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Benchmarking Reasonableness of Service Charges by Banks in India



A Study by

Ashish Das

*Indian Institute of
Technology Bombay*





Benchmarking Reasonableness of Service Charges



BENCHMARKING REASONABLENESS OF SERVICE CHARGES BY BANKS IN INDIA

Ashish Das

Indian Institute of Technology Bombay



May 2024

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Letter of Transmittal

Date: May 10, 2024

The Trustees
Moneylife Foundation

I am pleased to present to you the report on ‘Benchmarking Reasonableness of Service Charges by Banks in India’. This report provides valuable insights into the service charges levied by banks across India, highlighting concerns regarding reasonableness of these charges and their compliance within regulatory guidelines.

The Reserve Bank of India’s report in September 2006 laid the foundation for discussions on ensuring the reasonableness of bank charges, identifying certain services as fundamental to banking operations. Subsequent studies, including the preliminary investigation conducted by IIT Bombay in 2009 and the thematic analysis by the Department of Supervision, RBI in 2020-21, have contributed significantly to the understanding of this complex subject.

However, despite these efforts, the question of reasonableness of basic banking service charges remains a pressing concern, particularly in light of the significant transformations within the banking sector over the past 18 years. In this context, I am grateful for the opportunity to present the findings from the detailed analysis of bank service charges in India and shed light on regulatory and supervisory actions in this domain. The report emphasises the need for a thorough assessment, justification and adherence to regulatory guidelines in fixing service charges. The report provides three case studies that are eye-openers.

I trust that the findings and recommendations of the report will prove valuable to policymakers, regulators, and other stakeholders within the banking sector, for promoting transparency, fairness and customer-centric practices in the banking industry.

Sincerely,


Ashish Das
Indian Institute of Technology Bombay



“Depositors’ interest forms the focal point of the regulatory framework for banking in India. There is a widespread feeling that the customer does not get satisfactory service even after demanding it and there has been a total disenfranchisement of the depositor. There is, therefore, a need to reverse this trend and start a process of empowering the depositor.”

(RBI Master Circular on Customer Service in Banks, July 1, 2015)



S. S. Mundra

former | Deputy Governor, RBI
CMD, Bank of Baroda

Foreword

Prof. Ashish Das and I have been together on the Board of a Payment Bank since the year 2018. He has been the voice of consumer on the Board. His insight, derived from a deep research, on the issues faced by common consumers has been instrumental in keeping the management straight and honest.

I have read the report "Benchmarking Reasonableness of Service Charges by Banks in India" with great interest. "Moneylife Foundation" and "IIT Bombay" deserve praise for initiating and supporting this evaluation. At the outset it would be important to the readers and users of this report to bear this distinction in mind that this report is about "Benchmarking Reasonableness of Services Charges" and not about "Benchmarking Service Charges" themselves. In other words it should not be mistaken as an endeavour to propose reverting to the "administered service charges" of pre 1999 era. The report attempts to evaluate adherence by the banks to the extant regulations on service charges which mandates, amongst others, that-

- Banks should ensure that charges are reasonable and not out of line with the average cost of providing these services and
- Banks should also take care to ensure that customer with low volume of activities are not penalised.

Report casts a wide net covering 23 SCBs and two Co-operative Banks. It probes into most widely used service areas such as minimum balance stipulations, cheque usage, debit cards, ATMs, cash transactions, SMS alerts, POS transactions, NEFT/RTGS/IMPS, etc. It, thus covers 14 basic services leading to 44 service-charge variables. Here, donning his hat as a Professor of Statistics, Prof. Das has done a rank aggregation of these 44 variables using a scientific method. Resultantly, the surveyed banks are ranked in four categories A (best), B, C and D (worst). Three detailed case studies have added to the objectivity of the report.

The draft report was shared with the banks which were covered. It is dismaying that nine of them chose not to respond. The very fact that the amount overcharged well exceeds Rs. 200 crores, in 3 case studies alone, reflects the extent of the problem and need for significant remedial measures.

I hope this report would provide valuable input to the Regulators to provide a suitable framework for bringing reasonableness in service charges being levied by the banks and to the banks themselves for an honest introspection.

While complimenting Prof. Das for his pioneering work, I also urge him to next aim at two other areas needing similar attention viz. charges around credit services and third-party products distribution.

S. S. Mundra
Former Deputy Governor
Reserve Bank of India
May 8, 2024



“...the biggest asset on the balance sheets of banks today is the ignorance of customers of their own rights, and their reluctance to fight for them”

(M. R. Pai, 2001)



CONTENTS

Acknowledgements	1-1
Disclaimer and Author's Comments	2-2
Executive Summary	3-10
List of Abbreviations	11-12
1. INTRODUCTION AND SOME PRELIMINARIES	13-17
• History of bank service charges	
• Mandates set by RBI for ensuring reasonableness in service charges	
• Identification of sample banks for service charge analysis	
2. DATA ON BANK SERVICE CHARGES	18-22
• Expanded variables and their weights	
• Simplest saving bank account type and minimum balance requirements	
• Service charge data	
3. DETECTION OF OUTLIER BANKS	23-27
• 95 percentile point for outlier detection	
• Consistency checks between minimum balance requirements and service charges	
• Some extreme-charges among the outliers	
4. CATEGORISATION OF BANKS	28-30
• Ranking with respect to service charges	
• Ranking with respect to minimum balance requirements	
5. SPECIFIC SERVICES AND REASONABLENESS OF THEIR CHARGES	31-41
• Non-maintenance of the required minimum balances	
• Mandatory-SMS alerts	
• ATM/POS decline due to insufficient balance	
• NACH mandate and SI failure	
• Debit card issuance/annual fee and self-generation of ATM PIN on phone/ATM	
• RBI-mandated service charge caps and some general observations	
6. SOME REGULATORY OBSERVATIONS ON BANKS – CASE STUDIES	42-52
• Canara Bank: Levy of excess charges on ATM decline due to insufficient balance	
• Canara Bank and IDBI Bank: Excess charges on ATM and UPI/NEFT withdrawals	
• SBI: Levy of unreasonable charges on UPI/NEFT/Debit-card payments	
7. CONCLUDING REMARKS AND RECOMMENDATIONS	53-55



References	56-56
Annexure A – O	57-144
<ul style="list-style-type: none">Annexure A: RBI circular on levy of service charges by commercial banksAnnexure B: Bank web-links of service chargesAnnexure C: Service charges from 25 banks on 44 expanded servicesAnnexure D: Illustration for the computation of service charge averagesAnnexure E: Histograms of the 44 expanded variablesAnnexure F: Computation of 95% upper statistical limitAnnexure G: The TOPSIS methodAnnexure H(i): Slabs for minimum balance and shortfall average-percentage-chargeAnnexure H(ii): Minimum balance and shortfall percentage chargeAnnexure I: The process of supervisory action by RBIAnnexure J: Canara Bank's refund amounts on excess charges imposed on ATM declinesAnnexure K: RBI's understanding of the PSS Act- "directly or indirectly"Annexure L: Response of RBI towards RTI queryAnnexure M: Analysis out of the two questions raised in the Rajya SabhaAnnexure N: Speaking-order of CIC dated 18-08-2023Annexure O: SBI's board approval for only cash withdrawal charges	



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The author would like to place on record his gratitude to Moneylife Foundation for proposing a customer-centric issue for evaluation, on which serious analytical research is not available.

The author is thankful to Sucheta Dalal and Debasish Basu for their encouragement in preparing this report. They have been deeply involved, through extensive discussions and in providing inputs for a holistic assessment of banks for this study. Sucheta's background, knowledge and industry contacts added a lot of depth and refinement to the study. Their valued comments on an initial draft helped in significant improvement of the presentation of the report. Help from Akshay Naik of Moneylife Foundation in coordinating our efforts and collating a feedback survey is much appreciated.

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Special thanks go to Mohan Chandramouli for his extensive correspondence with RBI and Canara Bank that contributed significantly in preparing the contents of Section 6 of this report.

Inputs from Akul Ameya of SP Jain School of Global Management Mumbai are gratefully acknowledged. His thoroughness in dealing with the data and offering comments improved the presentation of the report. Initial help from Trisha Mukherjee and Arya Singh in the collection of the service charge data is thankfully acknowledged.

The author is thankful to officers of RBI, NPCI, Bank of India, Kotak Mahindra Bank, Federal Bank, AU SF Bank, IDFC First Bank and IDBI Bank for some formal/informal interaction that provided valuable insights. We acknowledge and thank them for their views and comments.

Finally, I thank my wife for going through the Executive Summary and providing valuable suggestions that improved the overall presentation of the report.

Ashish Das⁺

Mumbai

Date: May 10, 2024

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Disclaimer and Author's Comments

In this Technical Report “*Benchmarking Reasonableness of Service Charges by Banks in India*”, all possible care has been taken to project the correct picture using the data gathered. Deviations, if any, are inadvertent. The views expressed in the report are those of the author and not necessarily of the institution to which he belongs. The contents of this report are purely technical/scientific and non-legal in nature and based on the information/facts gathered.

It is noted that the service charge data is dynamic in nature and, accordingly, the assessment of the banks may change over time. Also, the methodology adopted has been the author’s prerogative and researchers may like to improvise on it. Going forward, we plan to assess and advance the contents of this report, as services and charges change. The data is as of March 2024.

Based on a draft report shared with the banks, a few banks changed service charge information on their website and some indicated that they will duly review the charges that appeared unreasonable. The banks who responded to the draft report, and those who did not, are as below:

Responsive Banks: Union Bank of India, Central Bank of India, Bank of India, Indian Overseas Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, IndusInd Bank, IDFC First Bank, IDBI Bank, Federal Bank, Bandhan Bank, AU SF Bank, Saraswat Co-operative Bank, SVC Co-operative Bank and Standard Chartered.

Non-responsive Banks: State Bank of India, Punjab National Bank, Bank of Baroda, Canara Bank, Bank of Maharashtra, Axis Bank, RBL Bank, YES Bank and Ujjivan SF Bank.

A presentation was made to the top management of RBI highlighting the significant aspects of the report.

Ashish Das
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Benchmarking Reasonableness of Service Charges by Banks in India

May 10, 2024

EXECUTIVE SUMMARY

Objective

1. Reserve Bank of India (RBI) has set mandates and directed the banks on ways and means of fixing service charges and ensuring reasonableness of bank charges. Banks and their Board of Directors are vested with the responsibility of ensuring the reasonableness of such service charges. Under the principles mandated by RBI, as an illustration, when a bank imposes a charge of Rs 21 for a balance enquiry at ATM, the bank has to establish that such charges are not out of line with the average cost of providing the service.
2. In September 2006, RBI came out with the “Report of the working group to formulate a scheme for Ensuring Reasonableness of Bank Charges” highlighting various issues on reasonableness of service charges for banks in India. The report indicated that if measuring reasonableness of bank charges are not feasible within RBI, an outside institution may be commissioned to carry out the study. In this regard, the author carried out a preliminary study in 2009. Apparently, a thematic study on the subject was also conducted in 2020-21 by the Department of Supervision, RBI, the findings of which are not in the public domain. The present study provides a detailed analysis of the service charges of banks in India to fill-in the analytical gap.
3. While evaluating the reasonableness of service charges fixed by banks, among other things, we delve into aspects related to (i) outliers among the banks whose charges go beyond some statistically defined limits, (ii) bank rankings based on rank aggregation of the multidimensional service charges, (iii) imposition of penal charges in non-maintenance of minimum balance, (iv) reasonableness of charges for mandatory-SMS alerts, and (v) parity issues while charging for ATM/POS decline due to insufficient balances.

Key Findings

4. Based on service charge data for a sample of 23 Scheduled Commercial Banks (SCBs) and two Co-operative banks, the key findings are presented below.

A. General Observations

- The average minimum balance requirement is higher for private sector banks for each of Metro-Urban, Semi-Urban and Rural centres. In contrast, for 63% of the variables under study, the average charges of public sector banks (PSBs) are higher than the average charges of private sector banks.



- There are banks that impose some extreme-service-charges. These are: YES Bank for ‘Cheque Returned due to technical reasons’, Federal Bank for ‘Doorstep Banking’, Standard Chartered and Indian Overseas Bank for ‘Non-financial Off-Us ATM transactions’, and Canara Bank for ‘DD Cancellation’ and ‘Self-Generation of ATM PIN’.

B. ATM/NEFT/RTGS/IMPS Related Charges

- RBI has mandated service charge caps for ATM cash withdrawals and NEFT/RTGS. It is observed that for On-Us (own bank’s) ATM cash withdrawal, 16 banks charge Rs 10 or less, while the remaining nine charge at the caps set by RBI (Rs 20 or Rs 21). For Off-Us (other banks’) ATM cash withdrawal, except IDFC First Bank (no charge), all banks charge Rs 20 or Rs 21.
- Indian Overseas Bank and Standard Chartered have fixed Rs 21 and Rs 20, respectively, for both, Off-Us ATM non-financial transaction and ATM cash withdrawal.
- For self-generation of ATM PIN on phone/ATM, banks do not charge except Canara Bank (Rs 50) and Indian Overseas Bank (Rs 20).
- It is observed that Central Bank of India, Bank of Maharashtra, Bank of India and IDBI Bank, contrary to RBI advice, have not passed on the branch-based NEFT/RTGS service charge benefits to their customers in totality.
- Four banks, viz., Bank of Maharashtra, IndusInd Bank, IDFC First Bank and Saraswat Co-operative Bank do not charge for IMPS transactions. Among the remaining 21 banks, three banks, viz., State Bank of India, Union Bank of India and Bank of India, charge only for at-branch IMPS and not for online IMPS.
- Among the 18 banks that charge for online IMPS, only two banks, viz., Punjab National Bank and AU SF Bank, charge less for online IMPS compared to at-branch IMPS. This raises a question about how banks justify (in terms of cost incurred) in keeping charges for online IMPS the same as that of at-branch IMPS.

C. Charges for ATM/POS Decline due to Insufficient Balance

- Many banks charge for Off-Us ATM decline due to insufficient balance but do not charge for On-Us ATM declines. There is no strong ground to not charge at all for the On-Us ATM declines, if the intent for such ‘*penal charge*’ is to bring in a sense of discipline. In contrast, banks argue that the Off-Us ATM decline involves cost-intensive technological investments for enabling services. However, the fact is that the issuer banks do not pay any interchange to acquirer banks which, otherwise, is Rs 17 for financial- and Rs 6 for non-financial transactions. Moreover, National Payments Corporation of India (NPCI) does not consider such failures as a transaction and, hence, no interchange is paid by the card-issuing bank. In other words, there is no fee imposed by NPCI/acquirer bank upon the card-issuing bank. So, a pertinent question remains: How can such charges exist and even exceed the Off-Us cash withdrawal charges? How could the banks’ boards ensure reasonableness in fixing such charges as per cost to the bank?
- Out of the 25 banks in the sample, 11 do not charge for POS declines (but charge for ATM declines) while five do not charge for both, ATM and POS, declines. Thus, there is a significant disharmony in the fixing of such charges. Banks charge as high as Rs 25 for



ATM/POS declines due to insufficient balances. Such charges do not make sense, since the rationale behind it is flawed. Though we can still understand that banks charge for cheque bounce, where cheque returns involve third parties and create distrust in the payment mode. However, declined POS/ATM transactions due to insufficient balances do not involve any intent of systemic inconvenience or distrust for a third party.

- Such high penalty for day-to-day card-based POS declines is unreasonable and majority of the banks (16 out of 25) no longer charge for such POS declines. Note that these charges do not apply when instead of card decline at POS, there are UPI declines at POS. There is enough scope for rationalisation of such charges that are being imposed on use of debit card for digital payments.

D. Debit Card Annual Fees

- Of the 25 banks, 16 banks do not charge for debit card issuance, while all banks, except IDFC First Bank, impose debit card annual fees. The debit card annual fee ranges from Rs 100 to Rs 300.
- In the present era of UPI, debit card is slowly losing its significance domestically. Even for ATM cash withdrawal, UPI-based withdrawals are in place. However, registration of a bank account on UPI may still need a debit card to set UPI PIN, since not all banks have enabled Aadhaar-based registration. Nevertheless, instead of physical cards, virtual debit cards would serve the purpose for UPI. A review is required on the reasonableness of the annual/membership fees being imposed by banks/card-schemes even when the debit card is not used throughout the year or, a debit freeze is enabled in the account.

E. Charges on Mandatory-SMS Alerts

- RBI has mandated SMS alerts for debit transactions done through UPI/ NEFT/ RTGS/ IMPS and ATM cash withdrawals. Thus, such SMS alerts become part of the product features of the withdrawal channels. For example, Bank of India imposes a charge even for SMS alerts that are payment-OTPs. Clarity on imposition of a separate charge on something that is a part of the product feature of a transaction-mode is lacking.
- Ten out of the 25 banks do not charge for the mandatory-SMS alerts. Among the 15 banks that impose mandatory-SMS alert charges, five banks do not have a monthly/quarterly cap on SMS alert charges.
- In connection with the charges for SMS alerts arising of an UPI transaction, one may recollect that the government introduced Section 10A in the Payment and Settlement Systems (PSS) Act, 2007, whereby banks and system providers are prohibited from imposing any *direct or indirect* charge upon a person for making or receiving payments through UPI. Accordingly, ‘SMS alert in UPI’ being a guaranteed consequence of an UPI transaction should not be charged – else it would result in an indirect charge for using UPI. RBI may review such service charges.

F. Penal Charges for Non-maintenance of Minimum Balance

- RBI mandates that the penal charges should be a fixed percentage levied on the amount of difference between the actual balance maintained and the minimum balance required as



per account type. Subject to the principle of fixed percentage, the mandate provides flexibility for a suitable slab structure for such charges.

- There are 14 banks having a slab structure wherein, for each slab, the charges are constant in rupee terms, i.e., the charges are not a fixed percentage of the shortfall even within each slab. These banks, in violation of the intent of RBI's proportionality principle, impose a disproportionately higher penal charge in the lower slab of shortfalls than in the higher slabs.
- RBI planned to review the guidelines on minimum balance requirements for savings bank accounts and penalty for non-maintenance. This is indicated in Part II of *RBI Annual Report 2018-19*, under the Agenda for 2019-20 ("VI.46 Guidelines on minimum balance requirements for savings bank accounts and penalty for non-maintenance will be reviewed."). However, RBI, in its subsequent *Annual Report 2019-20* did not mention anything about the review exercise that was planned for the financial year.

Bank Rankings Based on the Analysis

5. Through a method of rank aggregation, we rank the banks in the sample, with respect to 44 service-charge variables taken together. Banks are ranked in four categories A, B, C and D with A (D) being the best (worst) banks. The analysis shows that the two Co-operative banks, **Saraswat Co-operative Bank** and **SVC Co-operative Bank** perform reasonably well. They are among the top banks and get placed under Category A banks. The bank rankings for the 22 SCBs are as below.

Category A	Category B	Category C	Category D
IDFC First Bank	State Bank of India	Central Bank of India	Axis Bank
AU SF Bank	RBL Bank	IDBI Bank	Canara Bank
Bandhan Bank	Ujjivan SF Bank	Bank of India	
	HDFC Bank	Kotak Mahindra Bank	
	Bank of Maharashtra	Federal Bank	
	Punjab National Bank	ICICI Bank	
	IndusInd Bank	Indian Overseas Bank	
	Union Bank of India	YES Bank	
	Bank of Baroda		

6. It is found that among the SCBs, IDFC First Bank, AU SF Bank and Bandhan Bank perform the best, while Canara Bank and Axis Bank perform the worst. Among the PSBs State Bank of India performs the best.

Case Studies

7. RBI has made regulations and provided guidance to banks giving a broad structure for fixing their charges for various services rendered by them, while ensuring reasonableness. Despite this, bank service charges have opacity that makes it difficult even for the supervisor to identify



the fault-lines. There have been several instances where customers have faced loss due to unreasonable service charges by banks. The supervisor, even after being aware, has looked into the issues after much delay. This allowed banks to withhold large funds of poor and ignorant customers for several years. The refunds made by banks after a lot of persuasion and push have been half-hearted and insufficient to compensate for the wrongs of banks. Interest on such wrongful withholding of funds of ignorant depositors have either not been paid or have been grossly small, compared to the penalties imposed by banks on delays in payment of bank loans. In this regard, regulators and supervisors need to be more sensitive and, if they are not, they need be sensitised.

8. Three case studies have been provided in detail in this Report to illustrate the above point and a brief of these is appended.

A. Canara Bank's ATM Decline Charges – Regulatory Actions

- Effective July 1, 2017, **Canara Bank** imposed service charge of Rs 20 for ATM decline due to insufficient balance without any board assessment and approval. The reasonableness in the fixing of this service charge by the Bank was questioned by RBI. Canara Bank indicated that their rationale in ensuring reasonableness in the fixing of the service charge for failed ATM/POS transactions due to insufficient balance was simply that “*SBI charges*”. To this, RBI’s reaction was “... *the existence of similar practice in other banks may not be the appropriate criteria for the bank to justify violation of prescribed guidelines for imposition of new charges and suitable disclosures/information to customers.*”.
- The Bank later indicated to RBI that “*all transactions in ATM involve cost for using ATM infrastructure, CBS, Net Work Cost and routing through NPCI, and that the charges are at par with industry standards.*”. The reasoning was irrational since, unlike a successful Off-Us ATM cash withdrawal (for which the Bank then incurred an interchange fee of Rs 15), for a failed Off-Us ATM cash withdrawal, the Bank incurred a zero-interchange fee. Thus, keeping the failed ATM cash withdrawal charges at par with cost-intensive ATM cash withdrawal were not reasonable.
- RBI did not highlight the issue of unreasonable industry practice to charge the same Rs 20 for ATM cash withdrawal and ATM decline. It simply noted that such a charge of Rs 20 was in violation of RBI guidelines because (i) fixing of the charge did not have board approval and (ii) the Bank did not disclose such charges on its website. Additionally, RBI also invoked the regulatory clause “*Banks should also take care to ensure that customers with low volume of activities are not penalised.*”.
- Subsequently, the Bank took a retrospective approval of the board and fixed the charge at Rs 17. This was Rs 3 less than what the Bank had charged their customers during July 1, 2017 through January 23, 2023. By December 2023, the Bank refunded a total of Rs 23.63 crore towards the difference amount of Rs 3 plus the GST. The Bank informed that Rs 68 lakh could not be refunded to customers due to technical reasons like account of customer been frozen or already closed. Though Canara Bank completed the process of reversing the Rs 3 plus GST, it has **not paid any interest on the withheld money**.



B. Canara Bank's and IDBI Bank's ATM/UPI/NEFT Charges – Regulatory Actions

- As per RBI mandates, a Basic Savings Bank Deposit (BSBD) Account provides four free *withdrawals* a month and banks can reasonably charge for additional *withdrawal/s* done through various *withdrawal modes*. Such *modes of withdrawal* include UPI, NEFT and ATM *withdrawals*, among others. This means that whenever a bank charges for a *withdrawal*, it is for the *withdrawal* through a certain *mode*, be it ATM/ NEFT/ UPI, etc. Banks have been mandated to not charge their savings bank account customers for mobile-based UPI/NEFT *withdrawal*, while a maximum of Rs 20 (lately, Rs 21) can be charged for ATM cash *withdrawal*.
- For BSBD Accounts, beyond four withdrawals a month, Canara Bank and IDBI Bank imposed Rs 5 and Rs 20, respectively, which were *in addition to* the ATM/ NEFT/ UPI transaction charges. So, when the banks thrust an effective charge of $20+5 = \text{Rs } 25$ or $20+20 = \text{Rs } 40$, for ATM cash withdrawals, it inherently led to ATM cash withdrawal charges becoming in excess of the RBI-mandated cap of Rs 20.
- Banks have the freedom to decide on service charges, subject to regulatory and legal provisions. That includes Section 10A of the PSS Act, 2007 and RBI regulations on NEFT. With effect from January 1, 2020, it became illegal for banks and system providers to impose a charge, directly or *indirectly*, upon the users of UPI and RuPay debit card. Moreover, effective January 1, 2020, RBI mandated banks to not charge savings bank account holders for funds transfers done through NEFT system which are initiated online.
- In January 2022, the RBI-supervisors of Canara Bank concluded (by omitting some crucial and impactful text of the PSS Act) that there is nothing to substantiate that Canara Bank has faulted while effectively charging Rs 5 when a withdrawal gets executed through UPI. This unnecessarily hurt the payment system of India through negative sentiments created among the affected users of UPI.
- RBI later acknowledged the legal and regulatory violations of the two banks. In mid-2023, RBI advised these banks to stop charging and refund the charges thus collected. Since January 2020, towards service charges on BSBD Accounts, Canara Bank collected over Rs 200 crore while IDBI Bank collected over Rs 12 crore. Canara Bank and IDBI Bank initiated refunds in September 2023 and December 2023, respectively. Canara Bank initiated refunds of Rs 5 plus GST, while IDBI Bank initiated refunds of Rs 20, but without paying back the GST component. Regarding fair-payoffs of interest, Canara Bank has still not paid anything, while IDBI (on receiving instruction from RBI) has paid some interest, though not at a fair rate. **RBI is yet to ensure the fair-payoffs of such interests** (including opportunity cost) to the marginalised depositors.

C. SBI's Unreasonable Charges on UPI/NEFT/Debit-card – Supervisory Inactions

- In early 2020, it was brought to the notice of State Bank of India (SBI) and RBI that beyond four withdrawals a month, SBI was charging Rs 17.70 per withdrawal for their BSBD-BC Channel accounts. RBI gave banks the freedom to either offer free or charge for additional *withdrawal/s* beyond four a month done through various *withdrawal modes*. RBI indicated that whenever a bank charges for a *withdrawal*, it is for the *withdrawal* through a certain



mode, be it ATM/ RTGS/ NEFT/ Clearing/ Branch cash withdrawal/ transfer/ internet debits/ standing instructions/ EMI, etc.

- It was perfectly in order and reasonable for SBI to charge Rs 17.70 for cash withdrawals through various withdrawal modes, be it through Debit-card-based ATM withdrawal/ BC-based AePS withdrawal/ etc. However, SBI charged the same Rs 17.70 even for **non-cash** UPI/NEFT debit transaction and Debit-card-based merchant payment. Imposition of such unreasonable charges by SBI was questioned. The core contention was that these charges, imposed only on the underprivileged and marginalised BSBD-BC Channel account-holders, were unreasonable within the RBI's definition of reasonableness.
- However, it was believed by RBI that, even if it may appear unreasonable to charge Rs 17.70 for every UPI/NEFT and Debit-card-based digital withdrawals, since SBI got the approval of its board, it was better to not assess the capabilities of the board towards their wisdom and judgement of ensuring reasonableness of the service charge fixed for digital withdrawals done through UPI/NEFT and debit card.
- Effective January 2020, due to a law under the PSS Act, banks were prohibited from imposing any charge (directly or indirectly) upon a person who makes a payment through UPI or RuPay debit card. Accordingly, whatever may have been the approval of the board, SBI reversed Rs 90.19 crore for the charges imposed (@ Rs 17.70 per transaction) on 5 crore UPI and RuPay debit card digital transactions done during January 1 – September 14, 2020. These reversals were made in March 2021 without paying any interest on the funds withheld by the Bank for nearly one year.
- However, for the unreasonable UPI/NEFT charges imposed prior to January 2020 (i.e., June 2017 through December 2019), RBI's stand remained that they cannot assess the capabilities of the board on ensuring reasonableness of the service charge. Thereafter, information was sought under the Right to Information (RTI) Act to assess the rationale provided by the Bank's board while approving Rs 15 + plus service tax, per withdrawal made through the digital withdrawal modes: (i) UPI/NEFT, and (ii) debit card (merchant-payments).
- Finally, based on a speaking-order dated 18-08-2023 of the Central Information Commission (CIC), SBI was forced to provide the due information which it provided on 18-09-2023. In fact, it is clear even from the CIC order that SBI, on its own, has submitted that "... the relevant RBI circular stipulates 4 withdrawals free of cost and beyond that withdrawal is chargeable at the rate Rs. 15 plus applicable GST. He further clarified that these charges are **only for cash withdrawals and not UPI transactions as opposed to what is being alleged by the Appellant.**". Based on the information provided by SBI, it now follows that there was neither a proposal by the Bank, nor any approval of the board to charge for withdrawals made through the withdrawal modes: (i) UPI/NEFT, and (ii) debit card (merchant-payments). The board, of course, was reasonable in approving Rs 17.70 towards cash withdrawals only, beyond four a month.
- Accordingly, the Bank, through its various disclosures on its website and other physical displays, showcased only the approved charges for cash withdrawals. SBI made no disclosures towards any service charge for non-cash withdrawals.



