15 days subject to maximum ₹10,000/- or as may be decided by the Bank from time to time.

12. ATM Failure

It is mandatory for the Bank to reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 7 working days from the receipt of the complaint. For any failure to re-credit the customer's account within 7 working days from the date of receipt of the complaint, the Bank shall pay compensation of ₹100/- per day to the aggrieved customer.

This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when Bank affords the credit for the failed ATM transactions.

In respect of 'charge back' claims made by the customer (card holder) due to usage of cards at other Bank ATMs involving networks of our Bank and other Banks / Bank Groups such as Cash Tree, BANCS, State Bank Of India network arrangements/ any other arrangement existing and that made in future, process of verification shall be undertaken as per the arrangement amongst the member banks to settle the claims.

Any customer is entitled to receive such compensation for delay only if a complaint is lodged with the bank within 30 days of the date of the transaction. Details of charge back in case of ATM transaction by a customer of the bank when he uses other bank ATM may be included.

13. Fraudulent/unauthorized debits through alternate channels

Bank has put in place dynamic fraud prevention systems for various alternate channels viz. ATMs, Credit Cards, Debit Cards, Internet Banking etc.

Following safeguards are in place to reduce possibility of frauds:

- i. Our internet banking facility is supported by two factor authentication.
- ii. Beneficiary registration is necessary in case of fund transfer through internet banking.
- iii. Additional security features like generation of One Time Password (OTP) for transactions above threshold limit, say ₹25,000/- are being introduced. SMS alerts on transactions are sent to registered mobile no. of customers.
- iv. Customers are cautioned so as to avoid fraudulent communications asking for User Id, Password, Card No., Account No. etc. through website as well as internet banking log-in page.
- v. While signature authentication is available in case of Visa/Master Cards, PIN validation is additional security feature of Rupay Cards.
- vi. All our debit and credit card transactions for online purchase (Card Not Present - CNP) are enabled with second factor of authentication verified by visa (vbv) for Visa cards and secured codes for Master card which is applicable for Indian Merchants.

- vii. Use of cards at ATM is protected by PIN which is not supposed to be divulged to anybody by the customer.
- viii. Lost Card Insurance cover is available from lodgment of complaint by customer.
- ix. 24 x 7 facility for immediate blocking of lost card is available through call centre.

13.1 Compensating the customer

The Bank would provide immediate compensation in respect of unauthorized transactions of debit/credit card arising due to clone cards or unauthorized transactions in 'card not present scenario'.

On the failed online transactions, the Bank through its Customer Care Unit would facilitate obtaining reimbursement of the amount expeditiously. However, as such reimbursements have to go through the process of merchant establishments/ payment aggregators; the Bank's commitment will be restricted to obtaining reimbursement.

Compensation under the Policy will, however, not be available in case of compromise of password/security features by the customer.

Liability Shift on account of ATM cum Debit Card Cloning on our Bank's ATM

In case of fraudulent cash withdrawals through ATM cum Debit Cards which are cloned on our Bank's ATM, as per NPCI's guidelines liability shift can be fixed on acquirer banks and card issuer banks can stake claim for liability shift. Accordingly claims of other banks or other bank customers will be settled after examining the claims received and NPCI's affirmation about Compromise Point and Period (CPP). Such claims will be examined by Digital Banking Department. The payment in such cases will be made with the approval of Competent Authority in Controlling Offices/Central Office authorized to settle claims arising out of unauthorised/erroneous direct debits to customer's accounts given in Annexure-I of the Policy.

14. Payment of penal interest for delays in credit/ return of RTGS/ NEFT/NECS/ECS transactions

The Bank will pay interest to its customers on account of delay in credit / return of RTGS/NEFT/NECS/ECS transactions.

The interest will be paid at current RBI LAF Repo Rate plus two percent for the period of delay/till the date of refund as the case may be to the affected customers suo moto, without waiting for claim from customers.

15. Compensation decided by Banking Ombudsman / Internal Ombudsman (IO)

Bank will pay compensation as decided by the Banking Ombudsman /Internal Ombudsman (IO) in all cases referred to them.

16. Force Majeure

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc.) beyond the control of the bank, prevents it from performing its obligations within the specified service delivery parameters.

18. Validity of the Policy

The policy shall be valid for the financial year 2017-18 and its continuity may be extended for a further period not exceeding three months with the specific approval of Managing Director & Chief Executive Officer. Any directive /guideline issued by RBI in this regard shall automatically be part of this policy, during the currency of this policy.