- SBI is wrongfully withholding over Rs 164 crore from many of the 12-crore underprivileged BSBD-BC Channel account-holders, for the fees collected @ Rs 17.70 on every UPI/NEFT-based transaction and the Debit-card-based merchant transaction. In the interest of bank-consumer protection for which laws and regulations have been put in place, it is our responsibility to protect the rights and interests of over 12 crore BSBD-BC Channel account-holders representing a large component of the banked society. We need to ensure that the undue charges imposed, **along with due interest**, are truthfully refunded to the marginalised depositors without further delay.

Concluding Remarks and Recommendations

9. It is observed that there is significant disharmony in the way banks fix their service charges. Ensuring reasonableness in arriving at these charges by banks lacks customer centricity, rationality, analytical foundations and also many-a-times non-adherence to the regulatory guidelines. Given the opacity and non-verifiability of the methods adopted by banks to fix service charges, it becomes difficult for supervisors to identify and address lacunae and ensure reasonableness in fixing service charges based on cost to bank for providing that service. Banks' casual approach and supervisor's constraints, hurt the bank depositors, particularly the middle class and the marginalised ones.

10. The focus of this Report is “Benchmarking Reasonableness of Service charges” and not “Benchmarking Service charges”. Based on the outcome of this analytical research, we make some recommendations that include:

- The services that can be reasonably charged should be well defined by RBI and the maximum charge that can be considered reasonable be identified
- For a basic banking account, RBI should prepare a standardised template for the most important/common services, for dissemination of the charges by banks
- A centralised repository of bank service charges should be hosted in public domain by RBI
- RBI should set up a committee to study various charges/fees of each bank and gauge their reasonableness in a scientific and fair manner
- Banks should periodically report to RBI their mechanism of fixing service charges
- RBI should assess the reasonableness and regulatory compliance of charges fixed by banks; if a bank is found in breach, a punitive measure may be taken to bring in discipline amongst the banks

11. Overall, RBI may like to review the issues highlighted in this Report relating to: (i) reasonableness in the fixing of service charges, and (ii) the regulatory observations made through the three case studies.



List of Abbreviations

AePS	:	Aadhaar Enabled Payment System
AMB	:	Average Monthly Balance
AQB	:	Average Quarterly Balance
ATM	:	Automated Teller Machine
BC	:	Business Correspondent
BSBD Account	:	Basic Savings Bank Deposit Account
CBDT	:	Central Board of Direct Taxes
CBS	:	Core Banking Solution
CEO	:	Chief Executive Officer
CEPD	:	Consumer Education and Protection Department
CI	:	Composite Index
CIC	:	Central Information Commission
CO	:	Central Office
CSP	:	Customer Service Point
DD	:	Demand Draft
DoR	:	Department of Regulation
DoS	:	Department of Supervision
DPSS	:	Department of Payment and Settlement Systems
ECCB	:	Executive Committee of the Central Board
EMI	:	Equated Monthly Instalment
FAQ	:	Frequently Asked Question
FI	:	Financial Inclusion
FI & MF	:	Financial Inclusion and Micro Finance
FY	:	Financial Year
GST	:	Goods and Services Tax
IBA	:	Indian Banks' Association
IIT	:	Indian Institute of Technology



IMPS	:	Immediate Payment Service
IRCC	:	Industrial Research and Consultancy Centre
MAB	:	Monthly Average Balance
MD-NBG	:	Managing Director - National Banking Group
MDR	:	Merchant Discount Rate
MMB	:	Monthly Minimum Balance
NACH	:	National Automated Clearing House
NEFT	:	National Electronic Fund Transfer
NPCI	:	National Payments Corporation of India
OTP	:	One Time Password
PIN	:	Personal Identification Number
PMJDY	:	Pradhan Mantri Jan Dhan Yojana
POS	:	Point of Sale
PSB	:	Public Sector Bank
PSS Act	:	Payment and Settlement Systems Act
QAB	:	Quarterly Average Balance
QR Code	:	Quick Response Code
RBI	:	Reserve Bank of India
RTGS	:	Real-Time Gross Settlement
RTI Act	:	Right to Information Act
SBI	:	State Bank of India
SCB	:	Scheduled Commercial Bank
SD	:	Standard Deviation
SI	:	Standing Instruction
SMS	:	Short Message Service
SSM	:	Senior Supervisory Manager
TOPSIS	:	Technique for Order Preference by Similarity to an Ideal Solution
UPI	:	Unified Payments Interface
UPI-QR Code	:	Unified Payments Interface Quick Response Code



1. INTRODUCTION AND SOME PRELIMINARIES

1. The Reserve Bank of India (RBI) acts as a guardian of public interests when it comes to banking services offered by banks to the Indian public. Under Section 35A of the Banking Regulation Act, 1949, to prevent the affairs of any banking company being conducted in a manner detrimental to the interests of the depositors, RBI in the public interest, as necessary, issues directions to banks and banks are bound to comply with such directions. The supervisory departments of RBI oversee such compliance.
2. Levy of service charges by Indian banking industry is an area that has received considerable attention of customers and the regulator. Accordingly, RBI has directed the banks that, while fixing service charges, banks and their Board of Directors should ensure that the charges are reasonable, are not out of line with the average cost of providing the services and that customers with low volume of activities are not penalised.

History of Bank Service Charges

3. From 1994 to 1999, the Indian Banks' Association (IBA) had been fixing the benchmark service charges on behalf of the member banks. Expecting that competition would force the banks to price their services competitively ensuring that the customer would obtain the services at a fair price, the practice of IBA fixing the benchmark service charges was discontinued and the decision to prescribe the service charges was left to the discretion of the boards of individual banks. Banks were simultaneously advised that, while fixing the service charges, they should ensure that charges were reasonable and not out of line with the average cost of providing these services and that the customers with low volume of activities were not penalised (see, Annexure A and reference [1]).
4. However, RBI continued to receive representations from the public alleging unreasonable and non-transparent service charges. The plethora of complaints received indicated that the issue of fairness in fixing the service charges by banks needed to be examined. Accordingly, to ensure fair practices in banking services, RBI constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges. In September 2006, RBI came out with a report "*Report of the working group to formulate a scheme for Ensuring Reasonableness of Bank Charges*" highlighting various issues on reasonableness of service charges for banks in India (see, reference [1]). The report recommended the following two broad parameters for identifying the basic banking services:

(A) Nature of transactions

- a. *Banking services that are ordinarily availed by individuals in the middle and lower segments will be the first parameter. These will comprise services related to deposit/loan accounts, remittance services and collection services.*
- b. *When the above transactions occur in different delivery channels, for the purpose of pricing, they may be treated on separate footing.*



(B) Value of transactions

Low value of transactions with customers/public up to the ceiling as given below will be the second Parameter:

- a. Remittances up to Rs 10,000 in each instance.
- b. Collections below Rs 10,000 in each instance.

5. To find out whether a service charge is in line with the cost for providing the service, the report suggested verification of the cost to the bank for providing the service. For this purpose, the costs of the banks for their services should be determined to facilitate complete evaluation of the cost and service charges. The report indicated that if this is not feasible within RBI, an outside institution may be commissioned to carry out the study.

6. In 2009, an IIT Bombay technical report “*On service charges of the banks in India*” delved into the subject (see, reference[3]). It has been over 14 years since then and, during this period, a gamut of changes has occurred in the nature of bank services.

Mandates Set by RBI for Ensuring Reasonableness in Service Charges

7. RBI, in its extant July 2015 notification on ‘Master Circular on Customer Service in Banks’ reiterates the set-mandates of 1999 (Annexure A) and directed the banks on ways and means of Fixing Service Charges and Ensuring Reasonableness of Bank Charges. The circular, *inter alia*, mandates that,

- A. While **Fixing Service Charges for various types of services** like charges for cheque collection, etc., banks should ensure that the **charges are reasonable and are not out of line with the average cost of providing these services**. Banks should also take care to ensure that customers with low volume of activities are not penalised. Banks should plan for working out charges with prior approval of their Boards of Directors as recommended above. Accordingly, **the Bank’s Board of Directors has been vested with the responsibility of ensuring the reasonableness of such charges**.
- B. Regarding **Ensuring Reasonableness of Bank Charges**, in order to guarantee fair practices in banking services, RBI had constituted a Working Group to formulate a scheme for ensuring reasonableness of bank charges. Based on the recommendations of the Group, the **action required to be taken by banks** is indicated, as below:

i) Identification of basic banking services, where the prime parameter for identifying the basic banking services relates to deposit accounts and remittance services.

When transactions occur in different delivery channels, for the purpose of pricing, they are to be treated on a separate footing.



ii) Offering basic banking services outside the scope of bundled products. Here, some of the banks do not levy charges on each individual product or service. Products and services are bundled and offered to a customer as a composite offering. The bank recovers the cost of these operations through net interest income. The bank achieves break-even levels through higher average balances in customer accounts which yield healthy interest margins or by imposing charges for keeping inadequate balances.

Insofar as the basic services are concerned, the banks' objective should be to ensure that these are made available to the users at reasonable prices/charges and, towards this, the basic services should be delivered outside the scope of the bundled products.

iii) Principles for ensuring reasonableness in fixing the service charges include

- a. **For basic services rendered to special category of individuals (such as individuals in rural areas, pensioners and senior citizens), banks will levy charges on more liberal terms than the terms on which the charges are levied to other individuals.**
- b. **For the basic services rendered to individuals, banks will levy charges only if the charges are just and supported by reason.**
- c. **For the basic services to individuals, the banks will levy service charges *ad-valorem* only to cover any incremental cost and subject to a cap.**

8. RBI has emphasised that banks have to adhere to the guidelines on reasonableness of service charges. Under these principles mandated by RBI, as an illustration, when a bank imposes a charge of Rs 21 for a balance enquiry at ATM, the bank has to establish that such charges are not out of line with the average cost of providing the service. Moreover, if the bank charges the same Rs 21 even for an ATM cash withdrawal, **the fundamentals of RBI's intent, to ensure reasonableness of the charges towards balance enquiry at ATM, goes for a toss.** More so, since it is well established that, for banks, cash withdrawal at ATM is more cost-intensive than the relatively cheaper digital transaction of a balance enquiry at the ATM. In fact, RBI realises this and has, accordingly, even set an interchange differential of Rs 11 (Rs 17 for financial transaction and Rs 6 for non-financial transaction).¹

9. Banks and their Board of Directors are vested with the responsibility of ensuring the reasonableness of such service charges. The board's dereliction, if any, in ensuring reasonableness while approving the service charges needs in-depth understanding.

10. Despite RBI's desire to protect the bank customers through ensuring reasonableness of bank charges, the question of reasonableness of basic banking service charges still remains a topic of interest. In this report, we delve into the issue and provide a detailed analysis of the service charges of banks in India. While evaluating the reasonableness of service charges fixed by

¹ Usage of Automated Teller Machines / Cash Recycler Machines – Review of Interchange Fee and Customer Charges RBI/2021-22/52 DPSS.CO.OD.No.S-182/06.07.011/2021-22 dated June 10, 2021.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/ATMINTERCHANGEF1B27B06FE09452FA1D395BF67718CD6.PDF>



banks, among other things, we look for: (i) outliers among the banks whose charges go beyond some statistically defined limits, (ii) bank rankings based on rank aggregation of the multidimensional service charges, (iii) imposition of penal charges in non-maintenance of minimum balance, (iv) reasonableness of charges for mandatory-SMS alerts, and (v) parity issues while charging for ATM/POS decline due to insufficient balances.

Identification of Sample Banks for Service Charge Analysis

11. There are 93 Scheduled Commercial Banks (SCBs) in India. Table-1 provides the distribution of these banks by type of bank, their number and, their total income from commission, exchange and brokerage (FY22-23). We take such income as a surrogate for the fee-based income.

Table-1: Distribution of SCB Types in India

Bank Type (As on March 31, 2023)	Number of Banks	Total Income from Commission, exchange and brokerage (Rs Cr)
PUBLIC SECTOR BANKS	12	43,879.34
PRIVATE SECTOR BANKS	21	79,582.00
FOREIGN BANKS	44	8,274.75
SMALL FINANCE BANKS	12	2,636.40
PAYMENTS BANKS	4	5,007.92
ALL SCHEDULED COMMERCIAL BANKS	93	1,39,380.40

Source: RBI (Statistical Tables relating to Banks in India: 2022-23)

12. We have taken a sample of 23 banks having significant income from commission, exchange and brokerage (FY22-23). The sampled banks' distribution in terms of Bank Types and Income from Commission, exchange and brokerage are provided in Table-2. The sample represents 88% of the Income from Commission, exchange and brokerage from all SCBs. Some of the sample banks would differ significantly to their peers in the balance sheet size / deposit book and that may have some impact on their service charges.

Table-2: Sample Size and Income from Commission, Exchange and Brokerage

Bank Type (As on March 31, 2023)	Sample Size	Sample %	Income from Commission, exchange and brokerage (Rs Cr)	% Contribution of Income for Sample
PUBLIC SECTOR BANKS	9	75	42,578.40	97
PRIVATE SECTOR BANKS	11	52	77,404.79	97
FOREIGN BANKS	1	2	1,567.76	19
SMALL FINANCE BANKS	2	17	1,346.07	51
SAMPLE BANKS	23	25	1,22,897.02	88

Source: RBI and author's computation



13. Additionally, we consider two more banks that represent Co-operative banks. The 25 sample banks are provided in Table-3. We abbreviate AU Small Finance Bank, Ujjivan Small Finance Bank, Saraswat Co-operative Bank and SVC Co-operative Bank as AU SF Bank, Ujjivan SF Bank, Saraswat Co-op Bank and SVC Co-op Bank, respectively.

Table-3: List of Sample Banks

PUBLIC SECTOR BANKS	PRIVATE SECTOR BANKS	SMALL FINANCE BANKS	FOREIGN BANK	CO-OPERATIVE BANKS
State Bank of India	HDFC Bank			
Punjab National Bank	ICICI Bank			
Bank of Baroda	Axis Bank			
Union Bank of India	Kotak Mahindra Bank			
Central Bank of India	IndusInd Bank			
Canara Bank	IDFC First Bank			
Bank of Maharashtra	RBL Bank			
Bank of India	IDBI Bank			
Indian Overseas Bank	YES Bank			
	Federal Bank			
	Bandhan Bank			
		AU Bank		
		Ujjivan Bank		
			Standard Chartered	
				Saraswat Co-op Bank
				SVC Co-op Bank

14. The report is organised in 7 sections.

- Section 1: Introduction and some preliminaries
 - Section 2: Data on bank service charges
 - Section 3: Detection of outlier banks
 - Section 4: Categorisation of banks
 - Section 5: Specific services and reasonableness of their charges
 - Section 6: Some regulatory observations on banks – Case studies
 - Section 7: Concluding remarks and recommendations



2. DATA ON BANK SERVICE CHARGES

15. The RBI report (as in reference [1]) identified some basic service charges that should be considered while analysing the service charges. Considering a majority of them, and adding some new services to the list, we highlight below services that are significant today. We consider 14 basic service charges below. The ones marked ‘New’ did not exist in the RBI report.

1. Charges levied for non-maintenance of required minimum balance;
2. Charges for issuing duplicate passbook;
3. Account closure charges;
4. Cheque management charges;
5. Demand Draft management charges;
6. Debit Card charges;
7. ATM charges;
8. Mandatory-SMS Alert charges (New);
9. Cash Transaction charges (New);
10. Charges for transaction declined due to insufficient balances (New);
11. Electronic Payment Systems charges;
12. Standing Instruction (SI) charges (New);
13. National Automated Clearing House (NACH) charges;
14. Doorstep Banking charges (New).

Expanded Variables and their Weights

16. The 14 basic service charges lead us to 44 expanded variables. We use abbreviations V1 through V44 for these 44 expanded variables. The expanded variables under consideration have also been associated with weights based on perceived importance and usage by bank customers. The expanded variables, along with weights, are provided in Table-4. We may not have covered all services as there is no clear definition of what is a chargeable service (e.g., *Withdrawal Slip*).

17. As of March 2024, we collected information on the service charges of the 25 banks in the sample. A sector-wise break-up indicates that the sample of banks comprise nine public sector banks (PSBs), 11 private sector banks, two small finance banks, two co-operative banks and one foreign bank. The names of these banks, along with their web-links of service charges, are given in Annexure B.



Table-4: Service Charge Variables and Associated Weights

Variables	Items (Savings Account)	Importance (Weight)
V1	Metro & Urban (MAX per-month non-maintainance charge)	2
V2	Semi-Urban (MAX per-month non-maintainance charge)	2
V3	Rural (MAX per-month non-maintainance charge)	2
V4	Metro & Urban (non-maintainance per-month % charges on shortfall)	2
V5	Semi-Urban (non-maintainance per-month % charges on shortfall)	2
V6	Rural Charges (non-maintainance per-month % charges on shortfall)	2
V7	Issue of Duplicate Passbook/Statement	1
V8	Account Closure Charges (Upto 1 year of opening of account)	1
V9	Collection of cheques under Speed Clearing System (Above Rs 1 Lakh)	1
V10	Collection of Outstation Cheques (Average)	1
V11	Cheque deposited (returned unpaid) Average	1
V12	Cheque Returned drawn on us (insufficient funds) (upto Rs 1 Lakh) 2nd return	1
V13	Cheque Returned due to technical reasons	1
V14	Stop cheque payment	1
V15	DD Issuance < 10K (Average)	1
V16	DD Issuance > 10K per 1K (Average)	1
V17	DD Cancellation (Average)	1
V18	Debit Card Issuance Charges	2
V19	Debit Card Annual Charges	2
V20	Debit Card Replacement Charges	1
V21	Duplicate PIN/Regeneration of PIN through branch	1
V22	Self-Generation of ATM PIN on phone/ATM	2
V23	Own Bank ATM withdrawal beyond free ones	1
V24	Off Us Bank ATM 6 metro cities	1
V25	Off Us Bank ATM Other centres	1
V26	Non-financial transactions Own Bank ATM	1
V27	Non-financial Off Us transactions 6 metro cities	1
V28	Non-financial Off Us transactions Other centres	1
V29	Mandatory-SMS Alert charges	2
V30	Mandatory-SMS, Max per quarter	2
V31	Cash deposit (say, Rs 10,000) beyond free ones in a month (per txn.)	1
V32	Cash withdrawal (say, Rs 10,000) at Branch beyond free ones	1
V33	Transaction decline due to insufficient balance (ATM) Domestic	2
V34	Transaction decline due to insufficient balance (POS) Domestic	2
V35	NEFT-Branch (Average)	2
V36	RTGS-Branch (Average)	2
V37	IMPS-Branch (Average)	2
V38	Setting Intra Bank Standing Instruction (SI)	1
V39	Setting Inter Bank SI	1
V40	Failed SI	2
V41	NACH Mandate Authorisation (per mandate)	1
V42	Failed NACH Mandate 2nd instance	2
V43	Doorstep Banking for >70 Yrs And Differently Abled Persons - Non-financial Txn	1
V44	Doorstep Banking for >70 Yrs And Differently Abled Persons - Financial Txn	1

Note: Cheque Return due to technical reasons includes: alterations, missing/mismatch/illegible amount in words/figures, signature differs/incomplete/illegible, date issues, etc.



Simplest Saving Bank Account Product and Minimum Balance Requirements

18. Table-5 provides the simplest saving bank account product and the minimum balance requirements² (quarterly or monthly). Standard Chartered has two centre categories, Metro and Upcountry Locations.³ It does not have any branch in Semi-Urban and Rural centres. Accordingly, Table-5 does not include Standard Chartered.

Table-5: Savings account type of Banks and Minimum Balance Requirements

Banks	Bank Type	Product Type	Monthly or Quarterly	Metro/Urban Rs	Semi-Urban Rs	Rural Rs
State Bank of India	Public	Savings Account	AMB	0	0	0
Punjab National Bank	Public	SB Account	AQB	2000	1000	500
Bank of Baroda	Public	Savings Account	QAB	2000	1000	500
Union Bank of India	Public	SB Account	AQB	1000	1000	1000
Central Bank of India	Public	Savings Account	MMB	2000	1000	500
Canara Bank	Public	Savings Account	AMB	2000	1000	500
Bank of Maharashtra	Public	SB - Operative	AMB	2000	1000	500
Bank of India	Public	SB Account	AQB	1000	500	500
Indian Overseas Bank	Public	Savings Account	AQB	1000	500	500
HDFC Bank	Private	Regular Savings	AMB	10000	5000	2500
ICICI Bank	Private	Regular Savings	AMB	10000	5000	2000
Axis Bank	Private	Easy Access Savings	AMB	12000	5000	2500
Kotak Mahindra Bank	Private	Edge/Nova Savings	AMB	10000	5000	5000
IndusInd Bank	Private	Indus Privilege	MAB	10000	5000	5000
IDFC First Bank	Private	Savings Account	AMB	10000	10000	5000
RBL Bank	Private	Classic Savings	AMB	2500	1000	500
IDBI Bank	Private	Super Savings Account	AMB	5000	2500	500
YES Bank	Private	Savings Account PRO	AMB	10000	10000	10000
Federal Bank	Private	Resident SB	AMB	5000	3000	2000
Bandhan Bank	Private	GB & MB Sanchay	MAB	0	0	0
AU SF Bank	Small Finance	AU Savings Value	AMB	5000	2000	2000
Ujjivan SF Bank	Small Finance	Regular Savings	AMB	1000	1000	1000
Saraswat Co-op Bank	Co-operative	Regular Savings	AQB	2000	1000	500
SVC Co-op Bank	Co-operative	Regular Plus	AQB	3000	3000	3000

² Some abbreviations include AMB (MAB) = Average Monthly Balance; AQB (QAB) = Average Quarterly Balance; MMB = Monthly Minimum Balance. Here, we consider the simplest saving bank account product, other than the Basic Savings Bank Deposit (BSBD) Account.

³ Standard Chartered has two centre categories, Metro and Upcountry Locations, where Upcountry locations constitute: Agra, Allahabad, Bareilly, Bhopal, Bhubaneshwar, Chhindwara, Cochin, Dehradun, Indore, Jhalgaon, Jodhpur, Ludhiana, Mathura, Nagpur, Patna, Proddatur, Rajkot, Saharanpur, Siliguri, Trivandrum, Udaipur.

Their MAB requirements under Metro (Rs 25,000) and Upcountry Locations (Rs 10,000) attract a penal charge for non-maintenance of minimum balance @ 5% of the shortfall amount.



19. Bandhan Bank in its schedule of service charges has indicated minimum balance requirement of Rs 2,000. However, since its service charge for non-maintenance of minimum balance is zero, effectively their minimum balance requirement is zero.

Service Charge Data

20. The data corresponding to the 44 expanded variables are presented for the 25 banks. Variables V1 through V6 are not considered for Standard Chartered since the Bank does not have a Semi-Urban and Rural branch. Annexure C provides the complete service charge data collected from the web-links of the banks' schedule of service charges. While collecting the data, we came across several banks that did not put the schedule of service charges in a format prescribed by RBI. This created some confusion in actually identifying the correct charges for each of the variables under study, leading to multiple correspondence with banks.

21. For some of the variables we have provided the average charges because of slab-structured charges. Annexure D provides illustrations for the computation of such average service charges. Though some banks have quarterly charges for non-maintenance of the minimum average quarterly balance, we have uniformly translated them into monthly charges. Banks generally have different charges for (i) Metro/Urban, (ii) Semi-Urban and (iii) Rural areas. Percentage charges on the shortfall in minimum balances are provided by some banks. However, for banks that have different slabs of charges in rupee terms, we evaluate the average-percentage-charges of the shortfall on a monthly basis (see, Section 5 Box-1).

22. Such rich data on service charges of banks in one place enables us to carry out a systematic study for comparing banks. It also allows us to detect outlier-banks for possible unreasonableness in fixing some of the service charges. Ranking the banks with respect to specific service and their charges is easy. However, using a scientific method of rank aggregation, we rank the banks, with respect to 44 service-charge variables taken together. We also carry out a rank-analysis separately for PSBs and private sector banks.

23. Based on the data in Annexure C, Annexure F and Table-5, bar charts are provided depicting average charges of the variables and average minimum balance requirements for the public sector and the private sector banks (Chart-1). The three bar charts, as provided in Chart-1, cover the expanded variables V1 through V44 except V4, V5 and V6. In the chart, from left to right, these variables have been arranged in an ascending order of the average charges for private banks. Of these 41 variables, there are 26 variables for which the average charges of PSBs are higher (i.e., 63.4% of the variables have higher charges for PSBs). In contrast, the average minimum balance requirement is higher for private sector banks for each of Metro-Urban, Semi-Urban and Rural centres.



Chart-1: Average Charges and Minimum Balance Required in Public and Private banks



3. DETECTION OF OUTLIER BANKS

24. In 2020-21, RBI's Department of Supervision (DoS) conducted a thematic study on service charges levied by banks, the findings of which are not in the public domain. The study allowed RBI to write to banks where some service charges may have got detected as outliers. Banks were advised to review the service charges levied by them and ensure that the charges are reasonable and not out of line with the average cost of providing the service. In what follows, we analyse the service charge data of banks to detect outliers.

95 Percentile Point for Outlier Detection

25. Based on the sample data, we first study the distribution of each of the 44 expanded variables. Histograms of the variables are provided in Annexure E. Most of these variables are right skewed. Thus, being conservative, we use the 95 percentile point of the normal distribution to find at least the 95% upper statistical limit, given by

$$T = (\text{Mean}) + 1.645 \times (\text{Standard Deviation}).$$

This is done for each of the expanded variables, separately. For each variable, we identify banks that have service charge values greater than T, and call them outlier banks. As expected, the variables that are left-skewed or near symmetric do not produce any outlier banks.

26. SCBs and the Co-operative banks have very different customer segments, business models, and regulatory overheads. Thus, for the purpose of outlier detection, we take only the SCBs. By not considering the two Co-operative banks, the number of variables that get detected as outliers is smaller. Of the 44, there are 13 variables with no outlier banks. Annexure F gives the table for the computation of T along with Mean and Standard Deviation (SD) values for the 44 expanded variables and the minimum balance requirement variable for Metro/Urban, Semi-Urban and Rural.

27. Based on the values of T, for each bank, we list the services that have service charge greater than T. This allows us to identify outlier-banks with respect to each service. Among all sample SCBs, Table-6 provides outlier-banks and their corresponding service charges that exceed T. Similarly, Table-7 and Table-8 provide these for PSBs and private sector banks, respectively.

Consistency Checks Between Minimum Balance Requirements and Service Charges

28. We assess whether the service charges are consistent with the minimum balance requirement of the banks. If the minimum balance requirement of a bank is more than the all-bank average, and the service charge of a variable is an outlier, we conclude inconsistency in the service charge for the bank. This is because it is not expected that a customer maintaining a high monthly balance should pay high service charges. We consider such situations attributing



to unreasonableness in the service charges. Table-6, Table-7 and Table-8 indicate in red the variables that are inconsistent.

Table-6: Outlier-Banks and their Service Charges (SCBs)

SCB	Number of Services	Variable	Service	Charges (Rs)
State Bank of India	2	V20	Debit Card Replacement Charges	300
		V40	Failed SI	250
Punjab National Bank	1	V26	Non-financial transactions Own Bank ATM	10
Union Bank of India	1	V30	Mandatory-SMS, Max per quarter	225
Central Bank of India	1	V29	Mandatory-SMS Alert charges	0.48
Canara Bank	4	V6	Rural Charges (non-maintainance per-month % charges on shortfall)	19.2
		V17	DD Cancellation (Average)	250
		V22	Self-Generation of ATM PIN on phone/ATM	50
		V30	Mandatory-SMS, Max per quarter	198
Bank of Maharashtra	4	V9	Collection of cheques under Speed Clearing System (Above Rs 1 Lakh)	300
		V10	Collection of Outstation Cheques (Average)	167
		V11	Cheque deposited (returned unpaid) Average	500
		V14	Stop cheque payment	200
Bank of India	4	V4	Metro & Urban (non-maintainance per-month % charges on shortfall)	10.7
		V5	Semi-Urban (non-maintainance per-month % charges on shortfall)	13.9
		V14	Stop cheque payment	200
		V18	Debit Card Issuance Charges	250
Indian Overseas Bank	4	V4	Metro & Urban (non-maintainance per-month % charges on shortfall)	10.5
		V5	Semi-Urban (non-maintainance per-month % charges on shortfall)	14.4
		V27	Non-financial Off Us transactions 6 metro cities	21
		V28	Non-financial Off Us transactions Other centres	21
ICICI Bank	2	V38	Setting Intra Bank Standing Instruction (SI)	150
		V39	Setting Inter Bank SI	150
Axis Bank	3	V1	Metro & Urban (MAX per-month non-maintainance charge)	720
		V26	Non-financial transactions Own Bank ATM	10
		V40	Failed SI	250

(Continued...)



SCB	Number of Services	Variable	Service	Charges (Rs)
IndusInd Bank	1	V18	Debit Card Issuance Charges	249
IDFC First Bank	1	V2	Semi-Urban (MAX per-month non-maintainance charge)	500
RBL Bank	1	V12	Cheque Returned drawn on us (insufficient funds) (upto Rs 1 Lakh) 2nd return	750
IDBI Bank	1	V30	Mandatory-SMS, Max per quarter	225
YES Bank	6	V2	Semi-Urban (MAX per-month non-maintainance charge)	500
		V3	Rural (MAX per-month non-maintainance charge)	500
		V12	Cheque Returned drawn on us (insufficient funds) (upto Rs 1 Lakh) 2nd return	750
		V13	Cheque Returned due to technical reasons	350
		V38	Setting Intra Bank Standing Instruction (SI)	150
		V39	Setting Inter Bank SI	150
Federal Bank	5	V6	Rural Charges (non-maintainance per-month % charges on shortfall)	18.7
		V20	Debit Card Replacement Charges	300
		V41	NACH Mandate Authorisation (per mandate)	200
		V43	Doorstep Banking for >70 Yrs And Differently Abled Persons - Non-financial Txn	250
		V44	Doorstep Banking for >70 Yrs And Differently Abled Persons - Financial Txn	250
Bandhan Bank	1	V21	Duplicate PIN/Regeneration of PIN through branch	100
Ujjivan SF Bank	2	V15	DD Issuance < 10K (Average)	83
		V26	Non-financial transactions Own Bank ATM	10
Standard Chartered	5	V27	Non-financial Off Us transactions 6 metro cities	20
		V28	Non-financial Off Us transactions Other centres	20
		V31	Cash deposit (say, Rs 10,000) beyond free ones in a month (per txn.)	199
		V32	Cash withdrawal (say, Rs 10,000) at Branch beyond free ones	199
		V44	Doorstep Banking for >70 Yrs And Differently Abled Persons - Financial Txn	200

Notes: Among SCBs in the sample, Bank of Baroda, HDFC Bank, Kotak Mahindra Bank and AU SF Bank have no service-charge variables as outliers. Also, among the 44 service-charge variables, 31 variables have at least one SCB as an outlier.



Table-7: Outlier-Banks and their Service Charges (Public Sector Banks)

Public Sector Bank	Number of Services	Variable	Service	Charges (Rs)
State Bank of India	3	V12	Cheque Returned drawn on us (insufficient funds) (upto Rs 1 Lakh) 2nd return	500
		V20	Debit Card Replacement Charges	300
		V40	Failed SI	250
Punjab National Bank	1	V26	Non-financial transactions Own Bank ATM	10
Union Bank of India	1	V42	Failed NACH Mandate 2nd instance	400
Central Bank of India	1	V29	Mandatory-SMS Alert charges	0.48
Canara Bank	3	V17	DD Cancellation (Average)	250
		V22	Self-Generation of ATM PIN on phone/ATM	50
		V38	Setting Intra Bank Standing Instruction (SI)	100
Bank of Maharashtra	6	V10	Collection of Outstation Cheques (Average)	167
		V11	Cheque deposited (returned unpaid) Average	500
		V12	Cheque Returned drawn on us (insufficient funds) (upto Rs 1 Lakh) 2nd return	500
		V14	Stop cheque payment	200
		V31	Cash deposit (say, Rs 10,000) beyond free ones in a month (per txn.)	100
		V38	Setting Intra Bank Standing Instruction (SI)	100
Bank of India	2	V14	Stop cheque payment	200
		V18	Debit Card Issuance Charges	250
Indian Overseas Bank	3	V16	DD Issuance > 10K per 1K (Average)	5
		V27	Non-financial Off Us transactions 6 metro cities	21
		V28	Non-financial Off Us transactions Other centres	21

Note: Among Public Sector Banks, Bank of Baroda has no outlier services.

Table-8: Outlier-Banks and their Service Charges (Private Sector Banks)

Private Sector Bank	Number of Services	Variable	Service	Charges (Rs)
ICICI Bank	2	V38	Setting Intra Bank Standing Instruction (SI)	150
		V39	Setting Inter Bank SI	150
Axis Bank	1	V26	Non-financial transactions Own Bank ATM	10
IndusInd Bank	1	V18	Debit Card Issuance Charges	249
IDBI Bank	1	V30	Mandatory-SMS, Max per quarter	225
YES Bank	5	V3	Rural (MAX per-month non-maintainance charge)	500
		V11	Cheque deposited (returned unpaid) Average	350
		V13	Cheque Returned due to technical reasons	350
		V38	Setting Intra Bank Standing Instruction (SI)	150
		V39	Setting Inter Bank SI	150
Federal Bank	5	V5	Semi-Urban (non-maintainance per-month % charges on shortfall)	11.5
		V6	Rural Charges (non-maintainance per-month % charges on shortfall)	18.7
		V41	NACH Mandate Authorisation (per mandate)	200
		V43	Doorstep Banking for >70 Yrs And Differently Abled Persons - Non-financial Txn	250
		V44	Doorstep Banking for >70 Yrs And Differently Abled Persons - Financial Txn	250
Bandhan Bank	1	V21	Duplicate PIN/Regeneration of PIN through branch	100

Note: Among Private Sector Banks, HDFC Bank, Kotak Mahindra Bank, IDFC First Bank and RBL Bank have no outlier services.



Some Extreme-Charges Among the Outliers

29. We identify some extreme-charges levied by banks. The identification criterion for extremes is to select among the outliers, the ones greater than 1.5 times the largest non-outlier. Names of banks and their services having extreme-charges are given in Table-9.

Table-9: Extreme Outlier-Banks and their Service Charges (SCBs)

SCB	Number of Services	Variable	Service	Extreme Charges (Rs)	Largest non-outlier Charge (Rs)	Mean charge (Rs)
Canara Bank	2	V17	DD Cancellation (Average)	250	150	83.95
		V22	Self-Generation of ATM PIN on phone/ATM	50	20	3.04
Indian Overseas Bank	2	V27	Non-financial Off Us transactions 6 metro cities	21	11	9.87
		V28	Non-financial Off Us transactions Other centres	21	11	9.87
IDFC First Bank	1	V2	Semi-Urban (MAX per-month non-maintainance charge)	500	300	156.02
YES Bank	3	V2	Semi-Urban (MAX per-month non-maintainance charge)	500	300	156.02
		V3	Rural (MAX per-month non-maintainance charge)	500	300	112.05
		V13	Cheque Returned due to technical reasons	350	200	58.70
Federal Bank	1	V43	Doorstep Banking for >70 Yrs And Differently Abled Persons - Non-financial Txn	250	150	53.70
Standard Chartered	2	V27	Non-financial Off Us transactions 6 metro cities	20	11	9.87
		V28	Non-financial Off Us transactions Other centres	20	11	9.87

30. Furthermore, we have two banks who charge the same, whether it is an ATM cash withdrawal or simply a balance enquiry. **Indian Overseas Bank and Standard Chartered** have fixed Rs 21 and Rs 20, respectively, for both, Off-Us ATM non-financial transaction and ATM cash withdrawal. This is despite RBI setting an interchange differential of Rs 11 (Rs 17 for financial transaction and Rs 6 for non-financial transaction).



4. CATEGORISATION OF BANKS

31. The objective in a multidimensional decision-making problem is to find the best option from among feasible alternatives. For many such problems, the decision maker wants to solve a multiple criteria decision-making problem. TOPSIS (technique for order preference by similarity to an ideal solution) is a method related to aggregation of several variables to provide a comprehensive ranking of multiple subjects with respect to the variables. TOPSIS is a multiple criteria method to identify solutions from a finite set of alternatives. The explicit method is described in Annexure G.

Ranking with Respect to Service Charges

32. Through the TOPSIS method, a comprehensive score, called the Composite Index (CI), is obtained for banks. Being a different class of bank, not having presence in Semi-Urban and Rural, Standard Chartered is not considered. We also obtained the CI for PSBs and private sector banks, separately. Such scores are based on the 44 expanded variables. Throughout, the variables are such that lower values represent service charge favouring bank customers. This leads to TOPSIS method providing scores such that lower value of the CI would mean an overall lower service charge and vice-versa.

33. For all the 24 banks and the 44 expanded variables, on running the TOPSIS, we find that both the Co-operative banks perform reasonably well. The two Co-operative banks, viz., **Saraswat Co-op Bank and SVC Co-op Bank are among the top banks and get placed under Category A** (defined below). Co-operative banks and SCBs have very different customer segments, business models and regulatory overheads. Thus, to eliminate the effects of these two Co-operative banks, we undertook TOPSIS-ranking among only the 22 SCBs.

34. Based on the TOPSIS rankings, we have categorised the banks into four categories. The categories are:

- Category A – Perform reasonably well
- Category B – Medium
- Category C – Need improvement
- Category D – Perform badly

The category benchmarks are set in terms of CI expressed as a percentage of the maximum CI. The benchmarks are as follows:

CI as a % of the maximum CI	SCB	Public	Private
Cat A	0-60	0-70	0-50
Cat B	>60-75	>70-80	>50-75
Cat C	>75-90	>80-90	>75-95
Cat D	>90	>90	>95



35. In Table-10, we provide the category-rankings for the 22 SCBs. Based on the rankings, we see that Canara Bank and Axis perform badly, with their overall service charges being relatively higher than the rest. IDFC First Bank, AU SF Bank and Bandhan Bank come on top as Category A banks. Among PSBs and private sector banks, the majority of PSBs belong to Category B, while the majority of private sector banks belong to Category C.

Table-10: Category-Rankings for SCBs

Category A	Category B	Category C	Category D
IDFC First Bank	State Bank of India	Central Bank of India	
AU SF Bank	RBL Bank	IDBI Bank	Axis Bank
Bandhan Bank	Ujjivan SF Bank	Bank of India	Canara Bank

	HDFC Bank	Kotak Mahindra Bank	
	Bank of Maharashtra	Federal Bank	
	Punjab National Bank	ICICI Bank	
	IndusInd Bank	Indian Overseas Bank	
	Union Bank of India	YES Bank	
	Bank of Baroda		

36. The CI values of the SCBs reveals a right skewed histogram. Thus, following the approach of Section 3, a 95 percentile threshold, based on Mean and SD of the CI values, detects Canara Bank alone as an outlier.

37. Next, we rank Public Sector Banks and Private Sector Banks, separately. This provides us with insights to assess how banks perform in each of the sectors. Table-11 provides the results. Performing reasonably well, State Bank of India and IDFC First Bank come out as class apart *vis-à-vis* other banks in their respective sectors. Among PSBs, Canara Bank performs badly in the sense that its overall service charges are relatively higher than the rest. Again, among the private sector banks, Axis Bank performs badly, with its overall service charges being relatively higher than the rest.

Table-11: Category-Rankings for Public Sector Banks and Private Sector Banks

Category A	State Bank of India	Category A	IDFC First Bank
Category B	Union Bank of India	Category B	Bandhan Bank
	Bank of Maharashtra		RBL Bank
	Punjab National Bank		HDFC Bank
Category C	Bank of Baroda	Category C	IndusInd Bank
	Central Bank of India		Kotak Mahindra Bank
	Bank of India		YES Bank
	Indian Overseas Bank		Federal Bank
Category D	Canara Bank	Category D	IDBI Bank
			ICICI Bank
			Axis Bank



Ranking with Respect to Minimum Balance Requirements

38. Focusing on the amount of minimum balance required (for each of Metro/Urban, Semi-Urban, Rural) and the associated charges, as provided under variables V1 to V6, we rank the banks using the TOPSIS method. We have clubbed the banks into four groups, Group A through Group D, with benchmarks set as:

CI as a % of the maximum CI	Public	Private
Gr A	0-70	0-30
Gr B	>70-85	>30-55
Gr C	>85-95	>55-85
Gr D	>95	>85

39. The aggregate rankings with respect to these nine variables are provided separately for PSBs and private sector banks in Table-12. Among PSBs, Canara Bank, Punjab National bank and Central Bank of India perform badly in the sense that their non-maintenance service charges are relatively much higher than the rest. Again, among the private sector banks, YES Bank performs badly because of its high minimum balance requirement, that too uniformly for all centres and the overall non-maintenance service charges being relatively high. State Bank of India and Bandhan Bank enjoy top ranking because they are the only banks having no minimum balance requirements.

Table-12: Group Rankings for Public and Private Banks (Minimum Balance)

Group A	State Bank of India	Group A	Bandhan Bank
Group B	Union Bank of India	Group B	IDBI Bank RBL Bank
Group C	Bank of Maharashtra Bank of Baroda Indian Overseas Bank Bank of India	Group C	ICICI Bank HDFC Bank Axis Bank Kotak Mahindra Bank Federal Bank IndusInd Bank IDFC First Bank
Group D	Canara Bank Punjab National Bank Central Bank of India	Group D	YES Bank



5. SPECIFIC SERVICES AND REASONABLENESS OF THEIR CHARGES

40. We delve on the reasonableness of service charges for (a) Non-maintenance of the required minimum balances, (b) Mandatory-SMS alerts, (c) ATM/POS decline due to insufficient balance, (d) NACH mandate and SI failure, (e) Debit card issuance/annual fee and self-generation of ATM PIN on phone/ATM. We also look into some aspects of the RBI-mandated service charge caps and make some general observations.

Non-Maintenance of the Required Minimum Balances

41. During the eight months April-November 2017, State Bank of India earned Rs 1,771.67 crore from customers for non-maintenance of monthly average balance in savings account.⁴ This was revealed on December 29, 2017 in a Lok Sabha Unstarred Question No. 2041 leading to extensive media coverage and some degree of criticism.

42. Subsequently, RBI had planned to review the guidelines on minimum balance requirements for savings bank accounts and penalty for non-maintenance. This is indicated in Part II of *RBI Annual Report 2018-19*, under the Agenda for 2019-20 (“*VI.46 Guidelines on minimum balance requirements for savings bank accounts and penalty for non-maintenance will be reviewed.*”). However, RBI, in its subsequent *Annual report 2019-20* did not mention anything about the review exercise that was planned for the financial year.⁵

43. Much earlier, RBI brought a directive⁶ wherein, effective April 1, 2015, banks are mandated to follow certain guidelines on penal charges for non-maintenance of minimum balance requirements in savings bank accounts. Of the six-point RBI guideline on levy of charges for non-maintenance of minimum balance, we focus on two, i.e. regulations A and B, as below.

- **A:** (a) The penal charges should be directly proportionate to the extent of shortfall observed. (b) In other words, the charges should be a fixed percentage levied on the amount of difference between the actual balance maintained and the minimum balance as agreed upon at the time of opening of account. (c) A suitable slab structure for recovery of charges may be finalised.
- **B:** It should be ensured that such penal charges are reasonable and not out of line with the average cost of providing the services.

⁴ As per SBI's schedule of service charges (effective April 2017), a shortfall of above 75% of their Rs 5,000 MAB requirement at Metro centres would impose on the customer a charge of Rs 100. SBI's non-maintenance charges ranged from Rs 20 to Rs 100, depending on the branch variant and the amount of shortfall. Later, effective October 2019, SBI reduced the non-maintenance charges. The Rs 100 at Metro centre for > 75% shortfall became just Rs 15. SBI's non-maintenance charges were brought down and ranged from Rs 5 to Rs 15, depending on the branch variant and the amount of shortfall. Later, from March 11, 2020, SBI waived-off all non-maintenance charges.
<https://www.sbi.co.in/documents/16012/76239/UPDATED+LIST+OF+SERVICE+CHARGES+UPLOAD++24072017.pdf>
https://sbi.co.in/webfiles/uploads/index/30082019-UPDATED_LIST_OF_SERVICE_CHARGES.pdf

⁵ RBI Annual Reports 2018-19 and 2019-20 <https://www.rbi.org.in/Scripts/AnnualReportPublications.aspx?year=2020>

⁶ Levy of penal charges on non-maintenance of minimum balances in savings bank accounts. RBI/2014-15/308 DBR.Dir.BC.No.47/13.03.00/2014-15 dated November 20, 2014.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/MBLRDC201114.PDF>



44. For banks in the sample (except Standard Chartered), based on the data in Table-5 and Annexure C, in Chart-2 we present two bar charts, depicting (i) the quantum of the minimum balance required (say, X) and (ii) the maximum monthly-charge in Rupee terms due to shortfalls in the minimum balance (say, Y). In the charts, from left to right, banks have been arranged in ascending order of the quantum of minimum balance required for Metro/Urban. For each of Metro/Urban, Semi-Urban and Rural, the correlation coefficients between X and Y are 0.98, 0.98 and 0.93, respectively. Chart-2 highlights that PSBs have relatively smaller minimum balance requirements than the private sector banks. Moreover, **Yes Bank** and **SVC Co-op Bank** do not discriminate Rural from Metro/Urban branches for minimum balance requirements.

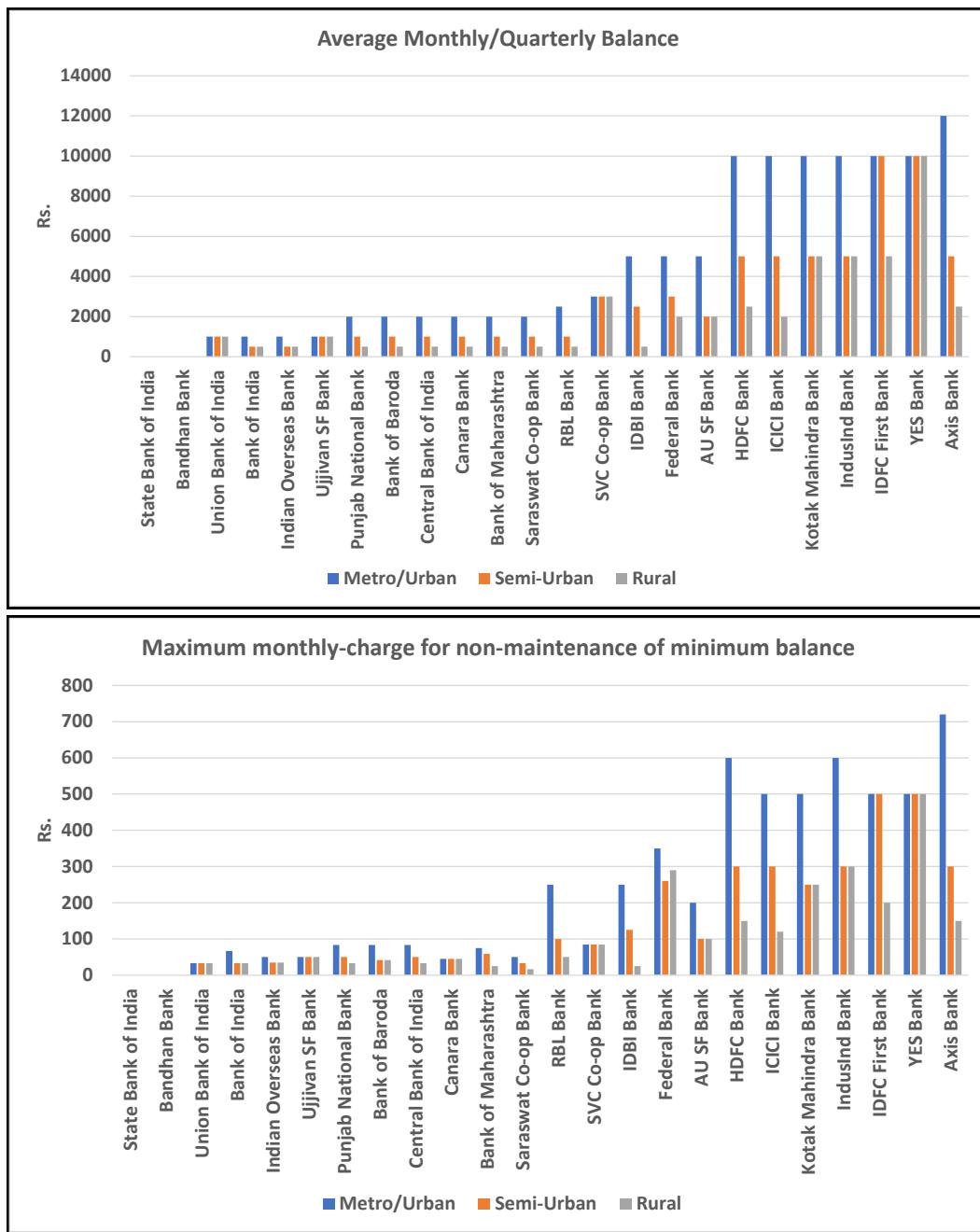


Chart-2: Quantum of Minimum Balance and Maximum Monthly-Charge for Non-Maintenance



45. Details of the minimum balance requirements along with slabs, charges in rupee terms and the average-percentage-charge are provided in Annexure H(i). Box-1 provides an illustration to work out the average-percentage-charge for banks having slabs with a fixed amount of penalty in each slab. Annexure H(ii) provides the minimum balance requirements and shortfall percentage charge for banks that do not have any slab system.

Box-1: Percentage Charges on Shortfalls in Minimum Balance

Several banks have charges for non-maintenance of minimum balance in terms of slabs, where different shortfall amounts incur different charges. We provide an average-percentage-charge for such slabbed shortfalls. We illustrate this through an example.

Consider Bank of India and its Metro/Urban service charge for non-maintenance:

Slab	Shortfall (Rs)	Charges (Rs)
Slab 1	1 - 500	100
Slab 2	501 - 750	160
Slab 3	751 - 1000	200

The average shortfall in Slab 1, Slab 2 and Slab 3 are Rs 250, Rs 625 and Rs 875, respectively.

STEP 1

For Slab 1, we determine what percentage is Rs 100 of the average shortfall of Rs 250. This works out to $100*100/250 = 40$.

Similarly, for Slab 2, we determine what percentage is Rs 160 of the average shortfall of Rs 625. This works out to $160*100/625 = 25.6$.

Finally, for Slab 3, we determine what percentage is Rs 200 of the average shortfall of Rs 875. This works out to $200*100/875 = 22.9$.

STEP 2

The weighted average of the three percentages (with weights being the slab ranges) give us the required average-percentage-charge on the shortfall amounts. This average works out to $(40*500+25.6*250+22.9*250)/1000 = 32.1$.

STEP 3

In case of Bank of India, its balance requirement is AQB (Average Quarterly Balance) instead of AMB (Average Monthly Balance). Accordingly, the final average percentage charge on monthly shortfalls works out to $32.1/3 = 10.7$.

This process has been followed in all cases where non-maintenance charges are given in slabs. In case the balance requirement is per month (instead of quarter), we stop at Step 2.

46. Fourteen banks, in the sample of 25, have set multiple slabs of shortfalls. Twelve of these banks have a fixed amount of penalty in each slab, irrespective of the shortfall amount. In other words, the charges are **not a fixed percentage** of the shortfall. These charges are not reasonable '*in relative terms*', given that RBI has clearly defined what it means by '*in relative terms*'. These banks have introduced slabs in a manner that vitiates the fundamental principle of charges being a fixed percentage of the shortfall (under the proportionality rule of RBI). It is also observed that Saraswat Co-op Bank and SVC Co-op Bank have single slabs with a fixed amount of penalty irrespective of the shortfall amount.



47. It is observed that the slab-wise percentage rate usually decreases with increase in shortfall. One could have cared less if the banks' approach had not been on penalising more, in percentage terms, the accounts with smaller shortfalls than the ones with larger shortfalls. The present state is leading to accounts with smaller shortfalls cross-subsidising, in percentage terms, the accounts having larger shortfalls. Banks usually violate regulations A(a) and A(b) but get possibly protected due to regulation A(c). There is a tendency on part of some banks to express something like: "... our slab structure provides for less penalty (in rupee terms) in the lower slabs and higher penalty for the higher slabs.". Such a response completely ignores RBI's fundamental policy of 'proportionality' or 'fixed percentage'.

48. RBI, even in the preamble of its regulation, refers to the essence as "*the penal charges levied should be in proportion to the shortfall observed*", and attributes this to the Damodaran committee. A careful reading will clearly show that regulation A(c) talks about allowing banks to finalise suitable slab structure (if they so desire) for *recovery* of charges. Therefore, the banks' suitable slab structure for *recovery* of charges comes into being only after the bank has put in place their charges as per regulations A(a) and A(b). Regulations A(a) and A(b) explicitly lay down the rule of how to set, or arrive at, the charges. The *recovery* of such charges (and how to *suitably* do so) is secondary. The banks tend to completely ignore regulation A(a) which, in fact, gets reiterated by RBI under regulation A(b).

49. For banks (nine in the sample of 25 banks) that have no slab structure, the charges have been fixed at an average rate of 4.3% of every month's shortfall, equivalent to a penal rate of 52% per annum (see, Annexure H(ii)).

50. There are 14 banks having a slab structure wherein, for each slab, the charges are constant in rupee terms, i.e., the charges are **not a fixed percentage** of the shortfall even within each slab. Moreover, though the charges vary between slabs, with respect to the shortfall averages in the slabs the charges are **not the same percentage**. In fact, the percentage usually decreases with increase in mean shortfall implying that they are resorting to unwarranted cross-subsidisation. Though RBL Bank and YES Bank have a slab structure, they have set charges as a percentage of the shortfall.

51. Thus, looking at these 16 banks for possible violation in the proportionality principle, we have established that most banks in violation to a *rule of unbiasedness* set by RBI impose a disproportionately higher penal charge in the lower slab of shortfalls than in the higher slabs. In this process, banks thrust undue and uncalled for discrimination in form of cross-subsidisation at no fault of a vast section of depositors. Moreover, nine of these 16 banks have higher average-percentage-charge as one moves from Metro/Urban to Rural centres (see, Annexure H(i)).

52. For banks (16 in the sample of 25 banks) that have slab structures, the average-percentage-charges have been fixed at an average rate of 8.6% of monthly shortfalls, equivalent to a penal



rate of 103% per annum (see, Annexure H(i)). Such high rates of penalty appear to have no correlation with the costs for arranging such funds even at, say, the call money market rate. For example, Indian Overseas Bank has fixed a percentage monthly-charge of as high as 13.1% of the shortfall amount in minimum balance. Thus, it raises questions on the efficacy of regulation B. For the banks (except Standard Chartered), Chart-3 provides a bar chart for the percentage monthly-charge on the minimum balance shortfalls. In the chart, from left to right, banks have been arranged in ascending order of the percentage monthly-charge for Metro/Urban. There are few banks like Canara Bank and Federal Bank, who have strikingly higher percentage monthly-charge for Rural over Metro/Urban.

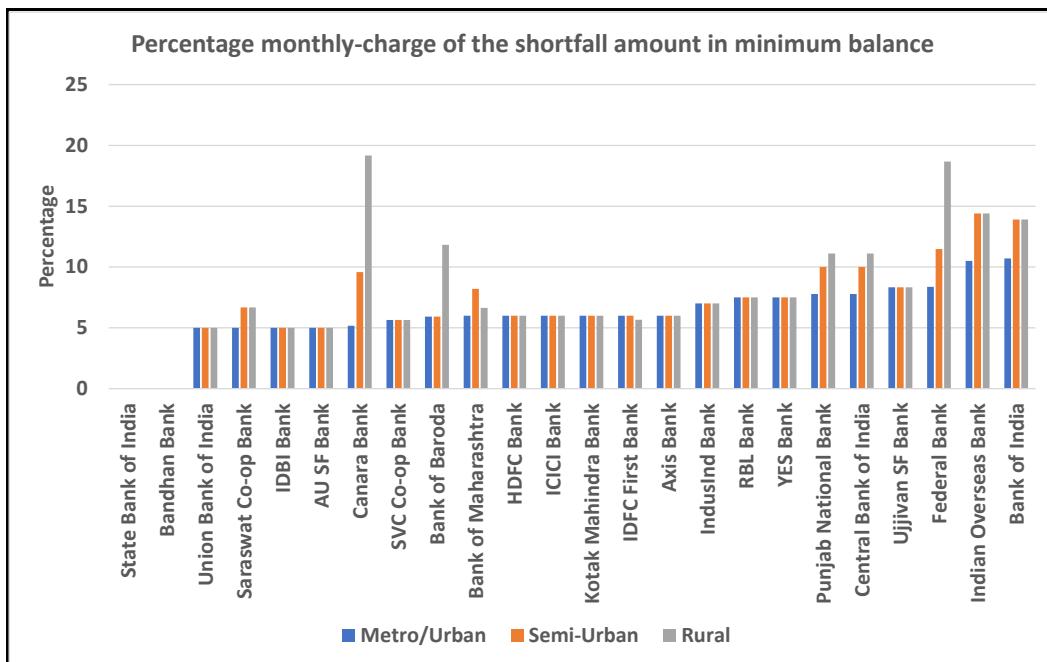


Chart-3: Percentage Monthly-Charge on Shortfalls

53. A shortfall in minimum balance maintenance by a savings account depositor can be considered akin to an overdraft facility availed by a customer. The only difference between overdraft funds and the shortfall money (in the required minimum balance) is the credit risk associated with the overdraft account. Since there is no credit risk in shortfall funds, there is no rationale for its cost to exceed the cost of overdraft funds. Even loans through credit cards carry a rate of around 40% per annum. If the cost of highly risky credit card-based funds is 40% per annum, can the cost of zero-risk funds (shortfall in customers' own savings bank deposits) be more than 40% per annum?

54. Keeping the commercial goal of profitability of banks, it is well appreciated that the service charges and fee-structures are derived considering various factors like direct and indirect costs involved. Banks incur cost for providing all the operational activities related to maintaining and operating the account. The penal charges for the non-maintenance of minimum balance are applied for the purpose of partially covering the fixed costs incurred by banks in the form of branch set-up, servicing the account, operating costs and not necessarily for covering the cost



of funds. Such penal charges are also viewed as a deterrent charge to drive right customer behaviour. Thus, the shortfall of contracted balance in deposit accounts may not be similar to the cost of funds for lending. Accordingly, the charges associated with non-maintenance of minimum balance being compared with cost of overdraft funds may have to keep this aspect in mind.

55. Though it is imperative that the minimum balance requirement and the associated service charge for its non-maintenance is to induce a sense of discipline among the depositors while operating their savings accounts, it should not be used as a means of making unreasonable gains depriving common depositors. Other than State Bank of India and Bandhan Bank, who do not impose any penal charges, all banks in the sample charge at least 60% per annum of the shortfall amount. This makes the whole regulation of ‘reasonableness of charges as per cost’ quite shallow.

56. RBI has formulated the penal charges rule with an objective of bringing in fairness from the customers’ angle. Incidentally, in December 2021, RBI had imposed a monetary penalty of Rs 30 lakh on ICICI Bank for non-compliance with certain directions on the ‘*Levy of penal charges on non-maintenance of minimum balances in savings bank accounts*’. The Bank was charging Rs 100 + 5% of the shortfall in the required AMB. The Bank had been non-compliant with the aforesaid directions to the extent that it levied charges for non-maintenance of minimum balance in saving accounts which were not directly proportionate to the extent of the shortfall observed. ICICI Bank corrected itself thereafter.⁷

57. Despite the ICICI Bank example, we still see similar non-compliance among many banks even today. Thus, it is time to plug the regulatory and supervisory gaps in a holistic manner and not only formulate clearer guidelines on the formation of slabs but also establish parameters for how to measure reasonableness of charges based on costs of funds.

Mandatory-SMS Alerts

58. RBI has mandated SMS alerts for debit transactions done through UPI/ NEFT/ RTGS/ IMPS and ATM cash withdrawals (see, reference [6]). Thus, such SMS alerts become part of the product features of the withdrawal channels. Moreover, for payment transactions, banks are required to send OTP or enable other forms of additional-factor-authentication (see, references [2], [4]). Such OTPs are SMS alerts and sending such SMSs is part of the product feature of an authentication/authorisation process. For example, Bank of India counts even the payment-OTPs towards SMS alerts for imposition of charges.

⁷ Reserve Bank of India imposes monetary penalty on ICICI Bank Ltd. RBI Press Release, December 15, 2021.
https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=52726



59. We emphasise that such SMSs are part of the product feature, since even if one opts-out of the SMS alert (value-added) service, the bank would still be required to send these SMS alerts for the debit transactions.

60. For various modes of withdrawals, the Bank/ RBI/ Government can decide on the service charges that should get imposed. Accordingly, it is important that there is clarity in a reasoned approach towards imposition of a separate charge on something that is a part of the product feature of a transaction-mode. Such clarity is lacking.

61. Ten out of the 25 banks in the sample do not charge for the mandatory-SMS alerts. These banks are:

State Bank of India, HDFC Bank, Kotak Mahindra Bank, IndusInd Bank, IDFC First Bank, RBL Bank, Federal Bank, Bandhan Bank, AU SF Bank and SVC Co-op Bank.

62. Among the 15 banks that impose mandatory-SMS alert charges, five banks do not have a monthly/quarterly cap on SMS alert charges. Accordingly, considering 300 SMS alerts per month, in Table-13, we present the quarterly charges that get imposed.⁸ Moreover, Central Bank of India and Saraswat Co-op Bank have set charges with a quarterly cap of Rs 150 and Rs 100, respectively. For the remaining eight banks, the average quarterly cap is Rs 20.63. For the 15 banks levying charges on an actual usage basis, the average charge is Rs 0.24 per SMS alert.⁹

Table-13: Banks having no Cap on SMS Alert Charges

Bank	Quarterly Charges (Rs)
Union Bank of India	225
Canara Bank	198
Indian Overseas Bank	135
ICICI Bank	135
IDBI Bank	225

@ 300 SMS alerts per month

63. In connection with the charges for SMS alerts arising of an UPI transaction, one may recollect that the government introduced Section 10A in the Payment and Settlement Systems (PSS) Act, 2007, which states that:

⁸ Contrary to the bank's schedule of service charges, ICICI Bank claims that the mandatory-SMS alert charge is capped at Rs 100 per quarter which, as per their rate per SMS alert, is equivalent to charges for 222 SMS alerts per month.

⁹ Among the banks that charge, **Bank of India** does not have SMS alert charges on an actual usage basis, though they have some initial slabs for the same. On an average the bank charges Rs 0.37 per SMS alert (with a standard deviation of Rs 0.29) for the first 100 SMS alerts in a quarter. For every debit transaction (including UPI / NEFT / RTGS / IMPS / ATM debit transactions), the bank charges for the SMS alerts, and furthermore, even though OTP is a security feature of products created by the bank, sending such OTP is also chargeable. However, the Bank has a quarterly cap of Rs 15 towards SMS alert charges.



"10A. Notwithstanding anything contained in this Act, no bank or system provider shall impose, whether directly or indirectly, any charge upon a person making or receiving a payment by using the electronic modes of payment prescribed under section 269SU of the Income-tax Act, 1961."¹⁰

Furthermore, the Central Board of Direct Taxes (CBDT) notified UPI as a prescribed electronic mode of payment.¹¹ Effective January 1, 2020, banks and system providers are prohibited from imposing any direct or **indirect** charge upon a person for making or receiving payments through UPI.

64. Before we proceed further, clarity is required on what constitutes imposition of direct and indirect charge for using UPI. Any charge imposed by a bank or system provider for using UPI would be a direct charge, if that gets attributed directly. However, *any charge imposed by a bank or system provider due to the occurrence of an event, which is a guaranteed consequence of the UPI transaction, would be an indirect charge.*

65. An '*SMS alert due to an UPI transaction*' is a guaranteed consequential event, since that has been mandated by RBI. Therefore, the '*UPI related SMS alert*' that is a guaranteed consequence of an UPI transaction should not be charged – else it would result in an indirect charge for using UPI. Engineering of any such indirect charges that are a guaranteed consequence of making or receiving an UPI payment, whether in the name of handling fee, or convenience fee, or digital fee, or network fee, or debit fee, or withdrawal fee, or withdrawal-alert fee, etc., are inherently prohibited under Section 10A of the PSS Act.¹² RBI needs to review these SMS alert charges.

ATM/POS Decline Due to Insufficient Balance

66. Over the years, banks are imposing a fee every time there is a transaction decline, due to insufficient balance in the account, at ATM or Point of Sale (POS). Since many banks do not charge for On-Us (own bank's) ATM declines, what is referred here constitutes at least the charges for Off-Us (other banks') ATM decline. 20 banks charge for ATM declines in the range of Rs 10 - Rs 25.

¹⁰ The Finance (No. 2) Act, 2019 inserted Section 269SU in the Income-tax Act, 1961, with effect from November 1, 2019, namely: — "269SU. Every person, carrying on business, shall provide facility for accepting payment through prescribed electronic modes, in addition to the facility for other electronic modes, of payment, if any, being provided by such person, if his total sales, turnover or gross receipts, as the case may be, in business exceeds fifty crore rupees during the immediately preceding previous year."

¹¹ CBDT inserted rule 119AA in the Income-tax Rules, 1962, wherein, with effect from January 1, 2020, Debit Card powered by RuPay and the UPI were notified as prescribed electronic modes.

¹² An *SMS alert* that is not a consequence of an UPI transaction, e.g., NEFT transaction, or ATM cash withdrawal would not fall under the purview of Section 10A of the PSS Act.



67. Many banks, while charging for Off-Us ATM declines, do not charge for On-Us ATM declines. There is no strong ground to not charge at all for the On-Us ATM declines, if the intent for such '*penal charge*' is to bring in a sense of discipline. Moreover, there has to be a rationale in terms of the cost to the bank. In contrast, banks argue that the Off-Us ATM decline involves various elements like Switch / acquiring bank / issuing bank / intermediary, etc. and cost-intensive technological investments for enabling services. However, the fact is that the issuer banks do not pay any interchange to acquirer banks which, otherwise, is Rs 17 for financial- and Rs 6 for non-financial transactions. So, a pertinent question remains: How can such charges exist and even exceed the Off-Us cash withdrawal charges? How could the banks' boards ensure reasonableness in fixing such charges as per cost to the bank?

68. Out of the 25 banks in the sample, 11 do not charge for POS declines (but charge for ATM declines) while five do not charge for both, ATM and POS, declines. Thus, there is a significant disharmony in the fixing of such charges. Nine banks charge for POS declines in the range of Rs 15 – Rs 25.

69. Such exorbitant penalty for digitally paying consumers '*disincentivises*' them, prompting many to move away from digital payments. Moreover, such charges do not make sense, since the rationale behind it is flawed. Though we can still understand that as a deterrent, banks charge for cheque bounce, where cheque returns involve third parties and create distrust in the payment mode. However, declined POS/ATM transactions due to insufficient balances do not involve any intent of systemic inconvenience or distrust for a third party.

70. We would like to mention that National Payments Corporation of India (NPCI) does not consider such failures as a transaction and, hence, no interchange is paid by the card-issuing bank. In other words, there is no fee imposed by NPCI/acquirer bank upon the card-issuing bank.

71. Such high penalty for day-to-day card-based POS declines is unreasonable and majority of the banks no longer charge for such POS declines. Note that these charges do not apply when, instead of card decline at POS, there are UPI declines at POS. There is enough scope for rationalisation of such charges that are being imposed on use of debit card for digital payments. The nine banks that continue to charge for POS decline due to insufficient balances are:

State Bank of India, Punjab National Bank, Bank of Baroda, Central Bank of India, ICICI Bank, Axis Bank, Kotak Mahindra Bank, RBL Bank and Standard Chartered.

NACH Mandate and SI Failure

72. Charges for setting NACH mandate is observed to be higher for PSBs (average of Rs 108) than the private sector banks (average of Rs 36). Other than IDFC First Bank, all banks in the sample charge for failed NACH mandate. On an average, PSBs charge Rs 261 while private sector banks charge Rs 455 for NACH failure. In contrast, for SI failure, 8 banks (of which four are private sector banks) do not charge. A comparison between failed NACH mandate and



cheque returned charges shows that on an average, failed NACH mandate charges are less than the charges for cheque return due to insufficient balance.

73. Though we have not considered the variable “NACH transaction charges”, we found four banks, among the sample of 25 banks, that impose charges for execution of every NACH transaction. Below we provide the list of the banks and their charges per NACH transaction.

Bank Name	Variable	Remark	Charges (Rs)
Axis Bank			25
Bank of Maharashtra	NACH transaction charges	Per NACH transaction being charged	3.50
Union Bank of India			3.50
Federal Bank			1

Debit Card Issuance/Annual Fee and Self-Generation of ATM PIN on Phone/ATM

74. Of the 25 banks, 16 banks do not charge for debit card issuance, while all banks, except IDFC First Bank, charge towards debit card annual fee. Among the banks that charge a debit card annual fee, the range of charges is Rs 100 to Rs 300, with an average charge of Rs 201.

75. In the present era of UPI, debit card is slowly losing its significance domestically. Even for ATM cash withdrawal, UPI-based withdrawals are in place. However, registration of a bank account on UPI may still need a debit card to set UPI PIN, since not all banks have enabled Aadhaar-based registration. Nevertheless, instead of physical cards, virtual debit cards would serve the purpose for UPI. **A review is required on the reasonableness of the annual/membership fees being imposed by banks/card-schemes even when the debit card is not used throughout the year or, a debit freeze is enabled in the account.**

76. No bank in the sample charges for self-generation of ATM PIN on phone/ATM, except **Canara Bank and Indian Overseas Bank**. Here, self-generation refers to regeneration of PIN in case of lost or forgotten PIN. The charges levied by Canara Bank and Indian Overseas Bank are Rs 50 and Rs 20, respectively. For Canara Bank, this gets detected as an outlier and it also falls under extreme-charges.

RBI-Mandated Service Charge Caps and Some General Observations

77. Among the services considered in the report, RBI has mandated service charge caps for ATM cash withdrawals and NEFT/RTGS transactions. For ATM cash withdrawal, effective January 1, 2022, the RBI-set cap was increased from Rs 20 to Rs 21. It is observed that for On-Us ATM cash withdrawal, 16 banks charge Rs 10 or less, while the remaining nine charge at the caps set by RBI (Rs 20 or Rs 21). For On-Us ATM non-financial transactions, 17 banks do not charge. Except IDFC First Bank (no charge), all banks charge for Off-Us ATM cash



withdrawal (Rs 20 or Rs 21) and Off-U_s ATM non-financial transactions (Rs 8 - Rs 21). Banks have maintained the same ATM-related charges for Off-U_s ATM at six metro cities and the other centres.

78. Since long, RBI has mandated service charge caps for NEFT/RTGS transactions. These caps are:

NEFT range (Rs)	Charges (Rs)
1 – 10,000	2.5
10,001 – 1,00,000	5
1,00,001 – 2,00,000	15
> 2,00,000	25

RTGS range (Rs)	Charges (Rs)
2,00,000 – 5,00,000	25
> 5,00,000	50

79. In 2019, RBI ceased charging banks for their using RBI's platform for NEFT/RTGS transactions.¹³ RBI advised banks to pass on this benefit to their customers for undertaking transactions using RTGS and NEFT systems with effect from July 1, 2019. It is observed that a few banks (e.g., **Central Bank of India, Bank of Maharashtra, Bank of India and IDBI Bank**), contrary to RBI advice, have not passed on the branch-based NEFT/RTGS service charge benefits to their customers in totality.

80. Four banks, viz., Bank of Maharashtra, IndusInd Bank, IDFC First Bank and Saraswat Co-op Bank do not charge for IMPS transactions. Among the remaining 21 banks, three banks, viz., State Bank of India, Union Bank of India and Bank of India, charge only for at-branch IMPS and not for online IMPS. Among the 18 banks that charge for online IMPS, only two banks, viz., Punjab National Bank and AU SF Bank, charge less for online IMPS compared to at-branch IMPS. This raises a question about how 16 banks justify (in terms of cost incurred) in keeping charges for online IMPS same as that of at-branch IMPS.

81. NPCI has fixed the interchange fees for IMPS transactions as Rs 0.20, Rs 0.50 and Rs 2.50 for ticket sizes Rs 1-1,000, Rs 1,001-25,000 and Rs 25,001 and above, respectively.¹⁴ 16 banks charge at least Rs 5 for ticket sizes in the 2nd slab (i.e., 10 times more than the interchange fees). This substantiates unreasonableness in the fixing of charges by banks for online IMPS.

¹³ National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) systems – Waiver of charges. RBI/2018-2019/208 DPSS (CO) RPPD No.2557/04.03.01/2018-19 dated June 11, 2019.

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT2081AAF195DF07B44E1A103FF512204578D.PDF>

To give further impetus to digital payments, effective January 1, 2020, RBI invoked the PSS Act and mandated banks to not levy any charge from their savings bank account holders for funds transfers done through NEFT system which are initiated online (viz., internet banking and/or mobile apps of the banks).

¹⁴ Revision in Interchange fees for IMPS transactions. NPCI/IMPS/OC No. 118/2023-24 dated October 11, 2023.



6. SOME REGULATORY OBSERVATIONS ON BANKS – CASE STUDIES

82. RBI has made regulations and provided guidance to banks giving a broad structure for fixing their charges for various services rendered by them, while ensuring reasonableness. Despite this, bank service charges have opacity that makes it difficult even for the supervisor to identify the fault-lines. There have been several instances where customers have faced loss due to unreasonable service charges by banks. The supervisor, even after being aware, has looked into the issues after much delay. This allowed banks to withhold large funds of poor and ignorant customers for several years. The refunds made by banks after a lot of persuasion and push have been half-hearted and insufficient to compensate for the wrongs of banks. Interest on such wrongful withholding of funds of ignorant depositors have either not been paid or have been grossly small, compared to the penalties imposed by banks on delays in payment of bank loans. In this regard, regulators and supervisors need to be more sensitive and, if they are not, they need be sensitised.

83. As case studies, we highlight certain observations on the reasonableness in fixing the service charges by Canara Bank, IDBI Bank and State Bank of India (SBI).

Canara Bank: Levy of Excess Charges on ATM Decline due to Insufficient Balance

84. Effective July 1, 2017, Canara Bank imposed service charge of Rs 20 for ATM decline due to insufficient balance without any board assessment and approval. The reasonableness in the fixing of this service charge by the Bank was questioned by RBI. As per supervisory disclosure to RBI, Canara Bank indicated that, for ensuring reasonableness in the fixing of the service charge for failed ATM/POS transactions due to insufficient balance, the rationale adopted was simply “*SBI charges*”. To this RBI’s reaction was “*... the existence of similar practice in other banks may not be the appropriate criteria for the bank to justify violation of prescribed guidelines for imposition of new charges and suitable disclosures/information to customers.*”.

85. The intent of RBI regulation is to ensure a thorough assessment and justification on the reasonableness in the fixing of service charges rather than relying on industry practice. If it has to be relied on as industry practice, the rationality in terms of reasonableness in fixing of the service charge would still be required as per the extant regulation.

86. The Bank later indicated to RBI that “*all transactions in ATM involve cost for using ATM infrastructure, CBS, Net Work Cost and routing through NPCI, and that the charges are at par with industry standards.*”. The reasoning was irrational since, unlike a successful Off-Us ATM cash withdrawal (for which the bank then incurred an interchange fee of Rs 15), for a failed Off-Us ATM cash withdrawal, the Bank incurred a zero-interchange fee. Thus, keeping the failed ATM cash withdrawal charges at par with cost-intensive ATM cash withdrawal were not reasonable.



87. RBI did not highlight the issue of unreasonable industry practice to charge the same Rs 20 for ATM cash withdrawal and ATM decline. It simply noted that such a charge of Rs 20 was in violation to the RBI guidelines because (i) fixing the charge did not have a board approval and (ii) the Bank did not disclose such charges on its website. Additionally, RBI also invoked the regulatory clause “*Banks should also take care to ensure that customers with low volume of activities are not penalised.*”. For details, refer to Annexure I that provides RBI’s internal communication (obtained by invoking the Right to Information (RTI) Act).

88. Subsequently, the Bank took a retrospective approval of the board and fixed the charge at Rs 17. This was Rs 3 less than what the Bank had charged their customers during July 1, 2017 through January 23, 2023.¹⁵ In February 2023, the Bank refunded the difference amount of Rs 3 (Rs 20 minus Rs 17) without refunding the GST collected on the excess amount charged during the period prior to April 2022. Subsequently, in December 2023, on being questioned, the Bank refunded the remaining GST that was collected during April 2022 through January 23, 2023. The Bank informed that a total of Rs 23.63 crore was refunded and that Rs 68 lakh could not be refunded to customers due to technical reasons like account of customer been frozen or already closed. For details, refer to Annexure J.

89. Though Canara Bank completed the process of reversing the Rs 3 plus GST, it has **not paid any interest on the withheld money**. Moreover, though RBI periodically announces penalties imposed on banks for non-compliance of their regulations, when it comes to regulatory violations that had hurt bank customers ‘directly’, RBI neither imposed a monetary penalty nor had a press release apprising the public about the bank’s refund (or, intended refund) of over Rs 24 crore of the undue money taken from their customers. This is so even though it mattered to crores of customers involving over 6.8 crore refund-entries.

Canara Bank and IDBI Bank: Excess Charges on ATM and UPI/NEFT Withdrawals

90. For long, in violation of laws and extant regulations, two banks continued to charge excessive fees for services that include UPI/NEFT transactions and ATM cash withdrawals. Canara Bank collected Rs 5 for every withdrawal beyond four a month which was *in addition to* the normal ATM/UPI/NEFT transaction charges. On similar lines, IDBI Bank charged Rs 20. This was imposed on the holders of BSBD Accounts, also popularly known as Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts.

91. On September 11, 2013, RBI instructed the banks through FAQs on the BSBD Account regulation (see, reference [5]). Query 15 of the FAQs explains what exactly the word ‘*withdrawal*’ means and guidelines on how to charge for the mode of *withdrawal*. According to this RBI mandate, a BSBD Account provides four free *withdrawals* a month and banks can reasonably charge for additional *withdrawal/s* done through various *withdrawal modes*. Such

¹⁵ During July 2017 – January 2023, Canara Bank collected Rs 162 crore towards ATM decline (@ Rs 23.60 per decline).



modes of withdrawal include UPI, NEFT and ATM *withdrawals*, among others.¹⁶ This means that whenever a bank charges for a *withdrawal*, it is for the *withdrawal* through a certain *mode*, be it ATM/ NEFT/ UPI, etc. However, mandates are in place stipulating how much can be charged. Banks have been mandated to not charge their savings bank account customers for mobile-based UPI/NEFT *withdrawal*, while a maximum of Rs 20 (lately, Rs 21) can be charged for ATM cash *withdrawal*.

ATM Cash Withdrawal

92. For BSBD Accounts, beyond four withdrawals a month, Canara Bank and IDBI Bank imposed Rs 5 and Rs 20, respectively, on withdrawals which were in addition to the ATM cash withdrawal charges of Rs 20. So, when the banks thrust an effective charge of $20+5 = \text{Rs } 25$ or $20+20 = \text{Rs } 40$, for ATM cash withdrawals, it inherently led to ATM cash withdrawal charges becoming in excess of the RBI-mandated cap of Rs 20.¹⁷ Moreover, such charges were discriminatory, since for the normal savings account holders, only Rs 20 was charged as against Rs 25 or Rs 40 that got effectively charged to the BSBD Account holders.

93. Inflated charges for ATM cash withdrawals that got imposed by Canara Bank and IDBI Bank was a lesson for other banks to engineer indirect charges for ATM cash withdrawal in the name of ATM visit fee, or convenience fee, or digital fee, or debit fee, or withdrawal fee, etc.

UPI/NEFT Transactions

94. Banks have the freedom to decide on service charges, subject to regulatory and legal provisions that includes Section 10A of the PSS Act, 2007 and the RBI regulations on NEFT. The PSS Act mandates, not the government but RBI as the administrator of the law. Yet, on an earlier occasion, the government had to pitch-in as certain non-compliant banks then, were charging directly or indirectly for UPI transactions. The government on August 30, 2020, reiterated the law (effective January 1, 2020) that UPI, being a prescribed electronic mode of payment, banks and system providers cannot impose a charge, directly or indirectly, upon the users of UPI. Moreover, effective January 1, 2020, RBI invoked the PSS Act and mandated banks to not charge savings bank account holders for funds transfers done through NEFT system, which are initiated online (viz., internet banking and/or mobile apps of the banks).¹⁸

¹⁶ “15. Query: Whether the existing facility available in a normal saving bank account of Five free withdrawals in a month in other banks ATMs as per IBA (DPSS) instructions will hold good for BSBDA?

Response: No. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/transfer/internet debits/standing instructions/EMI, etc It is left to the banks to either offer free or charge for additional withdrawal/s. However, in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner by banks.”

¹⁷ DPSS circular dated August 14, 2014 on ATM cash withdrawal charges for savings bank accounts.

¹⁸ For NEFT withdrawals initiated at branch, RBI-mandated service charge caps are in the range of Rs 2.50 - 25.



95. Based on an allegation, in January 2022, the RBI-supervisors of Canara Bank concluded (by omitting some crucial and impactful text of the PSS Act¹⁹) that there is nothing to substantiate that Canara Bank has faulted while effectively charging Rs 5 when a withdrawal gets executed through UPI (supervisor's comments, as below). Even after RBI's assessment of the allegations and its initial conclusion, RBI found it appropriate to keep to themselves, and not share them with the complainant, that the allegation did not have enough substance (see, Annexure L). Just because RBI did not have the capacity to correctly assess the rationale provided by the Bank, RBI succumbed to their arguments then. This unnecessarily hurt the payment system of India through negative sentiments created among the affected users of UPI.

SSM Comments: It is observed from the CBDT letter dated August 30, 2020 on "Imposition of charge on the prescribed electronic modes under section 269SU of the Income-tax Act, 1961 – reg." that a new provision namely section 10A was also inserted in the Payment and Settlement Systems Act 2007 ("the PSS Act"), which provides that no bank or system provider shall impose any charge on a payer making payment, or a beneficiary receiving payment, through electronic modes prescribed under section 269SU of their IT Act. Subsequently vide notification no. 105/2019 dated 30.12.2019 (i) Debit Card powered by RuPay; (ii) Unified Payments Interface (UPI) (SHIM-UPI); and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (SHIM-UPI QR Code) were notified as prescribed electronic modes under section 269 SU of the IT Act. In this regard, the bank confirmed that IMPS Charges along with service charges for making payments through electronic modes from following channels are not being levied for BSBD Accounts:

- Debit Card powered by Rupay
- Unified Payment Interface (UPI) (BHIM-UPI)
- Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM UPI QR Code).

Further, the bank also confirmed that it has not levied any service charges for the transaction carried out using electronic modes prescribed under section 269SU of IT Act., after January 01, 2020.

2



Proposal:

- a) As regards the allegations made by the complainant with regard to service charges levied by the bank in BSBD accounts and compliance of the bank with regard to CBDT instructions, we may treat the allegations as not substantiated.

¹⁹ The explicit text of the law is "10A. Notwithstanding anything contained in this Act, no bank or system provider shall impose, whether directly or indirectly, any charge upon a person making or receiving a payment by using the electronic modes of payment prescribed under section 269SU of the Income-tax Act, 1961."



96. Again, despite a clear law on UPI charges, in its internal correspondence, RBI as recent as July 20, 2023 highlighted the query “*Clarification on words ‘directly or indirectly’ in provision 10(A) of PSS Act that may result in banks reversing huge corpus of money levied in the name of Service Charges*” and stated that “*it could be opined that DPSS, CO as such is not empowered to interpret the words made use of in the Act and hence the captioned*” query “*may be forwarded to DoR/Legal Department for necessary action at their end*” (see, Annexure K). If supervisors cannot interpret the law that they are required to administer, how can they ensure compliance? Just because some banks have to reverse huge corpus of money, the regulator cannot say that they would not interpret or clarify the matter.

97. Slackness in supervisor’s action had adversely impacted the BSBD Account holders of Canara Bank and IDBI Bank who, on the call of the government and RBI, embraced digital means of financial transactions. Despite Section 10A of the PSS Act, and RBI’s regulation on NEFT (initiated online), for long, RBI remained noncommittal towards a bank’s freedom to charge for every UPI/NEFT withdrawal.

98. Contrary to how RBI defines the word “*withdrawal*”, what the supervisory team of RBI tried to portray is that UPI/NEFT transaction cannot lead to bank charging a person making the UPI/NEFT payment, but the bank can charge for the consequential *withdrawal* from the account due to the UPI/NEFT transaction. The intent of Section 10A of PSS Act and the RBI’s NEFT regulation is very clear, which was brought in to ensure that any associated bank-fees that may get imposed, when one tries to transact through UPI/NEFT, is eliminated. Despite such intent, so that no one is dissuaded from making or receiving UPI/NEFT payments, deviations remained. RBI should not have encouraged such deviations knowing very well that it can only impede demand for making UPI/NEFT payments. RBI remaining non-committal, across its departments, was more of a problem than a solution.

99. RBI later acknowledged the legal and regulatory violations of the two banks. In mid-2023, RBI advised these banks to stop charging and refund the charges thus collected.²⁰ Annexure L provides an RBI response in this regard. Apart from lack of empathy on the part of banks, lack of prompt supervisory intervention raises concerns on RBI’s customer-centricity, transparency and accountability. Though RBI worked towards correcting the situation, it has not ensured that the improperly collected fees are refunded fully along with the due interest on the withheld amounts. Moreover, the two banks have not come out with any public statement on refunds made to customers from whom such undue charges were collected.

²⁰ As a related issue, among the 33 public and private sector banks, it appears that for savings account, Karur Vysya Bank is the only bank that had been charging @ of Rs 2.25 per debit transaction (including ATM, UPI and QR Code transactions) beyond 90 transactions for every half year. Such charges are in addition to the charges that may apply for any specific mode of transaction. RBI has received a confirmation from the bank that UPI debit transactions have been excluded from folio charge computation since March 20, 2023. Accordingly, the refund-exercise has to take effect for the indirect charges imposed, prior to March 20, 2023, by accounting for UPI debit transactions in their folio count.



The Refund

100. Since January 2020, towards service charges on BSBD Accounts, Canara Bank collected over Rs 200 crore, while IDBI Bank collected over Rs 12 crore.²¹ Canara Bank and IDBI Bank initiated refunds in September 2023 and December 2023, respectively. Canara Bank initiated refunds of Rs 5 plus GST, while IDBI Bank initiated refunds of Rs 20 but without paying back the GST component. As per RBI, the two banks have not only refunded the excess amounts (@ Rs 5 and Rs 20 charged per transaction), but also got it certified by their statutory auditors. However, correctness of this certification needs a review, since there are still several instances of missed refunds and shortfall in refunds. Moreover, such refunds were made without covering the due interests on the amounts inappropriately held back.²² **RBI is yet to ensure the fair-payoffs of such interests** (including opportunity cost) to the marginalised depositors.

SBI: Levy of Unreasonable Charges on UPI/NEFT/Debit-card Payments

101. In early 2020, it was brought to the notice of SBI and RBI that beyond four withdrawals a month, SBI was charging Rs 17.70 per withdrawal for their BSBD-BC Channel accounts. RBI gave banks the freedom to either offer free or charge for additional *withdrawal/s* beyond four a month done through various *withdrawal modes*. RBI indicated that whenever a bank charges for a *withdrawal*, it is for the *withdrawal* through a certain *mode*, be it ATM/ RTGS/ NEFT/ Clearing/ Branch cash withdrawal/ transfer/ internet debits/ standing instructions/ EMI, etc.

102. It was perfectly in order and reasonable for SBI to charge Rs 17.70 for cash withdrawals through various withdrawal modes, be it through Debit-card-based ATM withdrawal/ BC-based AePS withdrawal/ etc. However, SBI charged the same Rs 17.70 even for **non-cash** UPI/NEFT debit transaction and Debit-card-based merchant payment. Imposition of such unreasonable charges by SBI was questioned as it affected over 12 crore account-holders who opened BSBD-BC Channel accounts. It was explicitly indicated that SBI should be reversing these charges that got imposed since 2017. The core contention was that these charges, imposed **only on** the underprivileged and marginalised BSBD-BC Channel account-holders, were unreasonable within the RBI's definition of reasonableness.

103. The basis of judging reasonableness hinges on the RBI guidelines for ensuring reasonableness of bank charges. However, it was believed by RBI that, even if it may appear unreasonable to charge Rs 17.70 for every UPI/NEFT and Debit-card-based digital withdrawals, since SBI got the approval of its board, it was better to not assess the capabilities of the board towards their wisdom and judgement of ensuring reasonableness of the service charge fixed for digital withdrawals done through UPI/NEFT and debit card.

²¹ Based on responses received from banks under the RTI Act.

²² Regarding fair-payoffs of interest, Canara Bank has not paid any interest, while IDBI (on receiving instructions from RBI) has paid some interest, though not at a fair rate.



104. Effective January 2020, due to a law under the PSS Act, banks were prohibited from imposing any charge (directly or indirectly) upon a person who makes a payment through UPI or RuPay debit card. Accordingly, whatever may have been the approval of the board, SBI reversed Rs 90.19 crore for the charges imposed (@ Rs 17.70 per transaction) on 5 crore UPI and RuPay debit card digital transactions done during the period January 1 – September 14, 2020. These reversals were made in March 2021 without paying any interest on the funds withheld by the Bank for nearly one year.

105. In 2021, IIT Bombay technical reports were prepared highlighting the issue. For example, one may refer to the latest report dated November 21, 2021.²³ The report highlighted SBI not returning Rs 164 crore of charges imposed during the period June 2017 through December 2019. The charges imposed by SBI were characterised as undue because of the inherent unreasonableness in fixing a charge of Rs 17.70 for every such digital transaction. It violated the RBI guidelines on how a bank (and the Bank's board) is supposed to ensure reasonableness in fixing of service charges. SBI's stand affected over 12 crore account-holders who opened BSBD-BC Channel accounts under PMJDY.

106. To manage the negative media coverage on SBI that the IIT Bombay report resulted in, SBI released a press-statement titled '*Important statement by SBI*'. This got extensive coverage and calmed the atmosphere. What SBI stated then is not quite correct as shown in Box-2. Moreover, two unstarred questions were raised in the Parliament for which answers were provided by the minister. An analysis of the questions and their answers is presented in Annexure M.

107. With RBI's stand remaining that they cannot assess the capabilities of the board on ensuring reasonableness of the service charge, it became pertinent to understand what could have been in the minds of the board members to have approved such unreasonable charges.

108. Accordingly, in January 2022, invoking the RTI Act, information was sought to assess the rationale provided by the Bank's board while approving Rs 15 + plus service tax, per withdrawal made through the digital withdrawal modes (i) UPI/NEFT and (ii) debit card (merchant-payments).²⁴

109. The Bank ensured that the information was not provided and hid the fact that there was neither a proposal by the Bank nor any approval of the board to charge for withdrawals made

²³ SBI's Undue Enrichment from Exploitative Charges on UPI and RuPay Transactions- Imposition of Discriminatory and Unreasonable Charges for Transacting Digitally in a BSBD. IIT Bombay Technical Report, November 21, 2021. https://www.math.iitb.ac.in/~ashish/workshop/SBI-UPI-RuPay-21_11_21.pdf

²⁴ **Note:** Prior to 2020, whenever a UPI-QR Code or debit card was used for merchant transactions, SBI was receiving interchange revenue provided by the government in the years 2018 and 2019. The government subsidised MDR charges on debit cards and UPI transactions of value less than or equal to Rs 2,000. Interchange is a significant component of the money paid towards MDR by the merchants for accepting debit card/UPI payments.



through the withdrawal modes (i) UPI/NEFT and (ii) debit card (merchant-payments). The approval for the fees was only for cash withdrawals beyond four a month.

Box-2: SBI's Press Statement and its Analysis

Prior to September 15, 2020, SBI had charged Rs 17.70 from the BSBD-BC Channel account-holders for every withdrawal beyond four a month. Withdrawals comprised both, digital transactions and cash withdrawals. Subsequently, on November 22, 2021, one day after the IIT Bombay report was released, SBI made a few public statements through the media.

A. On November 22, 2021, SBI made a public statement through the media that reads,

"SBI has made all digital transactions free to the FI (Financial Inclusion) customers w.e.f. 01.01.2020. Further, up to four cash withdrawals in a month are free. Fully free digital transactions and four free cash withdrawals are enabling these customers to meet all their banking requirements."

(i) SBI's public statement came in view of the fact that, in early 2021 it refunded the charges on UPI and RuPay merchant-payments (@ Rs 17.70) that were imposed during Jan-Sept 2020. However, if SBI's statement implies also having made up to four cash withdrawals in a month free during the period January-September 2020, then it appears not to have been executed.

(ii) There are many instances where SBI has not provided four cash withdrawals in a month free, during January-September 2020. When, in one calendar-month, a customer first made four UPI transactions, followed by two cash withdrawals in the same month, he was charged for the two cash withdrawals (being the 5th and 6th withdrawals). Later, when SBI returned the charges for the four UPI transactions (and thus ensured all digital transactions free, effective 01.01.2020), it did not return the charges imposed for the last two cash withdrawals (being effectively the 1st and 2nd cash withdrawals in the month). It would be improper on part of SBI to not return these charges, if they were supposed to have provided four free cash withdrawals in that month.

(iii) Furthermore, SBI has not returned Rs 17.70 charged for each NEFT transaction (non-branch based) carried out since January 1, 2020. Accordingly, SBI is yet to completely execute its statement "***SBI has made all digital transactions free to the FI customers w.e.f. 01.01.2020***"

B. On November 22, 2021, SBI made another public statement through the media that reads,
"There has been a news article on 22.11.2021 that SBI is not refunding charges recovered from the customers on digital transactions. We confirm that Bank is in full compliance with the Government and regulatory directives in this regard."

(i) SBI's statement appears to be incorrect since it is shown that the Bank had been non-compliant with the regulatory directives. The regulatory directives were breached in many respects hurting the marginalised FI savings account customers financially.

(ii) The details on how SBI had been non-compliant on the very regulatory directives intended to protect the bank depositors is explicitly documented. SBI has not refunded the charges recovered from the customers on digital transactions. The undue amount withheld by SBI from these marginalised customers is in excess of Rs 164 crore. Additionally, if one adds the due interest on the bank-withheld amounts, SBI is liable to refund more than Rs 200 crore to the marginalised customers.



110. Finally, based on a speaking-order dated 18-08-2023 of the Central Information Commission (CIC), SBI was forced to provide the due information which it provided on 18-09-2023 (see, Annexure N and Annexure O). In fact, it is clear even from the CIC order that SBI, on its own, has submitted that “*... the relevant RBI circular stipulates 4 withdrawals free of cost and beyond that withdrawal is chargeable at the rate Rs. 15 plus applicable GST. He further clarified that these charges are only for cash withdrawals and not UPI transactions as opposed to what is being alleged by the Appellant.*” Based on the information provided by SBI, it now follows that:

- i) RBI has mandated that several decisions of the Bank would need an approval of the Bank’s Board (Central Board).
- ii) Under the SBI Act, the Central Board may constitute committees, including an Executive Committee of the Central Board (ECCB), to perform duties as delegated to them by the Central Board.
- iii) Among the duties delegated to the ECCB is the duty to approve the Bank’s Service Charges that the Bank proposes. The approval of such charges is subject to certain explicit guidelines on reasonableness that RBI mandates.
- iv) In 2016, through ECCB’s approval, the Bank introduced “*Fee for Txns. in excess of four free withdrawals viz., Cash withdrawal / Transfer (Home branch) / Cash withdrawal using Debit card / AEPS On-Us*”, in BSBD-BC Channel accounts w.e.f. 15.06.2016 **@ Rs. 5/- plus service tax, per transaction.**
- v) In February 2017, the ECCB approved the following Memorandum (quoted)
“REVISION OF SERVICE CHARGES
a.) *Memorandum is related to revision of Service charges. As mandated by RBI, revision/ modification of Service charges is required to be approved by the Board of the Bank.*
b.) *Authorising MD NBG for according approval to modification in Service Charges as per business requirements which will be put up to ECCB once in six months for information and approval.”*
- vi) On the basis of the above February 2017 approval of the ECCB, on May 16, 2017, a proposal for the modification of service charge, with respect to point (iv) above, was put up for approval to MD-NBG by the Bank’s FI & MF Department, Corporate Centre.
- vii) On May 29, 2017 the MD-NBG approved the modification of the above ECCB approved service charges. The approved modification is as follows:
“Fee for Txns. in excess of four free withdrawals viz., Cash withdrawal / Transfer (Home branch) / Cash withdrawal using Debit card / AEPS On-Us”, in BSBD-BC Channel accounts **@ Rs. 15/- plus service tax, per transaction.** The changes took effect from 01.06.2017.
- viii) It is emphasised that the proposals and approvals, as quoted from the ECCB’s and MD-NBG’s **explicit approvals, are only for Fees on Cash withdrawal transactions.**



111. The Bank, through its various disclosures on its website and other physical displays, showcased only the above-approved charges for cash withdrawals. SBI made no disclosures towards any service charge for non-cash withdrawals. An illustration is as below:

State Bank of India FI MF, Corporate Centre Mumbai		Business Correspondent Channel (Fee to be collected from customers)	Annexure II	
SL	Particulars	Existing Charges	Revised Charges	Revision with effect from
1	SB account opening fee including enrolment	Rs.20/- per account	Nil (with effect from 8th January 2019)	8th January 2019
2	Cash Withdrawal / Transfer (Home branch) (Maximum Rs.20,000/-)	First four withdrawals will be free in a month. In excess of these four withdrawals, Rs.15/- + GST will be charged per transaction.	First four withdrawals will be free in a month. Thereafter no transaction to be allowed.	1st February 2019
3	Tatkal Money Remittance for Non-Home Transactions (Deposit to Core by cash / Transfer)	Upto Rs.2,000/- : Rs.5/- >Rs.2,000/- to Rs.5,000/- : Rs.25/- >Rs.5,000/- to Rs.10,000/- : Rs.50/- >Rs.10,000/- to Rs.15,000/- : Rs.75/- >Rs.15,000/- to Rs.20,000/- : Rs.100/-	1.00% of remitted amount, Minimum Rs.10/- & maximum Rs.100/-	1st February 2019
4	IMPS transaction fee (cash transaction upto Rs.5000/-)	1.00% of remitted amount, Minimum Rs.24/- & maximum Rs.100/-	0.70% of remitted amount, Minimum Rs.10/- & maximum Rs.35/-	2nd February 2019
5	IMPS transaction fee (Transfer transaction upto Rs.20,000/-)	1.00% of remitted amount, Minimum Rs.24/- & maximum Rs.100/-	0.70% of remitted amount, Minimum Rs.10/- & maximum Rs.100/-	2nd February 2019

Source: SBI

112. Since 2017, several account-holders questioned SBI on the reasonableness of charging for their UPI transactions or usage of their debit card for merchant-payments. These questions in the social media touches on the impediments created for these marginalised account-holders towards digital payments. A gist is provided through the following sample-links, that showcase how SBI did not disclose such charges and that even front-end officers of SBI were not aware of such charges:

[https://www.quora.com/What-are-the-hidden-charges-in-bank-online-transaction-or-other-transactions-ECS-debit-and-net-banking-that-most-of-the-people-don't-know/answer/Kanhu-charana-Tripathy?ch=15&oid=62496958&share=5914b256&srid=3shrT&target_type=answer](https://www.quora.com/What-are-the-hidden-charges-in-bank-online-transaction-or-other-transactions-ECS-debit-and-net-banking-that-most-of-the-people-don-t-know/answer/Kanhu-charana-Tripathy?ch=15&oid=62496958&share=5914b256&srid=3shrT&target_type=answer)
(with over 73 comments)

<https://www.youtube.com/watch?v=R1y5snXCaJA>

113. SBI brushed aside the fact that something was amiss towards the reasonableness of such charges. They should have disclosed then itself that neither a proposal was put forth by the bank nor any approval obtained for charging UPI/NEFT transactions and Debit-card-based merchant-payments. The ECCB, of course, was reasonable in approving the introduction of Fees for **only** Cash withdrawals. Even the MD-NBG reasonably approved modification of the Fees for **only** Cash withdrawals.



114. Accordingly, SBI is wrongfully withholding over Rs 164 crore from many of the 12 crore underprivileged BSBD-BC Channel account-holders, for the fees collected @ Rs 17.70 on every UPI/NEFT-based transaction and the Debit-card-based merchant transaction. In the interest of bank-consumer protection for which laws and regulations have been put in place, it is our responsibility to protect the rights and interests of over 12 crore BSBD-BC Channel account-holders representing a large component of the banked society. We need to ensure that the undue charges imposed, along with due interest, are truthfully refunded to the marginalised depositors without further delay.



7. CONCLUDING REMARKS AND RECOMMENDATIONS

115. It is observed that there is significant disharmony in the way banks fix their service charges. Ensuring reasonableness in arriving at these charges by banks lacks customer centricity, rationality, analytical foundations and also many-a-times non-adherence to the regulatory guidelines. Given the opacity and non-verifiability of the methods adopted by banks to fix service charges, it becomes difficult for supervisors to identify and address lacunae and ensure reasonableness in fixing service charges based on cost to bank for providing that service. Banks' casual approach and supervisor's constraints, hurt the bank depositors, particularly the middle class and the marginalised ones.

116. Towards significant disharmony in *penal charges*, RBI needs to address it since a *penal charge* need not be a service charge. Why should bank customers be penalised differently for the same crime? When RBI has set suitable caps for some of the service charges, why cannot RBI consider setting caps on *penal charges*? *Penal charges* apply for non-maintenance of minimum balance, return cheques, failed NACH, failed ATM/POS transactions due to insufficient balance, etc.

117. RBI's view that competition in service/penal charge would be the guiding factor for banks to decide an appropriate pricing, cannot be correlated with customers being guided by the schedule of service charge in choosing a bank. RBI fell short of carrying out a root-cause-analysis to identify and address lacunae in the RBI-set mandate that demands banks to ensure reasonableness in fixing a service charge based on cost to bank for providing that service. Fundamentally, banking business works on the principle of arbitrage. We should not forget that annually consumers pay around Rs one lakh crore to banks by implicitly sacrificing interest on savings bank deposits.²⁵

118. To be equally fair to bank customers, the rate of interest on unauthorised withholding of funds (in the name of service charges) need to be at least the rate that is at par with personal loan leading rate. Moreover, like an additional fixed penal charge that gets imposed in case of default in paying the due EMI, or default in paying the minimum amount due on credit card bills, etc., the bank should also pay such a fixed penalty along with the due interest.

119. Though RBI periodically announces penalties imposed on banks for non-compliance of their regulations, when it comes to regulatory violations that had hurt bank customers '*directly*', RBI neither imposes a monetary penalty nor have a press release apprising the public that the

²⁵ Though the banks spend money to run their CBS and the consequential payment system, but that is required for them to remain in business. A significant amount of the Rs one lakh crore that the banks generate annually (the implicit price paid by the savings account depositors by sacrificing on interests) is channelized towards branch-based services, cash handling (cash deposits and withdrawals), and now, digital payments. Also see, Das, Ashish (2020). Merchant transactions through debit cards – costs and prices. IIT Bombay Technical Report. September 22, 2020. <http://dspace.library.iitb.ac.in/jspui/handle/100/25218>



bank has refunded the undue money taken from their customers, even though it matters to crores of bank customers. RBI's rationale for appraising the public through their press release is of significance when it matters to masses – the bank-customers and banks alike. Such press releases by RBI will not only make customers aware of their rights, but also have demonstration effect on other banks.

120. The focus of this Report is “Benchmarking Reasonableness of Service charges” and not “Benchmarking Service charges”. Based on the outcome of this analytical research, we make some recommendations for RBI to consider.

Broad guidelines on various service charges

- The services that can be reasonably charged should be well defined by RBI and the maximum charge that can be considered reasonable be identified.
- RBI may also consider drawing broad guidelines for various service charges. Banks should arrive at their service charges following these guidelines and be able to justify the rationality of these charges using time and motion studies as well as the attendant costs.
- For a basic banking account, RBI should prepare a standardised template for the most important/common services, for dissemination of the charges by banks.
- *Penal charges* should desirably be uniform across all banks and RBI should set caps for such *penal charges*. This will provide anchors for banks to arrive at their *penal charges* rationally.
- RBI should introduce a return for banks for periodical submission. The return should (i) certify that banks' service charges/fees are reasonable as per RBI's guidelines; and (ii) provide their extant mechanism of fixing service charges. Such returns should be signed off by the Head of Operations, Internal Control Head, Risk Management/Compliance Head and the senior most official second to the CEO of the bank. This will assign the responsibility to these officers to ensure that the charges/fees are in line with RBI-set guidelines.
- RBI should assess the reasonableness and regulatory compliance of charges fixed by banks. Importantly, RBI's bank-inspections should periodically include auditing the charges/fees of each bank in order to monitor their adherence to the RBI guidelines. The returns mentioned in the above point may provide useful inputs for inspection. Any violations should be treated by penalising the banks and downgrading their ratings in the RBI systems. Press releases on such penalties imposed may be brought out.

Centralised repository of bank service charges

- There is huge opacity in service charges of deposit products. It is a herculean task to access holistic information on service charge by customers and researchers. A centralised repository/dashboard of data for the visualization and comparison of banks should be made available, preferable housed on the RBI website, to enable bank customers to make informed choices with respect to the costs associated with financial



products they consume. Banks should not be allowed to impose any charge outside the disclosed list.

- Such a data repository in public domain will instil a healthy competition amongst banks to attract customers beyond the interest rates aspect that they use to market their products.

Setting up a banking committee

- Banking in India is socio-equitable. It serves a broad cross-section of well-heeled, well aware, ignorant, poor and rural customers. As a protector of consumers, it is the RBI's responsibility to guarantee that reasonableness of charges/fees is ensured for all sections of bank customers, while ascertaining fair treatment for the economically weaker segments. For this, RBI may consider setting up a banking committee periodically to study various charges/fees of each bank and gauge their reasonableness in a scientific and fair manner.

Competent association for the bank customers

- Like IBA caters to banks' interest, there is a need for an independent, proficient, and competent association for bank customers. This is currently lacking, thereby hurting the interest of bank customers. A focused and thorough representation of bank customers' needs to be built and RBI should champion the same.

RBI review

- RBI may review the issues highlighted in this Report relating to: (i) reasonableness in the fixing of service charges, and (ii) the regulatory observations made through the three case studies.



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<http://dspace.library.iitb.ac.in/jspui/handle/100/36655>



Annexure A: RBI circular on levy of service charges by commercial banks

Dir. BC. 86 /13.10.00/99-2000

September 7, 1999
Bhadra 16, 1921(Saka)

All Commercial Banks

Dear Sirs

Levy of Service Charges by Commercial Banks

Hitherto Indian Banks' Association had been communicating the benchmark service charges to the member banks based on which each bank was expected to decide the charges. The Association had conveyed its views on the service charges to member banks vide its circular No. OPR/C.22-12/2 dated August 18, 1997.

2. We have since reviewed the entire matter of fixing rates for various service charges by the banks and it has been observed that the existing practice was consistent with the past regime of administered interest rates but is no more consistent with the current accent on competition.

3. It has, therefore, been decided that the practice of IBA fixing the benchmark service charges on behalf of member banks should be done away with and the decision to prescribe service charges should be left to the individual banks. Banks are advised that while fixing service charges for various types of services like charges for cheque collection, etc., they should ensure that the charges are reasonable and are not out of line with the average cost of providing these services. Banks should also take care to ensure that customers with low volume of activities are not penalised.

4. Banks are advised to make arrangements for working out charges with prior approval of their Boards of Directors as recommended under paragraph 3 above and operationalise them in their branches as early as possible.

5. Please acknowledge receipt.

Yours faithfully

(A. L. Narasimhan)
Chief General Manager



Annexure B: Bank web-links of service charges

S.#	Bank Name	Links
1	State Bank of India	https://sbi.co.in/documents/16012/76239/241120231058-Service+Charge.pdf/f5d62aa8-24c1-0599-df45-a2fb753b0788?t=1700803772116
		https://sbi.co.in/web/personal-banking/information-services/kyc-guidelines/revised-service-charges
2	Punjab National Bank	https://www.pnbindia.in/Non-Credit-Related-Service-Charges.html
3	Bank of Baroda	https://www.bankofbaroda.in/interest-rate-and-service-charges/service-charges
4	Union Bank of India	https://www.unionbankofindia.co.in/pdf/service-charges-on-inland-services-other-than-advances-01apr2023.pdf
		https://www.unionbankofindia.co.in/pdf/debit-card-service-charges.pdf
		https://www.unionbankofindia.co.in/pdf/service-charges-revision-for-mandate-22-08-23.pdf
		https://www.unionbankofindia.co.in/pdf/revised%20sms%20charges.pdf
5	Central Bank of India	https://www.centralbankofindia.co.in/en/service-charges-fees
		https://www.centralbankofindia.co.in/sites/default/files/Service%20Charges/03.01.2024-Consolidated-Ser.-Charges.pdf
		https://www.centralbankofindia.co.in/sites/default/files/Service%20Charges/ATM-Service-Charges-applicable-01.01.22.pdf
		https://www.centralbankofindia.co.in/sites/default/files/Service%20Charges/REVISED_DEBIT_CARD_CHARGES.pdf
6	Canara Bank	https://canarabank.com/pages/Non-Credit-and-Non-Forex-Service-Charges
		https://canarabank.com/pages/Other-Service-Charges
7	Bank of Maharashtra	https://bankofmaharashtra.in/service-charges
		https://bankofmaharashtra.in/writereaddata/documentlibrary/67799201-cb2b-4bf3-96e8-3da2b7e604d8.pdf
8	Bank of India	https://bankofindia.co.in/service-charges
		https://bankofindia.co.in/documents/20121/252763/Annexure_I_General_Banking.pdf
		https://bankofindia.co.in/documents/20121/252763/Annexure_VII_Digital_Banking.pdf



9	Indian Overseas Bank	https://www.iob.in/upload/CEDocuments/Revision_of_Service_Charges_wef_01042023.pdf
10	HDFC Bank	https://www.hdfcbank.com/personal/resources/fees-and-charges
		https://www.hdfcbank.com/personal/save/accounts/savings-accounts/regular-savings-accounts/fees-and-charges
		https://www.hdfcbank.com/content/bbp/repositories/723fb80a-2dde-42a3-9793-7ae1be57c87f/?path=/Common/pdf/service-fees-July-2023-28-07-23.pdf
11	ICICI Bank	https://www.icicibank.com/interest-rates?ITM=nli_cms_explore_service_charges_and_fees_footer_nav.html
		https://www.icicibank.com/service-charges/regular-savings-account
		https://www.icicibank.com/service-charges/common-service-charges
12	Axis Bank	https://application.axisbank.co.in/FeesAndChargeMaster/FeesAndCharges.aspx?_ga=2.8125426.1371986091.1694954570-1609796584.1694782887
		https://application.axisbank.co.in/FeesAndChargeMaster/pdf/Website%20notice%20revision%20in%20tariff%20effective%20April%202023_Non%20MSF.pdf
		https://www.axisbank.com/bank-smart/doorstep-banking
13	Kotak Mahindra Bank	https://www.kotak.com/en/personal-banking/accounts/savings-account/edge-savings-account/fees-and-charges.html
		https://www.kotak.com/en/personal-banking/accounts/savings-account/nova-savings-account/fees-and-charges.html
14	IndusInd Bank	https://www.indusind.com/content/dam/indusind-corporate/schedule-of-charges/savings-account/SoC-Non-comfort.pdf
		https://www.indusind.com/in/en/personal/schedule-of-charges.html
15	IDFC First Bank	https://www.idfcfirstbank.com/personal-banking/accounts/savings-account/fees-and-charges
		https://www.idfcfirstbank.com/rural-banking/accounts/savings-account/fees-and-charges



16	RBL Bank	https://s3.ap-south-1.amazonaws.com/rbl-website-prod-bucket/document/service-charges/basic-and-classic-savings-account-effective-september-2020.pdf https://www.rblbank.com/service-charges https://drws17a9qx558.cloudfront.net/document/service-charges/free-services-casa-fd.pdf
17	IDBI Bank	https://www.idbibank.in/pdf/soc/Core-Savings-Account.pdf
18	YES Bank	https://www.yesbank.in/pdf?name=savings_account_combined_wef_1st_april_2023_pdf.pdf
19	Federal Bank	https://www.federalbank.co.in/documents/10180/81307/Service+charges+and+fees+wef+01st+Oct+2022.pdf/fbfe181e-4e94-2e4f-6a3a-271fc45cf3ef?t=1697804365202
20	Bandhan Bank	https://bandhanbank.com/sites/default/files/2023-09/Standard_Schedule_of_Charges_260923.pdf https://bandhanbank.com/sites/default/files/2023-09/Savings-Account-Schedule-of-Charges-Features_260923.pdf
21	AU SF Bank	https://www.aubank.in/service-fee
22	Ujjivan SF Bank	https://www.ujjivansfb.in/service-charges-fees https://www.ujjivansfb.in/sites/default/files/2024-01/Schedule-of-Charges-Savings-Account-w.e.f.16th-Jan%2724.pdf https://www.ujjivansfb.in/sites/default/files/2023-11/Notice-on-SMS-Alert-Charges-Dec%2723.pdf
23	Saraswat Co-op Bank	https://www.saraswatbank.com/content.aspx?id=Service-Charges https://www.saraswatbank.com/product-details.aspx?id=Regular-Savings-Account
24	SVC Co-op Bank	https://www.svcbank.com/sites/default/files/2024-03/Schedule%20of%20Charges%20updated%20on%2016th%20February%202024.pdf
25	Standard Chartered	https://av.sc.com/in/content/docs/in-sc-savings-account-sosc.pdf



Annexure C: Service charges from 25 banks on 44 expanded services

Banks / Variables	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11
State Bank of India	0	0	0	0.0	0.0	0.0	100	500	200	117	200
Punjab National Bank	83	50	33	7.8	10.0	11.1	100	300	200	117	200
Bank of Baroda	83	42	42	5.9	5.9	11.8	100	300	0	121	188
Union Bank of India	33	33	33	5.0	5.0	5.0	100	300	200	115	300
Central Bank of India	83	50	33	7.8	10.0	11.1	100	300	0	133	150
Canara Bank	45	45	45	5.2	9.6	19.2	100	200	0	113	300
Bank of Maharashtra	75	59	25	6.0	8.2	6.6	100	500	300	167	500
Bank of India	67	33	33	10.7	13.9	13.9	100	500	200	113	150
Indian Overseas Bank	50	35	35	10.5	14.4	14.4	100	200	200	113	200
HDFC Bank	600	300	150	6.0	6.0	6.0	100	500	140	96	200
ICICI Bank	500	300	120	6.0	6.0	6.0	100	500	0	0	200
Axis Bank	720	300	150	6.0	6.0	6.0	100	500	150	96	100
Kotak Mahindra Bank	500	250	250	6.0	6.0	6.0	100	500	0	0	200
IndusInd Bank	600	300	300	7.0	7.0	7.0	0	200	150	96	100
IDFC First Bank	500	500	200	6.0	6.0	5.7	0	0	0	0	0
RBL Bank	250	100	50	7.5	7.5	7.5	50	500	50	50	100
IDBI Bank	250	125	25	5.0	5.0	5.0	100	500	150	129	200
YES Bank	500	500	500	7.5	7.5	7.5	100	500	0	0	350
Federal Bank	350	260	290	8.4	11.5	18.7	100	100	0	113	100
Bandhan Bank	0	0	0	0.0	0.0	0.0	100	300	0	96	150
AU SF Bank	200	100	100	5.0	5.0	5.0	0	0	0	50	100
Ujjivan SF Bank	50	50	50	8.3	8.3	8.3	75	0	0	0	200
Saraswat Co-op Bank	50	33	17	5.0	6.7	6.7	50	150	0	96	125
SVC Co-op Bank	85	85	85	5.6	5.6	5.6	85	212	0	275	106
Standard Chartered	-	-	-	-	-	-	0	500	0	0	150

Banks / Variables	V12	V13	V14	V15	V16	V17	V18	V19	V20	V21	V22
State Bank of India	500	150	100	28	3.8	46	0	125	300	50	0
Punjab National Bank	200	0	100	50	4.5	150	0	150	150	50	0
Bank of Baroda	225	0	100	47	3.5	50	100	200	200	50	0
Union Bank of India	250	0	100	52	4.3	150	0	200	150	50	0
Central Bank of India	200	0	100	50	4.0	100	100	100	150	50	0
Canara Bank	300	0	150	37	3.5	250	0	200	150	0	50
Bank of Maharashtra	500	150	200	50	4.5	100	0	200	200	50	0
Bank of India	300	150	200	33	4.5	73	250	250	250	50	0
Indian Overseas Bank	150	0	100	37	5.0	83	150	250	250	50	20
HDFC Bank	500	50	100	50	5.0	45	0	200	200	0	0
ICICI Bank	500	50	100	50	5.0	83	0	150	200	25	0
Axis Bank	550	150	50	50	5.0	75	200	200	200	0	0
Kotak Mahindra Bank	500	50	100	50	4.0	100	0	259	200	50	0
IndusInd Bank	450	0	100	0	2.5	0	249	249	249	20	0
IDFC First Bank	0	0	0	0	0.0	0	0	0	0	0	0
RBL Bank	750	50	50	50	0.0	50	0	300	200	0	0
IDBI Bank	500	0	100	37	3.0	100	150	220	220	50	0
YES Bank	750	350	100	0	0.0	0	0	299	199	50	0
Federal Bank	500	0	100	37	4.0	100	0	300	300	50	0
Bandhan Bank	500	0	100	75	4.0	100	150	100	150	100	0
AU SF Bank	500	0	50	0	0.0	100	0	150	150	0	0
Ujjivan SF Bank	300	200	50	83	0.0	75	0	100	150	75	0
Saraswat Co-op Bank	150	0	100	43	3.5	50	0	200	250	0	0
SVC Co-op Bank	169	169	85	64	3.8	64	0	212	212	0	0
Standard Chartered	500	0	100	50	1.5	100	199	199	199	0	0



Benchmarking Reasonableness of Service Charges



Banks / Variables	V23	V24	V25	V26	V27	V28	V29	V30	V31	V32	V33
State Bank of India	10	20	20	0	8.0	8.0	0.00	0	50	50	20
Punjab National Bank	10	21	21	10	10.0	10.0	0.25	15	50	20	10
Bank of Baroda	10	21	21	5	11.0	11.0	0.20	45	50	125	20
Union Bank of India	21	21	21	8	8.0	8.0	0.25	225	50	50	0
Central Bank of India	10	21	21	5	10.0	10.0	0.48	150	25	25	15
Canara Bank	20	21	21	5	10.0	10.0	0.22	198	50	100	17
Bank of Maharashtra	21	21	21	0	10.0	10.0	0.25	15	100	100	20
Bank of India	10	21	21	0	8.0	8.0	0.37	15	0	75	20
Indian Overseas Bank	10	21	21	5	21.0	21.0	0.15	135	0	5	0
HDFC Bank	21	21	21	0	8.5	8.5	0.00	0	150	150	0
ICICI Bank	21	21	21	0	8.5	8.5	0.15	135	150	150	25
Axis Bank	21	21	21	10	10.0	10.0	0.25	15	150	150	25
Kotak Mahindra Bank	21	21	21	0	8.5	8.5	0.00	0	150	150	25
IndusInd Bank	0	21	21	0	10.0	10.0	0.00	0	100	0	20
IDFC First Bank	0	0	0	0	0.0	0.0	0.00	0	0	0	0
RBL Bank	0	20	20	0	8.5	8.5	0.00	0	50	0	20
IDBI Bank	21	21	21	0	8.0	8.0	0.25	225	25	100	20
YES Bank	0	21	21	0	10.0	10.0	0.25	15	150	150	25
Federal Bank	0	21	21	0	11.0	11.0	0.00	0	50	50	25
Bandhan Bank	0	21	21	0	10.0	10.0	0.00	0	100	0	25
AU SF Bank	0	20	20	0	8.0	8.0	0.00	0	50	0	25
Ujjivan SF Bank	21	21	21	10	10.0	10.0	0.18	15	40	0	25
Saraswat Co-op Bank	10	21	21	0	10.0	10.0	0.16	100	0	0	10
SVC Co-op Bank	0	21	21	0	11.0	11.0	0.00	0	0	0	0
Standard Chartered	0	20	20	0	20.0	20.0	0.25	30	199	199	25

Banks / Variables	V34	V35	V36	V37	V38	V39	V40	V41	V42	V43	V44
State Bank of India	20	9.5	30.0	7.0	0	50	250	50	250	60	100
Punjab National Bank	15	11.6	37.0	7.0	0	50	100	100	250	100	100
Bank of Baroda	20	11.6	37.0	11.3	0	50	100	100	250	75	75
Union Bank of India	0	11.6	37.0	8.5	50	50	100	100	400	75	75
Central Bank of India	15	11.9	37.0	5.4	0	50	100	100	100	75	75
Canara Bank	0	11.6	37.0	8.5	100	100	100	150	300	75	75
Bank of Maharashtra	0	11.9	37.5	0.0	100	100	0	150	300	75	75
Bank of India	0	11.1	37.0	2.2	0	50	150	100	250	75	75
Indian Overseas Bank	0	10.9	36.5	7.5	0	100	200	125	250	0	0
HDFC Bank	0	6.0	15.0	8.1	0	0	200	40	500	0	0
ICICI Bank	25	11.6	32.5	8.3	150	150	200	100	500	0	0
Axis Bank	25	11.0	32.5	6.3	0	0	250	0	550	100	100
Kotak Mahindra Bank	25	11.0	30.0	8.3	0	0	200	50	500	150	150
IndusInd Bank	0	0.0	0.0	0.0	0	0	0	0	450	0	0
IDFC First Bank	0	0.0	0.0	0.0	0	0	0	0	0	0	0
RBL Bank	20	0.0	0.0	8.3	0	0	50	0	500	25	185
IDBI Bank	0	11.8	37.0	8.5	50	50	225	0	500	0	0
YES Bank	0	9.5	30.0	8.3	150	150	0	50	500	0	0
Federal Bank	0	10.0	32.5	7.8	100	100	100	200	500	250	250
Bandhan Bank	0	8.5	26.5	8.3	0	0	0	0	500	0	0
AU SF Bank	0	6.0	10.0	10.0	0	0	0	0	500	0	0
Ujjivan SF Bank	0	11.6	37.0	8.3	50	50	50	50	100	0	0
Saraswat Co-op Bank	0	0.0	0.0	0.0	10	15	0	100	150	0	0
SVC Co-op Bank	0	10.0	31.8	7.1	0	0	42	0	169	0	0
Standard Chartered	25	0.0	0.0	7.5	0	0	0	0	500	100	200



Annexure D: Illustration for the computation of service charge averages

Several service charges are based on the ticket size of a transaction. Such ticket sizes are put in slabs and charges are fixed as per the slab. For such services we have worked out the average service charge. The bring in parity, slab structure is kept uniform across all banks. We illustrate the computation of average service charge using the Bank of India data.

IMPS at Branch:

Slab	Range (Rs)	Charges (Rs)
Slab 1	1 - 1000	0
Slab 2	1001 - 10000	1
Slab 3	10001 - 25000	2
Slab 4	25001 - 100000	2
Slab 5	100001 - 200000	3
Slab 6	200001 - 500000	5

We calculate the simple average, which works out to be Rs 2.2.

RTGS at Branch:

Slab	Range (Rs)	Charges (Rs)
Slab 1	200000 - 500000	25
Slab 2	> 500000	49

We calculate the simple average, which works out to be Rs 37.

NEFT at Branch:

Slab	Range (Rs)	Charges (Rs)
Slab 1	1 - 10000	2
Slab 2	10001 - 100000	4.5
Slab 3	100001 - 200000	14
Slab 4	> 200000	24

We calculate the simple average, which works out to be Rs 11.1.

DD Issuance:

Slab	Range (Rs)	Charges (Rs)
Slab 1	1 - 1000	25
Slab 2	1001 - 5000	25
Slab 3	5001 - 10000	50
Slab 4	10001 - 100000	5 (per Rs 1000)
Slab 5	> 100000	4 (per Rs 1000)

We calculate the simple average for DD Issuance up to Rs 10000, which works out to be Rs 33.3

We calculate the simple average for DD Issuance from Rs 10001 onwards (per Rs 1000), which works out to be Rs 4.5.



DD cancellation:

Slab	Range (Rs)	Charges (Rs)
Slab 1	1 - 200	20
Slab 2	201 - 500	20
Slab 3	501 - 5000	100
Slab 4	5001 - 10000	100
Slab 5	10001 - 1000000	100
Slab 6	> 1000000	100

We calculate the simple average, which works out to be Rs 73.3.

Collection of outstation cheques:

Slab	Range (Rs)	Charges (Rs)
Slab 1	1 - 10000	37.5
Slab 2	10001 - 100000	100
Slab 3	> 100000	200

We calculate the simple average, which works out to be Rs 112.5.

Cheque deposited (returned unpaid):

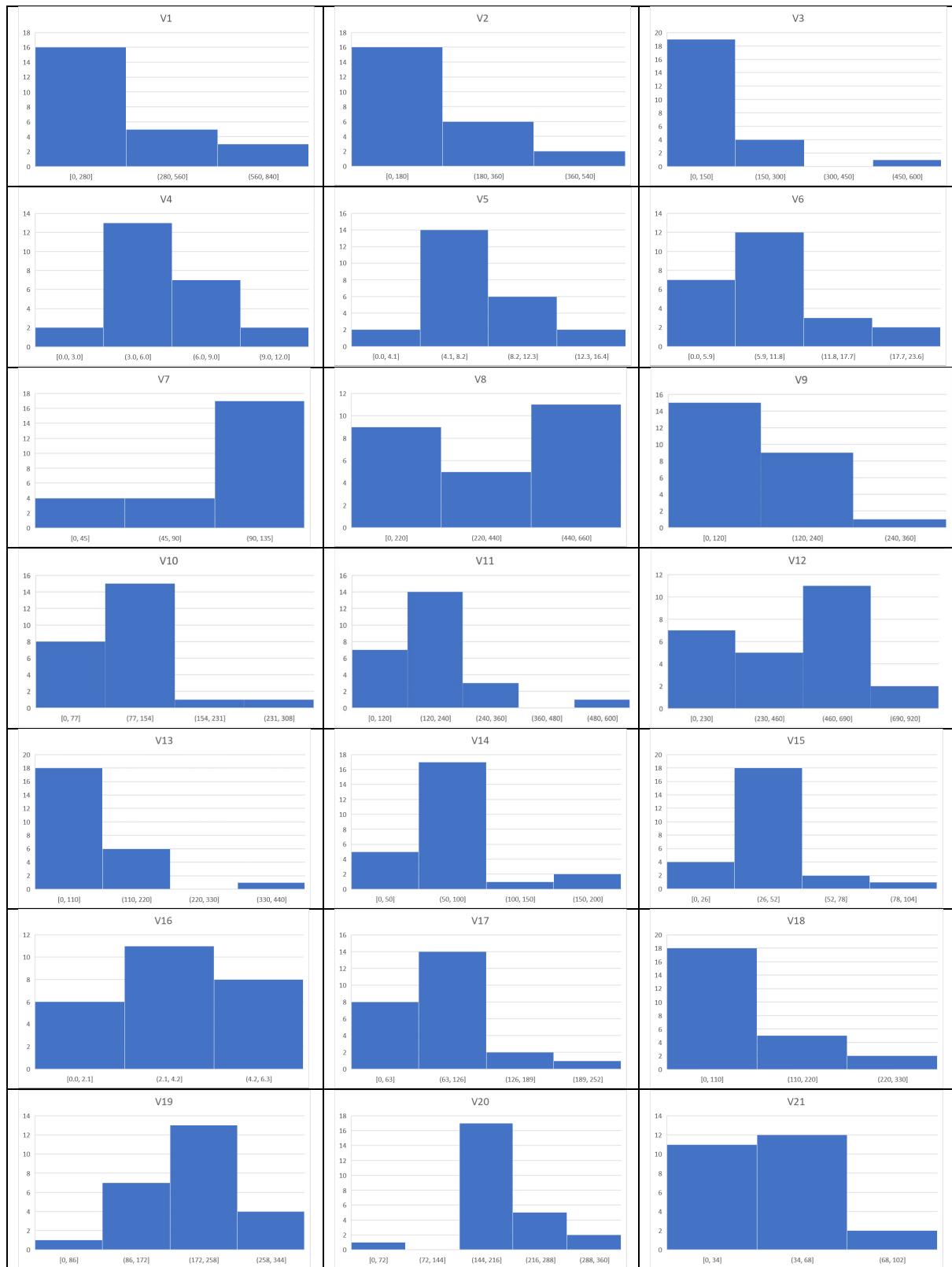
Slab	Range (Rs)	Charges (Rs)
Slab 2	1 - 100000	100
Slab 3	> 100000	200

We calculate the simple average, which works out to be Rs 150.

- Branch-based cash handling charges are the cash withdrawal and cash deposit charges. Many banks, beyond a certain number of free transactions, have a minimum charge that gets imposed irrespective of the amount deposited or withdrawn.
- We have considered the minimum charges imposed (beyond free transactions) for branch-based cash deposits (V31) and cash withdrawals (V32). Here, we have benchmarked the cash deposit/withdrawal amounts at Rs 10,000.
- Punjab National Bank has set a cash withdrawal charge of Rs 2 per thousand and accordingly for a withdrawal of Rs 10,000 the bank charges Rs 20. For Ujjivan SF Bank the cash deposit charges are Rs 4 per thousand.

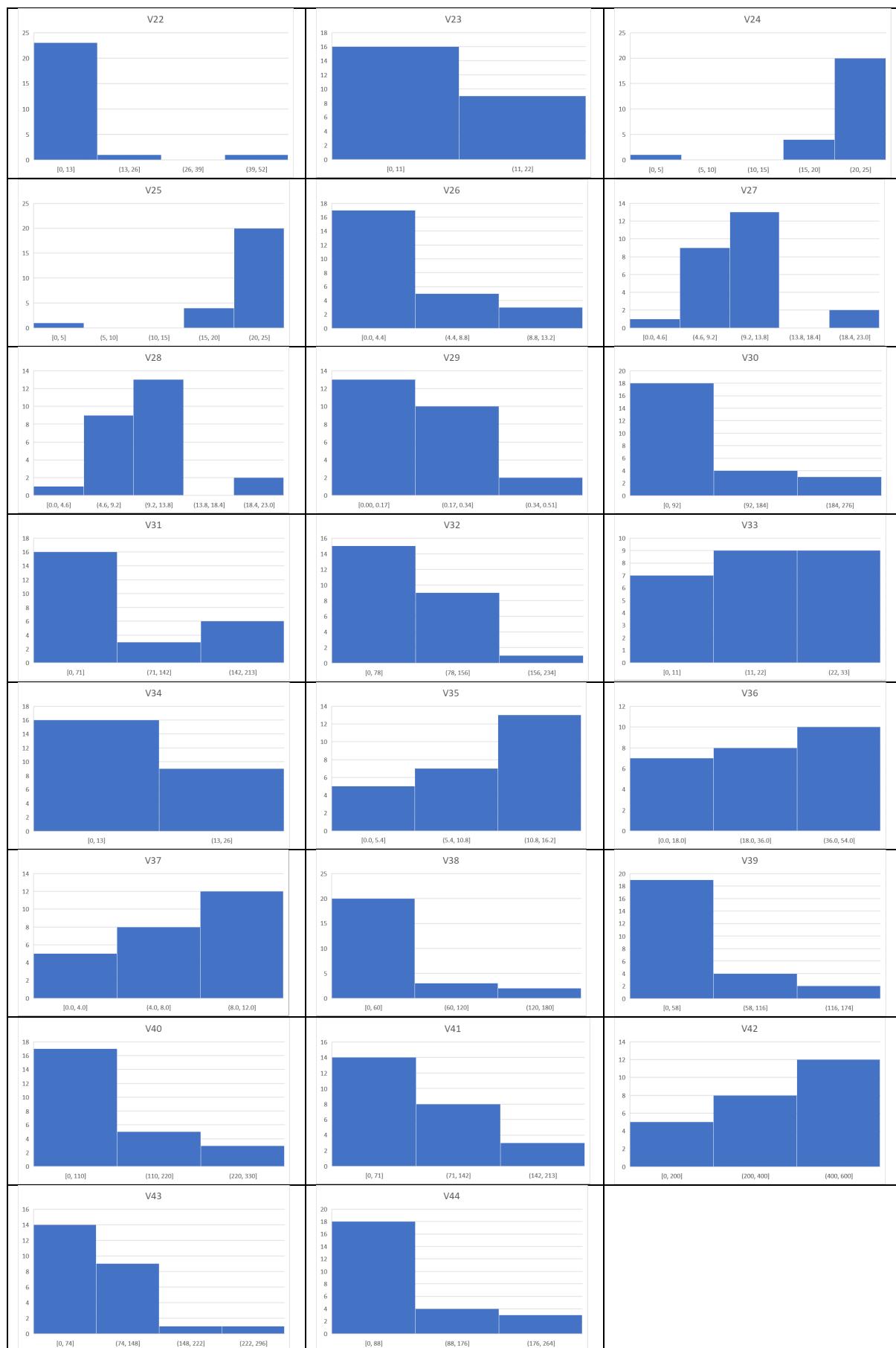


Annexure E: Histograms of the 44 expanded variables





Benchmarking Reasonableness of Service Charges





Annexure F: Computation of 95% upper statistical limit

Variables	Mean (SCB only)	SD (SCB only)	95% upper statistical limit	Mean (Public Bks)	SD (Public Bks)	95% upper statistical limit	Mean (Private Bks)	SD (Private Bks)	95% upper statistical limit
V1	251.8	230.6	631.2	57.8	26.9	102.0	433.6	194.8	754.1
V2	156.0	152.0	406.1	38.6	15.9	64.8	266.8	145.4	506.0
V3	112.0	123.5	315.2	31.1	12.2	51.2	185.0	139.0	413.7
V4	6.3	2.5	10.4	6.5	3.1	11.6	5.9	2.1	9.4
V5	7.2	3.5	12.9	8.6	4.2	15.5	6.2	2.6	10.4
V6	8.3	4.9	16.3	10.3	5.4	19.2	6.8	4.2	13.8
V7	79.3	38.1	142.0	100.0	0.0	100.0	77.3	39.1	141.6
V8	334.8	180.8	632.3	344.4	116.5	536.1	372.7	181.4	671.1
V9	84.3	96.9	243.7	144.4	106.6	319.8	58.2	69.0	171.7
V10	79.6	52.7	166.3	123.0	16.6	150.3	61.4	49.7	143.1
V11	188.6	99.9	353.0	243.1	104.6	415.1	154.5	86.5	296.8
V12	409.8	181.0	707.5	291.7	120.2	489.4	500.0	185.9	805.7
V13	58.7	89.3	205.5	50.0	70.7	166.3	63.6	100.2	228.5
V14	97.8	42.9	168.4	127.8	41.6	196.2	81.8	32.1	134.7
V15	39.8	21.7	75.4	42.6	8.3	56.3	36.2	24.1	75.9
V16	3.1	1.8	6.1	4.2	0.5	5.0	3.0	2.0	6.2
V17	84.0	53.2	171.4	111.4	60.3	210.6	59.4	40.8	126.5
V18	67.3	90.3	215.8	66.7	85.0	206.5	68.1	93.4	221.8
V19	191.3	73.0	311.4	186.1	48.7	266.3	207.0	89.5	354.2
V20	192.0	60.4	291.4	200.0	52.7	286.7	192.5	70.5	308.5
V21	35.7	27.5	80.9	44.4	15.7	70.3	31.4	30.5	81.5
V22	3.0	10.8	20.8	7.8	16.2	34.4	0.0	0.0	0.0
V23	10.8	9.0	25.6	13.6	5.0	21.8	9.5	10.5	26.7
V24	19.9	4.3	26.9	20.9	0.3	21.4	19.0	6.0	28.9
V25	19.9	4.3	26.9	20.9	0.3	21.4	19.0	6.0	28.9
V26	2.5	3.7	8.6	4.2	3.4	9.8	0.9	2.9	5.6
V27	9.9	3.9	16.3	10.7	3.8	16.9	8.5	2.8	13.1
V28	9.9	3.9	16.3	10.7	3.8	16.9	8.5	2.8	13.1
V29	0.2	0.1	0.4	0.2	0.1	0.4	0.1	0.1	0.3
V30	53.6	77.3	180.8	88.7	83.3	225.7	35.5	71.0	152.3
V31	75.6	56.5	168.6	41.7	28.9	89.2	97.7	54.8	187.9
V32	71.7	63.8	176.7	61.1	39.0	125.3	81.8	68.3	194.2
V33	17.7	8.9	32.4	13.6	7.9	26.5	19.1	9.2	34.3
V34	8.3	10.6	25.7	7.8	8.9	22.3	8.6	11.5	27.6
V35	8.6	4.3	15.7	11.3	0.7	12.5	7.2	4.7	14.9
V36	26.5	13.9	49.4	36.2	2.2	39.9	21.5	14.1	44.7
V37	6.8	3.1	11.8	6.4	3.2	11.7	6.6	3.2	11.8
V38	32.6	50.2	115.2	27.8	41.6	96.2	40.9	59.6	139.0
V39	47.8	47.7	126.3	66.7	23.6	105.4	40.9	59.6	139.0
V40	103.3	87.9	247.9	122.2	67.1	232.6	111.4	99.6	275.3
V41	63.7	58.6	160.0	108.3	28.9	155.8	40.0	59.5	137.9
V42	367.4	157.8	627.0	261.1	73.7	382.4	454.5	145.3	693.6
V43	53.7	61.4	154.7	67.8	25.8	110.3	47.7	80.1	179.5
V44	66.7	72.4	185.8	72.2	27.5	117.5	62.3	88.7	208.2
min. bal M/U	4704.5	4058.3	11380.4	1444	684.9	2571.2	7682	3706.7	13779.3
min. bal S-U	2795.5	2867.0	7511.6	778	342.5	1341.1	4682	3017.2	9645.1
min. bal R	1931.8	2351.5	5800.0	500	235.7	887.7	3182	2773.8	7744.8



Annexure G: The TOPSIS method

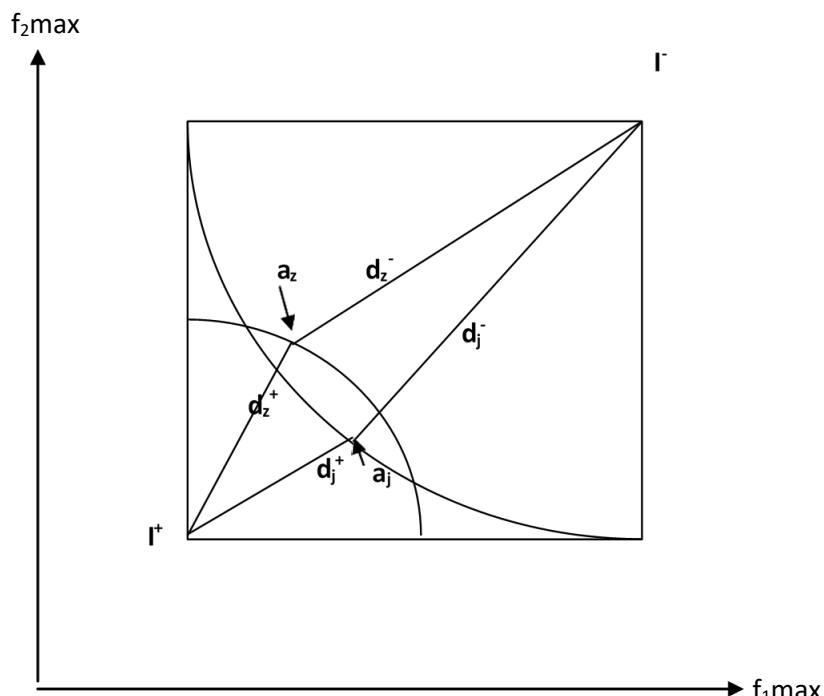
The Technique for Order Preference by Similarity to an Ideal Solution (TOPSIS) method was developed by Hwang and Yoon (1981)²⁶ for solving multi criteria decision making (MCDM) problems. A MCDM problem can be described as a problem of choosing from a set of possible alternatives using multiple criteria. The ranking of each alternative with respect to individual criteria is available. While arriving at a composite ranking, the TOPSIS method ranks that alternative as best which has the shortest distance to the positive ideal solution I^+ and the longest distance from the negative ideal solution I^- , where the distances are calculated with a particular value of p ($1 \leq p \leq \infty$) of the Minkowski's metrics

$$L = \left\{ \sum_{i=1}^k W_i^p | f_i(x) - f_i^*|^p \right\}^{1/p}$$

(typically, $p = 1$ is *Manhattan distance*, $p = 2$ is *Euclidean distance* and $p = \infty$ is *Tchebycheff distance*). For further details see Hwang and Yoon (1981). With respect to only two variables, Figure 1 exemplifies how TOPSIS works. Given an alternative like a_j , the distances

d_j^+ and d_j^- to I^+ and I^- , respectively, are calculated. Thereafter, a relative distance $D_j = \frac{d_j^+}{d_j^+ + d_j^-}$

comprise between [0, 1] and is assigned to each alternative. The final (*increasingly labelled*) order is obtained sorting the set of alternatives increasing in terms of D_j , i.e. from the best bank to the worst bank.



²⁶ Hwang, C.L. and Yoon, K. (1981). *Multiple Attribute Decision Making: Methods and Applications*. A state of the art survey. Springer-Verlag, Berlin.



The main principle governing TOPSIS is to identify as preferred solutions those banks having the shortest distance to the positive ideal solution and the longest distance from the negative ideal solution. The method induces an ordering of the solutions based on similarity to the ideal point, guiding the search towards the zone of interest.

The TOPSIS computation involves the following steps –

1. Suppose S_1, S_2, \dots, S_m are m possible alternatives among which decision makers have to choose based on n criteria. Let, C_1, C_2, \dots, C_n are the criteria with which alternative performance are measured, X_{ij} is the rating of alternative S_i with respect to the criterion C_j . Thus, the data matrix is,

	C_1	C_2	C_3	\dots	C_n
S_1	x_{11}	x_{12}	x_{13}	\dots	x_{1n}
S_2	x_{21}	x_{22}	x_{23}	\dots	x_{2n}
S_3	x_{31}	x_{32}	x_{33}	\dots	x_{3n}
\vdots	\vdots	\vdots	\vdots	\ddots	\vdots
S_m	x_{m1}	x_{m2}	x_{m3}	\vdots	x_{mn}

2. Determine, respectively, the negative ideal and positive ideal locations as:

$$f_{max} = \max(x_{1j}, x_{2j}, \dots, x_{mj}) = u_j, \text{ where } j=1, 2, \dots, n.$$

$$f_{min} = \min(x_{1j}, x_{2j}, \dots, x_{mj}) = v_j, \text{ where } j=1, 2, \dots, n.$$

3. Associate weights $W = [w_1, w_2, \dots, w_n]$ where w_j is the weight corresponding to criterion C_j , such that $\sum_{j=1}^n w_j = 1$

4. Calculate the two measures $L_2(i, f_{max})$ and $L_2(i, f_{min})$ using the n-dimensional Euclidean Distance, where

$$L_2(i, f_{max}) = \left\{ \sum_{j=1}^n w_j^2 (x_{ij} - u_j)^2 / \sum_{i=1}^m x_{ij}^2 \right\}^{1/2}$$

and

$$L_2(i, f_{min}) = \left\{ \sum_{j=1}^n w_j^2 (x_{ij} - v_j)^2 / \sum_{i=1}^m x_{ij}^2 \right\}^{1/2}$$

5. Calculate the relative closeness of positive ideal location and negative ideal location, named by Composite Index [CI] and defined as

$$CI[i] = \frac{L_2(i, f_{min})}{L_2(i, f_{min}) + L_2(i, f_{max})}$$

The ratio is always between 0 and 1. An alternative having lower value of CI is better than the one having a higher value. Thus, a bank with lower composite index is considered to be better bank and all the banks are sorted by the composite index.



Annexure H(i): Slabs for minimum balance and shortfall average-percentage-charge

S.#	Bank Name	Balance Type	Branch	Shortfall Range (Rs)	Charge (Rs)	Charge in % terms	Average % charge	Monthly Average %
1	Punjab National Bank	AQB	Metro/Urban	1-1000 1001-2000	150 250	30.0 16.7	23.3	7.8
			Semi-Urban	1-500 501-1000	100 150	40.0 20.0	30.0	10.0
			Rural	1-250 251-500	50 100	40.0 26.7	33.3	11.1
2	Bank of Baroda	AQB	Metro/Urban	1-500 501-1000 1001-1500 1501-2000	62.5 125 187.5 250	25.0 16.7 15.0 14.3	17.7	5.9
			Semi-Urban	1-250 251-500 501-750 751-1000	31.25 62.5 93.75 125	25.0 16.7 15.0 14.3	17.7	5.9
			Rural	1-125 126-250 251-375 376-500	31.25 62.5 93.75 125	50.0 33.3 30.0 28.6	35.5	11.8
3	Union Bank of India	AQB	Metro/Urban/Semi-Urban/ Rural	1-250 251-500 501-1000	25 50 100	20.0 13.3 13.3	15.0	5.0
4	Central Bank of India	MMB	Metro/Urban	1-1000 1001-2000	150 250	30.0 16.7	23.3	7.8
			Semi-Urban	1-500 501-1000	100 150	40.0 20.0	30.0	10.0
			Rural	1-250 251-500	50 100	40.0 26.7	33.3	11.1
5	Canara Bank	AMB	Metro/Urban	1-500 501-1000 1001-2000	25 35 45	10.0 4.7 3.0	5.2	5.2
			Semi-Urban	1-300 301-600 601-1000	25 35 45	16.7 7.8 5.6	9.6	9.6
			Rural	1-150 151-300 301-500	25 35 45	33.3 15.6 11.3	19.2	19.2
6	Bank of Maharashtra	AMB	Metro/Urban	1-1000 1001-1500 1501-2000	38 56 75	7.6 4.5 4.3	6.0	6.0
			Semi-Urban	1-500 501-750 751-1000	25 38 59	10.0 6.1 6.7	8.2	8.2
			Rural	1-250 251-375 376-500	10 15 25	8.0 4.8 5.7	6.6	6.6
7	Bank of India	AQB	Metro/Urban	1-500 501-750 751-1000	100 160 200	40.0 25.6 22.9	32.1	10.7
			Semi-Urban/Rural	1-125 126-375 376-500	50 80 100	80.0 32.0 22.9	41.7	13.9
			Metro/Urban	1-500 501-750 751-1000	110 130 150	44.0 20.8 17.1	31.5	10.5
8	Indian Overseas Bank	AQB	Semi-Urban/Rural	1-250 251-375 376-500	75 90 105	60.0 28.8 24.0	43.2	14.4

Note: Central Bank of India require MMB but their non-maintenance charges are quarterly. The bank has indicated that going forward they would charge at a fixed percentage of the shortfall.



Benchmarking Reasonableness of Service Charges



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S.#	Bank Name	Balance Type	Branch	Shortfall Range (Rs)	Charge (Rs)	Charge in % terms	Average % charge	Monthly Average %
9	IndusInd Bank	MAB	Metro/Urban	1-1667 1668-10000	100 -	12.0 6.0	7.0	7.0
			Semi-Urban/Rural	1-833 834-5000	50 -	12.0 6.0	7.0	7.0
10	IDFC First Bank	AMB	Metro/Urban/Semi-Urban	1-2500 2501-5000 5001-10000	50 250 500	4.0 6.7 6.7	6.0	6.0
			Rural	1-2500 2501-5000	75 200	6.0 5.3	5.7	5.7
11	RBL Bank	AMB	Metro/Urban	1-1250 1251-2500	- -	5.0 10.0	7.5	7.5
			Semi-Urban	1-500 501-1000	- -	5.0 10.0	7.5	7.5
			Rural	1-250 251-500	- -	5.0 10.0	7.5	7.5
12	YES Bank	AMB	Metro/Urban/Semi-Urban/ Rural	1-5000 5001-10000	- -	5.0 10.0	7.5	7.5
13	Federal Bank	AMB	Metro (Club)	1-1000 1001-2000 2001-3000 3001-4000 4001-5000	60 120 180 240 350	12.0 8.0 7.2 6.9 7.8	8.4	8.4
				1-600 601-1200 1201-1800 1801-2400 2401-3000	60 95 130 180 260	20.0 10.6 8.7 8.6 9.6		
				1-400 401-800 801-1200 1201-1600 1601-2000	60 105 155 200 290	30.0 17.5 15.5 14.3 16.1	11.5	18.7
				1-500 501-1000	25 50	10.0 6.7		
				Metro/Urban	1-2000	15.0	15.0	5.0
			Semi-Urban	1-1000	100	20.0	20.0	6.7
			Rural	1-500	50	20.0	20.0	6.7
14	Ujjivan SF Bank	AMB	Metro/Urban/Semi-Urban/ Rural	1-500 501-1000	25 50	10.0 6.7	8.3	8.3
15	Saraswat Co-op Bank	AQB	Metro/Urban	1-2000	150	15.0	15.0	5.0
			Semi-Urban	1-1000	100	20.0	20.0	6.7
			Rural	1-500	50	20.0	20.0	6.7
16	SVC Co-op Bank	AQB	Metro/Urban/Semi-Urban/ Rural	1-3000	254.24	16.9	16.9	5.6

Note: RBL Bank and YES Bank have a fixed percentage penalty in each of their slabs. Each of Saraswat Co-op Bank and SVC Co-op Bank have a single slab with a fixed amount of penalty irrespective of the shortfall amount. The other 12 banks also have a fixed amount of penalty in each slab, irrespective of the shortfall amount. Under the column ‘Charge in % terms’, the entries marked in red indicate increase in the penal percentage rate with increase in shortfall amount (within branch-types). Finally, in the column ‘Average % charge’, the entries marked in red indicate increase in the penal percentage rate as one move from Metro/Urban to Semi-Urban to Rural.



Annexure H(ii): Minimum balance and shortfall percentage charge

S.#	Bank Name	Balance Type	Branch	Shortfall Range (Rs)	% shortfall charge	Monthly Average %
1	State Bank of India	AMB	Metro/Urban/Semi-Urban/ Rural	0	0%	0
2	HDFC Bank	AMB	Metro/Urban	1-10000	6%	6
			Semi-Urban	1-5000	6%	6
			Rural	1-2500	6%	6
3	ICICI Bank	AMB	Metro/Urban	1-10000	6%	6
			Semi-Urban	1-5000	6%	6
			Rural	1-2000	6%	6
4	Axis Bank	AMB	Metro/Urban	1-12000	6%	6
			Semi-Urban	1-5000	6%	6
			Rural	1-2500	6%	6
5	Kotak Mahindra Bank	AMB	Metro/Urban (Edge)	1-10000	6%	6
			Semi-Urban/Rural (Nova)	1-5000	6%	6
6	IDBI Bank	AMB	Metro/Urban	1-5000	5%	5
			Semi-Urban	1-2500	5%	5
			Rural	1-500	5%	5
7	Bandhan Bank	AMB	Metro/Urban/Semi-Urban/ Rural	1-2000	0%	0
8	AU SF Bank	AMB	Metro/Urban	1-5000	5%	5
			Semi-Urban/Rural	1-2000	5%	5
9	Standard Chartered	MAB	Metro	1-25000	5%	5
			Upcountry Location	1-10000	5%	5



Annexure I: The process of supervisory action by RBI

Annex (E)



RESERVE BANK OF INDIA, BENGALURU
DEPARTMENT OF SUPERVISION
SSM SECTION – CANARA BANK

Wrong levying of ATM Insufficient Fund Charges by Canara bank

SSM Division is in receipt of a complaint letter dated May 31, 2022 from Shri C Mohan regarding levy of ATM Insufficient Fund charges by Canara bank.

A

2. Gist of the Complaint: The complainant has alleged that Canara bank has levied the "ATM insufficient fund charges" without giving advance information to customers. He informed that he had also escalated the matter to Banking Ombudsman (BO) and the BO had ordered the refund of wrongly levied charges and a compensation for the deficiency in service and mental anguish.

Annexed
with Flag-A

He further informed that reply to the query under Right to Information Act revealed that the bank has collected "ATM insufficient funds charges" to the tune of ₹82.70 crore from April 2018 to November 2021. These charges continued to be levied by the bank.

3. Remedy sought from RBI: Complainant has appealed RBI to:

- Take cognizance of the aberration of regulatory guideline by Canara Bank
- Issue suitable orders / instructions to the Bank for early refund of the wrongly levied charges to the customers
- Do justice to millions of customers who have been fleeced

4. SSM Comments on the matter:

SSM Office had advised Canara bank to submit comments to the specific queries in the matter. Detailed comments of Canara bank are attached with this note. Based on the response submitted by the bank, our comments in the matter are furnished as below:

B

- Nature of charges:** ATM service declined charges for want of Balance in the account, if the entered amount by the Customer in ATM is more than the available balance in the account.
- Calculation/ levying criteria:** An amount of Rs.20.00 (plus GST) is being charged to the account if the ATM transaction is declined for want of Balance in the account.



(iii) **Approval of levying these charges:** The bank has furnished an approval of MD & CEO dated May 01, 2017 for charging the customers for ATM service declined charges for insufficient funds (when used in other bank's ATMs- Remote On Us) and ORMC approval dated March 04, 2021 for ATM failed transactions due to insufficient funds on the bank's own ATMs (On Us). However, certain gaps were observed in these approvals:

1. In terms of para 5.4.1 (iii) of Master Circular on Customer Service in Banks dated July 01, 2015, the policy on penal charges to be so levied may be decided with the approval of Board of the bank. The remote On Us 2017 charges were approved by the MD&CEO and not the Board of the bank.

In this regard, the bank submitted that, in 2008, while approving the service charges, the Board had permitted the Chairman and Managing Director for revision/ modification/ concession in charges in respect of any of such services as and when required. However, these charges were neither revision nor modification of charges, these were new charges introduced by the bank and the only rationale for these charges was given that the SBI was charging it.

2. Further, for On Us transactions in 2021, the approval is given by the Operational Risk Management Committee (ORMC) in the meeting dated March 04, 2021 and not by the MD & CEO which contradicts the bank's own internal policy.

(iv) **Non- display of charges on the bank's website:** In terms of para 5.4.1, of the Master Circular on customer service, the guidelines related to minimum balance and levying penal charges on the same should be brought to the notice of all customers apart from being disclosed on the bank's website. However, the bank had not disclosed these charges on its website, the same were displayed on the website only after SSM Office's queries. Further, the displayed charges were also for other bank's ATMs and not for bank's own ATMs till date. Hence, it is clear that the charges were not transparently made known to the depositors before the imposition of these charges.

(v) **Award by BO:** Banking Ombudsman has also awarded the complaint in the favour of the complainant on the matter and the bank was directed to

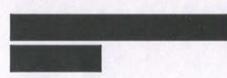
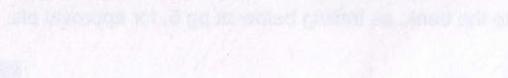


reverse the charges levied to the customer and was directed to pay a compensation for the deficiency in service and mental anguish.

5. Action Proposed: In view of these charges not being disclosed to the customers in a transparent manner and the approval of these charges not being done by the Board of the bank, we may, if approved advise the bank to refund the ATM Insufficient Fund charges levied to the customers since the introduction of these charges.

The draft email to the bank in this regard is placed below for approval.

Submitted for approval, please.

Sd/-



June 10, 2022


- i. As per the bank's internal policy dated 17.11.2008, the Board resolved as under:
RESOLVED FURTHER THAT THE CHAIRMAN AND MANAGING DIRECTOR AND EXECUTIVE DIRECTOR (IN ABSENCE OF CHAIRMAN AND MANAGING DIRECTOR) ARE HEREBY DELEGATED WITH POWERS FOR PERMITTING ANY MODIFICATION/REVISION/ CONCESSION IN SERVICE CHARGES FOR ANY OF SUCH SERVICES, AS AND WHEN REQUIRED.
The Board did not delegate permission to impose new charges. Hence, imposition any charges by the MD&CEO/ EDs without explicit approval of the Board is proposed to be treated as "divergence".
- ii. The bank imposed a **new** charge in form of "ATM Insufficient funds charges" (Off-Us) w.e.f. May 01, 2017 with the approval of MD&CEO. These charges were expanded to include On-Us w.e.f. May 4, 2021 with the approval of ORMC (chaired by Executive Director). Approval of the Board was not obtained for the same.
- iii. The bank did not disclose the "ATM Insufficient funds charges" on its website. Only on highlighting the issue by the SSM Team, the bank made Off-Us charges available on its website w.e.f. 06.06.2022. The bank did not inform the customers before imposition of these charges.
- iv. The only reason for imposing the charges as recorded in the bank's approval note was "SBI charges". The reasonableness and disclosure for these new charges were not ensured by the bank. This is a direct violation to para 6.2 of the Master Circular on Customer Service.



- v. It is felt that as regard reasonableness of the service charges is concerned, if the bank can charge for "ATM Insufficient Funds" from customer then perhaps the customers would have to be paid by the banks when the ATMs run out of cash balances or ATMs are not in service for all planned/ unplanned downtimes.
- vi. It is felt that the bank has wrongfully collected the service charges from On-Us and Off-Us ATM Insufficient Fund charges, from the dates of imposition, which were neither as per the delegated powers by the bank's Board, nor reasonable and nor disclosed to the customer.
- vii. During 2020-21, the bank has collected Rs.41.02 crore on account of these charges. From the date of imposition these charges are more than ₹82.70 crore. It is proposed that the bank be made liable to refund these charges to the customer.

The above, being a financial divergence impacting the reported Income of the bank, we seek CGM's approval for proceeding with issuing explanation letter to the bank. A draft letter/email to the bank, as trailing below at pg 5, for approval pls.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Draft email to the bank:

'Dear Sir,



It has come to our notice that the bank has been levying "ATM Insufficient Fund" charges to the customers.

2. *It has been observed that the bank had not disclosed these charges to the customers in a fair & transparent manner on its website up until June 6, 2022 even while the charges were being levied since FY'2018. The above charges were introduced without ensuring reasonableness of bank charges and appear to be in violation of para 6 and para 8 of the "Master Circular on Customer Service in Banks" dated July 1, 2015.*
3. *Further, it has been observed that though the bank's Board had not delegated the authority to impose new charges, the above charges were introduced for Off-Us ATM charges during FY'2018 and further expanded to include On-Us ATM charges during FY'2021.*
4. *You are therefore advised to furnish the rationale/reasonability of levying such charges.*
5. *Your response should reach us with in 7 days from the date of this letter (sent over email).*

Please acknowledge receipt.

Resubmitted:

Canara bank has furnished response to our email dated June 15, 2022 as below:

Sl. No.	SSM Comments	Response by bank
------------	--------------	------------------



1	<p>It has been observed that the bank had not disclosed these charges to the customers in a fair & transparent manner on its website up until June 6, 2022 even while the charges were being levied since FY'2018. The above charges were introduced without ensuring reasonableness of bank charges and appear to be in violation of para 6 and para 8 of the "Master Circular on Customer Service in Banks" dated July 1, 2015.</p>	<p>The copy of the Bank's Internal Circular No. 261/2017 dated 24.05.2017 (copy enclosed) directing the branches to display the contents of the Charges in their Notice Board for Customer information</p> <p>For the immediate attention and awareness of the customers, a message will be displayed for on-us transactions as "Please ensure amount entered is within the available balance to avoid any charges", if balance entered is more than the balance available in the account.</p> <p>Further, the said service charges are also displayed on the notice boards available in branches.</p> <p>These service charge information is made available in the website, recently.</p>
2	<p>Further, it has been observed that though the bank's Board had not delegated the authority to impose new charges, the above charges were introduced for Off-Us ATM charges during FY'2018 and further expanded to include On-Us ATM charges during FY'2021.</p>	<p>Board of Directors delegated powers to MD & CEO to review/ revise/ modify Service Charges, as per Board Note dated 17.11.2008 (copy attached). Accordingly, ATM charges for off-us were approved by MD & CEO and on-us charges were approved by ORMC, chaired by MD & CEO.</p>
3	<p>You are therefore advised to furnish the rationale/reasonability of levying such charges.</p>	<p>All transactions occurred in ATM involve cost for using ATM Infrastructure, CBS, Net Work Cost and routing through NPCI.</p> <p>The charges in this regard are at par with industry standards as similar charges are being charged by peer Banks like SBI, Bank of Baroda, Bank of India, Punjab & Sind Bank, ICICI Bank, Axis Bank, HDFC Bank, etc. These charges are collected to create awareness among ATM Card Holders for not using ATMs without knowing their balance in the account.</p> <p>Please find attached the files downloaded from peer banks' websites regarding the said charges.</p>

2. Our Comments in the matter:



- i) The bank has submitted that for On-us transactions the message is being displayed on the ATMs of the bank cautioning "Please ensure amount entered is within the available balance to avoid any charges". However, the charges for such transactions have not been displayed. Moreover, for the bank's customers transacting on other bank's ATMs, such warning/ message is not available. The bank itself accepted that the charges were not displayed on the bank' website and had been displayed only recently after RBI queries.
- ii) Regarding approval of the Board delegating power to MD & CEO to review/ revise/ modify Service Charges, as already examined by us, as per the bank's internal policy dated 17.11.2008, the Board resolved as under:

RESOLVED FURTHER THAT THE CHAIRMAN AND MANAGING DIRECTOR AND EXECUTIVE DIRECTOR (IN ABSENCE OF CHAIRMAN AND MANAGING DIRECTOR) ARE HEREBY DELEGATED WITH POWERS FOR PERMITTING ANY MODIFICATION/REVISION/ CONCESSION IN SERVICE CHARGES FOR ANY OF SUCH SERVICES, AS AND WHEN REQUIRED.

The Board did not delegate permission to impose new charges.

- iii) Regarding bank submitting that the other banks are also levying similar charges, this argument is not tenable as the case here is that the bank has not obtained Board's Approval before levying such charges and the customers were not informed in a fair and transparent manner before levying such charges.

3. Hence, after considering the facts of the matter it is concluded in the matter that:

- (i) the bank imposed a new charge in form of "ATM Insufficient funds charges" (Off-Us) w.e.f. May 01, 2017 with the approval of MD&CEO. These charges were expanded to include On-Us w.e.f. May 4, 2021 with the approval of ORMC (chaired by Executive Directors). Approval of the Board was not obtained for the same.
- (ii) the bank did not disclose the "ATM Insufficient funds charges" on its website. The bank did not inform the customers before imposition of these charges in a transparent manner. The reasonableness and disclosure for these new charges were not ensured by the bank. This is a direct violation to para 6.2 of the Master Circular on Customer Service.

3. **Action Proposed:** In view of the foregoing, it is proposed to write a letter to the bank conveying our displeasure and advising the bank to review the policy on



levying of service charges with the approval of the board and refund the subject charges levied to customers from the date of imposition of these charges. Draft Letter is placed below for approval.

Sd/-
[Redacted]
[Redacted]

June 29, 2022 [Redacted]

1. The bank is silent on our query that "bank's Board had not delegated the authority to impose new charges". It has reiterated that the Board had delegated powers to MD & CEO to review/ revise/ modify Service Charges. As per our reading of the Board's order, it had not permitted introduction of new charges by MD&CEO. Further, the On-Us charges introduced w.e.f. May 4, 2021 did not even have the MD&CEO's approval as it was introduced with ORMC's approval.
2. The bank's contention that "the said service charges are also displayed on the notice boards available in branches" is not verifiable. In any case non-branch ATMs and Off-Us ATMs were not covered as regards notice board displays are concerned.
3. The bank has contended that these "charges are at par with industry standards as similar charges are being charged by peer Banks like SBI, Bank of Baroda, Bank of India, Punjab & Sind Bank, ICICI Bank, Axis Bank, HDFC Bank, etc. These charges are collected to create awareness among ATM Card Holders for not using ATMs without knowing their balance in the account."
4. However, as per the RBI circular on Customer Service, "Banks should also take care to ensure that customers with low volume of activities are not penalised." The "ATM Insufficient funds" does not meet this criterion and therefore do not appear justified. We may direct the bank to show-cause as to why these charges not be reversed and refunded.
5. However, since the bank has made a reference to industry practice, it is proposed that we may refer the matter to PPG, CO to confirm our stance on the matter.



Benchmarking Reasonableness of Service Charges



Annex F

From: Friday, March 31, 2023 11:57 AM
Sent:
To: SSMCANARA
Cc:
Subject: FW: Canara Bank - Wrong Levy of Charges- "ATM Insufficient Funds"
Attachments: Flag A- 261_2017.pdf; Flag B- Message Display on ATMs.jpg; Flag C- Board Orders 17.11.2008.pdf; Flag D-MD CEO Approval- 2017.pdf; Flag E- ORMC Minutes Dated 04 Mar 2021.pdf; Flag F- PEER BANKS IMPLEMENTED CHARGES.DOCX; Office Note- ATM Insufficient Fund Charges.docx

Madam/ Sir

Please refer to your trailing mail.

2. The divergence from prescribed guidelines has been noted by the SSM as part of their supervisory assessment. In our view, the existence of similar practice in other banks may not be the appropriate criteria for the bank to justify violation of prescribed guidelines for imposition of new charges and suitable disclosures/information to customers. Therefore, the SED may take appropriate action as per the 'Escalation Matrix' based on their valuation of the divergence based on related case papers including Board notes place on record.

3. This has the approval of GM

सादर धन्यवाद/ Thanks & regards

नीति एवं योजना समूह/ Policy & Planning Group
पर्यवेक्षण विभाग/ Department of Supervision
भारतीय रिजर्व बैंक/ Reserve Bank of India
केंद्रीय कार्यालय/ Central Office
मुंबई/Mumbai – 400005

From:
Sent: Thursday, June 30, 2022 5:24:13 PM (UTC+05:30) Chennai, Kolkata, Mumbai, New Delhi
To: PPG, DoS CO
Cc: SSMCANARA
Subject: Canara Bank - Wrong Levy of Charges- "ATM Insufficient Funds"

Madam/ Dear Sir,

Please find attached an Office Note recorded in SSM Division- Canara bank for perusal and necessary comments/ views of PPG in the matter.

This has the approval of CGM

Thanks & Regards,



Benchmarking Reasonableness of Service Charges



Department of Supervision / पर्यवेक्षण विभाग
Reserve Bank of India / भारतीय रिजर्व बैंक
Bengaluru (Karnataka) / बैंगलुरु (कर्नाटक)

From: Coordination, Cell 9
Sent: 30 June 2022 15:02:19 (UTC+05:30) Chennai, Kolkata, Mumbai, New Delhi
To: SSMCANARA
Subject: FW: For Approval pls: Canara Bank - Wrong Levying of Charges- "ATM Insufficient Funds"

महोदय / महोदया
मुख्य महाप्रबधक: महोदय का अनुमोदन आपकी सूचना एवं आवश्यक कार्रवाई, यदि कोई हो, के लिए नीचे प्रस्तुत है।
Please find below the approval of CGM for your information and necessary action, if any

सादर / Regards
समन्वयन कक्ष 9 – / Coordination Cell 9
भारतीय रिजर्व बैंक / Reserve Bank of India
पर्यवेक्षण विभाग / Department of Supervision
केंद्रीय कार्यालय, मुंबई / Central Office, Mumbai
विश्व व्यापार केंद्र / World Trade Centre
मुंबई / Mumbai – 400005

From:
Sent: 30 June 2022 14:47
To:
Cc: Coordination, Cell 9
Subject: RE: For Approval pls: Canara Bank - Wrong Levying of Charges- "ATM Insufficient Funds"

Approved.

Regards

From:
Sent: 30 June 2022 13:04
To:
Cc: Coordination, Cell 9
Subject: FW: For Approval pls: Canara Bank - Wrong Levying of Charges- "ATM Insufficient Funds"

आदरणीय महोदय / Respected Sir

SSM Division Canara Bank has furnished comments to the reply from the bank to our letter on the issue of levy of "ATM Insufficient Fund charges", which was raised by complainant Shri C Mohan.

विषय/मामले की विवरण / Details of the case

- The bank was levying charges from the customers, if the customers tries to withdraw money which is more than the available balance in the account from ATM.



- SSM had identified certain issues such as approval not obtained from Board, not informing customers about the charge, and hence bank was advised to furnish the rationale / reasonableness for such charges.
- Now, the bank has responded to the queries raised as under:
 - The bank informed that the charges are displayed in the notice Board of the Branches.
 - Further, a message is displayed in its ATMs stating that "Please ensure amount entered is within the available balance to avoid any charges".
 - On the issue of rationale, it has responded that all transactions in ATM involve cost for using ATM Infrastructure, CBS, Net Work Cost and routing through NPCI, and that the charges are as per industry standards.
 - It has stated that similar charges are levied by SBI, Bank of Baroda, Bank of India, Punjab & Sind Bank, ICICI Bank, Axis Bank, HDFC Bank, etc.

वरिष्ठ पर्यवेक्षी प्रबंधक (एसएसएम) का अभिमत / SSM comments

- The bank's reply is silent on the issue of absence of Board delegation to MD & CEO to impose new charges.
- With regard to the message in the ATMs, non-branch ATMs and Off-Us ATMs were not covered.
- The bank itself accepted that the charges were not displayed on the bank' website and had been displayed only recently after RBI queries.
- As per the RBI circular on Customer Service, "Banks should also take care to ensure that customers with low volume of activities are not penalised.", however, the charges levied does not meet this criterion.

वरिष्ठ पर्यवेक्षी प्रबंधक (एसएसएम) का प्रस्ताव / SSM proposal

May direct the bank to show-cause as to why these charges not be reversed and refunded. However, since the bank has made a reference to industry practice, it is proposed to refer the matter to PPG, CO to confirm the stance on the matter.

अनुमोदनार्थ प्रस्तुत / For approval please

सादर / Regards

भारतीय रिजर्व बैंक / Reserve Bank of India
पर्यवेक्षण विभाग / Department of Supervision
केंद्रीय कार्यालय, मुंबई / Central Office, Mumbai

From: _____
Sent: 30 June 2022 00:18
To: Coordination, Cell 9 _____
Cc: _____ ; SSMCANARĀ _____
Subject: For Approval pls: Canara Bank - Wrong Levying of Charges- "ATM Insufficient Funds"

Dear Sir,

Please find attached the office note resubmitted after bank's response. For approval pls.

सादर / Regards,

म.प्र. / GM SSM Canara Bank
पर्यवेक्षण विभाग / DoS



Benchmarking Reasonableness of Service Charges



भारि.बै., बैंगलूरु / RBI, Bengaluru

From:
Sent: 29 June 2022 03:10 PM
To:
Cc: SSMCANARA
Subject: FW: For Approval pls: Canara Bank - Wrong Levying of Charges

Dear Sir,

A resubmitted Office Note (page no. 6 onwards) is attached for your perusal & approval please.

Thanks & Regards,

Department of Supervision / पर्यवेक्षण विभाग
Reserve Bank of India / भारतीय रिजर्व बैंक
Bengaluru (Karnataka) / बैंगलुरु (कर्नाटक)

From: Coordination, Cell 9
Sent: 14 June 2022 18:20:38 (UTC+05:30) Chennai, Kolkata, Mumbai, New Delhi
To: SSMCANARA
Subject: FW: For Approval pls: Canara Bank - Wrong Levying of Charges

Madam / Sir,

Please find below the amended email to be sent to the bank.

सादर / Regards
समन्वयन केंद्र ९ – / Coordination Cell 9 –
भारतीय रिजर्व बैंक / Reserve Bank of India
पर्यवेक्षण विभाग / Department of Supervision
केंद्रीय कार्यालय, मुंबई / Central Office, Mumbai
विश्वव्यापार केंद्र / World Trade Centre
मुंबई / Mumbai – 400005

From:
Sent: 14 June 2022 18:19
To:



Cc: Coordination, Cell 9
Subject: FW: For Approval pls: Canara Bank - Wrong Levying of Charges

As amended.

Regards

From:
Sent: 14 June 2022 14:38
To:
Cc: Coordination, Cell 9
Subject: FW: For Approval pls: Canara Bank - Wrong Levying of Charges

आदरणीय महोदय / Respected Sir

SSM Division Canara Bank has furnished comments a complaint from Shri C Mohan regarding levying of ATM Insufficient Fund charges by the bank.

Gist of the complaint:

- The mentioned charges are collected when the customer tries to withdraw money which is more than the available balance in the account, from an ATM.
- The charge is being collected without advance information to customers.
- The complaint was earlier made to BO, which ordered the refund of wrongly levied charges and a compensation for the deficiency in service and mental anguish.
- He further informed that reply to the query under Right to Information Act revealed that the bank collected the charge amounting to ₹82.70 crore from April 2018 to November 2021.
- Accordingly, complainant has appealed RBI to take note of the same and Issue suitable orders / instructions to the Bank for early refund of the wrongly levied charges to the customers

विरुद्ध पर्यवेक्षी प्रबंधक (एसएसएम) का अभिमत / SSM comments

- The bank had taken approval of MD&CEO dated May 01, 2017 for charging customers from other bank ATMs and ORMC approval dated March 04, 2021 for own ATMs.
- However, it has been observed that the Board had delegated MD&CEO to review / modify the charges, but not to impose fresh charges, which is the current case; also Board / MD &CEO approval not obtained for levying charging from own ATMs.
- Further, the bank had not disclosed these charges on its website, the same were displayed on the website only after SSM Office's queries, and that too only the charges levied from other ATMs.
- Hence, it is clear that the bank did not inform the customers before imposition of these charges, and also approval was not obtained from the Board.
- The only reason for imposing the charges as recorded in the bank's approval note was "SBI charges", and its reasonableness and disclosure was not ensured.
- As regards reasonableness, if the bank can charge such fee, then customers would have to be paid by the banks when the ATMs run out of cash balances or ATMs are not in service.

विरुद्ध पर्यवेक्षी प्रबंधक (एसएसएम) का प्रस्ताव / SSM proposal

Since this has a financial impact, it is proposed to seek explanation from the bank as to why the above charges should not be reversed and refunded to the customers, as per the draft email reproduced as under:

'Dear Sir,



Benchmarking Reasonableness of Service Charges



It has come to our notice that the bank has been levying "ATM Insufficient Fund" charges to the customers.

2. It has been observed that the bank had not disclosed these charges to the customers in a fair & transparent manner on its website up until June 6, 2022 even while the charges were being levied since FY2018. The above charges were introduced without ensuring reasonableness of bank charges and appear to be in violation of para 6 and para 8 of the "Master Circular on Customer Service in Banks" dated July 1, 2015.

3. Further, it has been observed that though the bank's Board had not delegated the authority to impose new charges, the above charges were introduced for Off-Us ATM charges during FY2018 and further expanded to include On-Us ATM charges during FY2021.

4. You are therefore advised to furnish the rationale/reasonability of levying such charges.

5. Your response should reach us with in 7 days from the date of this letter (sent over email).

Please acknowledge receipt.

अनुमोदनार्थ प्रस्तुत / For approval please

सादर / Regards

भारतीय रिजर्व बैंक / Reserve Bank of India
पर्यवेक्षण विभाग / Department of Supervision
केंद्रीय कार्यालय, मंबई / Central Office, Mumbai

From: .
Sent: 13 June 2022 14:57
To: Coordination, Cell 9
Cc: SSMCANARA
Subject: FW: For Approval pls: Canara Bank - Wrong Levying of Charges

Madam/ Dear Sir,

With reference to the complaint in the trailing email, please find attached an Office Note, along with relevant enclosures, for the perusal & approval of CGM.

Thanks & Regards,

Department of Supervision / पर्यवेक्षण विभाग
Reserve Bank of India / भारतीय रिजर्व बैंक
Bengaluru (Karnataka) / बैंगलुरु (कर्नाटक)

From:
Sent: 02 June 2022 07:00 PM



Benchmarking Reasonableness of Service Charges



Ananya
(G)

From: RBS Section
Sent: Wednesday, June 8, 2022 12:30 PM
To:
Cc: SSMCANARA
Subject: Further Query 1 : RBI INDENT 2947 : Levying of ATM Insufficient Funds Charges
Attachments: Indent 2947 Board Orders 17.11.2008.pdf

Madam / Dear Sir,

Please find attached , the reply for Point 2

With Thanks & Regards,

वरिष्ठ प्रबंधक / Sr. Manager
आरबीएस खंड / RBS Section
अनुपालन और आरबीएस विंग / Compliance & RBS Wing
केनरा बैंक: प्रधान कार्यालय: बैंगलुरु / Canara Bank : Head Office : Bengaluru

From:
Sent: 08 June 2022 12:12
To: RBS Section
Cc: SSMCANARA
Subject: FW: Further Query 1 : RBI INDENT 2947 : Levying of ATM Insufficient Funds Charges

CAUTION: This email is originated from outside Canara Bank. Do not click any links or open attachments unless you recognize the sender and know that the content is safe.

Dear Sir,

With reference to the trailing email , please share:

- (i) bank's policy for service charges, and
- (ii) copy of Board Note dt 17.11.2008, which empowers the Chairman & Managing Director (presently MD & CEO) of the Bank to review/revise/ modify Service Charges.

Thanks & Regards,

Department of Supervision / पर्यवेक्षण विभाग
Reserve Bank of India / भारतीय रिजर्व बैंक



Benchmarking Reasonableness of Service Charges



Bengaluru (Karnataka) / बैंगलुरु (कर्नाटक)

From: RBS Section
Sent: 07 June 2022 12:58:15 (UTC+05:30) Chennai, Kolkata, Mumbai, New Delhi
To:
Cc: SSMCANARA
Subject: Further Query 1 : RBI INDENT 2947 : Levying of ATM Insufficient Funds Charges

Madam / Dear Sir,

With reference to the trailing mail , please find attached Bank's response as per attached file

With Thanks & Regards,

वरिष्ठ प्रबंधक / Sr. Manager
आरबीएस खंड / RBS Section
अनुपालन और आरबीएस विंग / Compliance & RBS Wing
केनरा बैंक: प्रधान कार्यालय: बैंगलुरु / Canara Bank : Head Office : Bengaluru

From: Digital Device Monitoring Section
Sent: 07 June 2022 11:48
To: RBS Section

Subject: Re: Further Query 1 : RBI INDENT 2947 : Levying of ATM Insufficient Funds Charges

Dear Sir/Madam,

With reference to the trailing mail on the mentioned subject, please find the indent reply in the attachemnts.

Thanks and Regards,

Asst General Manager
Canara Bank
Digital Devices Monitoring Section



Benchmarking Reasonableness of Service Charges



Digital Banking Services wing

From:
Sent: 06 June 2022 17:33
To: RBS Section .
Cc: SSMCANARA
Subject: Fw: RBI INDENT 2947 : Levying of ATM Insufficient Funds Charges

CAUTION: This email is originated from outside Canara Bank. Do not click any links or open attachments unless you recognize the sender and know that the content is safe.

Dear Sir,

With reference to the trailing email, please find attached further queries on the bank's response.

You are advised to furnish response by tomorrow i.e. June 7, 2022.

Thanks & Regards,

Department of Supervision / पर्यवेक्षण विभाग

Reserve Bank of India / भारतीय रिज़र्व बैंक

Bengaluru (Karnataka) / बैंगलुरु (कर्नाटक)

From: RBS Section
Sent: 06 June 2022 16:20:10 (UTC+05:30) Chennai, Kolkata, Mumbai, New Delhi
To:
Cc: SSMCANARA
Subject: RBI INDENT 2947 : Levying of ATM Insufficient Funds Charges

Madam / Dear Sir,



Benchmarking Reasonableness of Service Charges



With reference to the captioned subject , Please find attached Bank's response ,

Supporting documents are shared in pendrive seperately

With Thanks & Regards,

वरिष्ठ प्रबंधक / Sr. Manager
आरबीएस खंड / RBS Section
अनुपालन और आरबीएस विंग / Compliance & RBS Wing
केनरा बैंक: प्रधान कार्यालय: बैंगलुरु / Canara Bank : Head Office : Bengaluru

From:
Sent: 03 June 2022 10:10
To: RBS Section <
Cc: SSMCANARA
Subject: Levy of ATM Insufficient Funds Charges

CAUTION: This email is originated from outside Canara Bank. Do not click any links or open attachments unless you recognize the sender and know that the content is safe.

Dear Sir,

It has been brought to our notice that the bank is levying service charges with the nomenclature 'ATM Insufficient Funds Charges' to the customers without giving any advance intimation of such charges. In this regard, you are advised to furnish the following information:

1. Submit your comments on the matter covering the nature of these charges, date of implementation, date of approval of these charges, sanctioning authority, calculation/levying criteria, total amount collected during FY 2021-22 for these charges etc.
2. Whether these charges are over and above the minimum balance charges.
3. Whether these charges were approved by Board/ Committee of the Board. If yes, submit Board/ Committee approval notes.
4. Whether these charges were brought the notice of depositors transparently in advance with one month's notice. If yes, submit the documents evidencing the same.
5. Whether these charges were displayed in advance on the bank's website. If yes, submit the chart/ documents evidencing the same.
6. Submit the copy of service charges chart displayed on the bank's website.



Benchmarking Reasonableness of Service Charges



The above information to be submitted by EOD today i.e. June 3, 2022.

Please also advise the concerned official to meet undersigned today with the available details of these charges.

Thanks & Regards,

Department of Supervision / पर्यवेक्षण विभाग

Reserve Bank of India / भारतीय रिजर्व बैंक

Bengaluru (Karnataka) / बैंगलुरु (कर्नाटक)

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[Logo] [Logo]

"Azadi Ka Amrit Mahotsav"

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Benchmarking Reasonableness of Service Charges



Annex

(H)

From: SSMCANARA
Sent: Monday, June 27, 2022 3:40 PM
To:
Subject: FW: RBI INDENT 2947 : Levy of "ATM Insufficient Fund" charges to the customers - Displeasure
Attachments: PEER BANKS IMPLEMENTED CHARGES.docx; IMG-20220604-WA0045.jpg; ORMC Minutes Dated 04 Mar 2021.pdf; Board Note 2017.pdf; 261_2017.pdf; Bank Response Queries- RBI Indent 2947.docx

From: RBS Section
Sent: 27 June 2022 15:37:16 (UTC+05:30) Chennai, Kolkata, Mumbai, New Delhi
To:
Cc: SSMCANARA
Subject: RBI INDENT 2947 : Levy of "ATM Insufficient Fund" charges to the customers - Displeasure

Madam / Dear Sir,

Please find the attachments and Bank's response on the captioned subject.

With Thanks & Regards,

आरबीएस खंड / RBS Section
अनुपालन और आरबीएस विंग / Compliance & RBS Wing
केनरा बैंक: प्रधान कार्यालय: बैंगलुरु / Canara Bank : Head Office : Bengaluru

From:
Sent: 15 June 2022 11:24
To: RBS Section

Cc: SSMCANARA
Subject: Levy of "ATM Insufficient Fund" charges to the customers

CAUTION: This email is originated from outside Canara Bank. Do not click any links or open attachments unless you recognize the sender and know that the content is safe.

Dear Sir,

It has come to our notice that the bank has been levying "ATM Insufficient Fund" charges to the customers.



Benchmarking Reasonableness of Service Charges



2. It has been observed that the bank had not disclosed these charges to the customers in a fair & transparent manner on its website up until June 6, 2022 even while the charges were being levied since FY'2018. The above charges were introduced without ensuring reasonableness of bank charges and appear to be in violation of para 6 and para 8 of the "Master Circular on Customer Service in Banks" dated July 1, 2015.

3. Further, it has been observed that though the bank's Board had not delegated the authority to impose new charges, the above charges were introduced for Off-Us ATM charges during FY'2018 and further expanded to include On-Us ATM charges during FY'2021.

4. You are therefore advised to furnish the rationale/reasonability of levying such charges.

5. Your response should reach us within 7 days from the date of this letter (sent over email).
Please acknowledge receipt.

Thanks & Regards,

Department of Supervision / पर्यवेक्षण विभाग
Reserve Bank of India / भारतीय रिजर्व बैंक
Bengaluru (Karnataka) / बैंगलुरु (कर्नाटक)

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Annex

(I)

Extract of letter dated May 15, 2023 issued to Canara bank

2. यह पत्र आरएमपी के पैरा 6, निरीक्षण रिपोर्ट की "गैर-क्रूण में कमी/ गैर-विदेशी मुद्रा सेवा शुल्क आरंभ करने" संबंधी धारा ॥ (ए) (i), और जोखिम मूल्यांकन रिपोर्ट (आरएआर) के पैरा 1.1.4 (vii) के अंतर्गत संबंधित टिप्पणियों के संदर्भ में जारी किया जा रहा है।
3. बैंक द्वारा लगाए गए एटीएम अपर्याप्त निधि शुल्क के संबंध में बैंक ने पूर्वव्यापी प्रभाव से संशोधित शुल्कों के लिए बोर्ड की स्वीकृति लेने के बारे में, और यह कि बैंक ने 1 जुलाई 2017 से 23 जनवरी 2023 की अवधि के लिए चार्ज किए गए मूल शुल्क और अनुमोदित शुल्क

के बीच के अंतर को कवर करने वाले शुल्क वापस कर दिए हैं, सूचना दी है। इस संबंध में 1 जुलाई 2015 के गाहक सेवा पर मास्टर परिपत्र के पैरा 6 पर ध्यान आकृष्ट किया जाता है, जिसके अनुसार बैंक को यह सुनिश्चित करना चाहिए कि लगाए गए शुल्क उचित हैं और इन सेवाओं को प्रदान करने की औसत लागत से असंगत नहीं हैं। बैंक को यह सुनिश्चित करने के लिए भी ध्यान रखना चाहिए था कि कम गतिविधियों की मात्रा वाले ग्राहकों को दंडित नहीं किया जाए, साथ ही शुल्क निर्धारित करने की व्यवस्था उनके निदेशक मंडल के पूर्व अनुमोदन से की जानी चाहिए थी। इसके अलावा, उपर्युक्त मास्टर परिपत्र के पैरा 8.4 के अनुसार, बैंक को अपनी वेबसाइट पर सेवा शुल्क पर अद्यतन जानकारी प्रदर्शित करनी चाहिए थी। बैंक ने उपर्युक्त निर्देशों का पालन सुनिश्चित नहीं किया। हम इसके लिए अपनी नाराजगी व्यक्त करते हैं। बैंक को सूचित किया जाता है कि वह इस मामले में मौजूदा निर्देशों का निरंतर आधार पर कार्ड से पालन सुनिश्चित करे।

2. This letter is being issued with reference to para 6 of the RMP and related observations under para 1.1.4 (vii) of the Risk Assessment Report (RAR) and Section II (A) (i) on "Deficiencies in non-Credit/ non-Forex Service Charges introduction" of the Inspection Report.

3. With respect to the ATM insufficient fund charges levied by the bank, the bank has informed of having taken Board's approval for the revised charges with retrospective effect and that

it had refunded the charges covering the difference between the original fee charged and the approved fee for the period July 1, 2017 to January 23, 2023. In this regard attention is drawn to para 6 of the Master Circular on Customer Service dated July 1, 2015, as per which the bank should have ensured that the charges levied are reasonable and are not out of line with the average cost of providing these services. The bank should also have taken care to ensure that customers with low volume of activities are not penalised and that the arrangements for working out charges with prior approval of their Boards of Directors should have been made. Further, as per para 8.4 of the aforesaid Master Circular, the bank should have displayed the updated information on service charges on its website. The bank did not ensure adherence to the above instructions. We hereby convey our displeasure for the same. The bank is advised to ensure strict adherence to the extant instructions on the matter on an ongoing basis.



Annexure J: Canara Bank's refund amounts on excess charges imposed on ATM declines



Ref: RLFPW/RIA/CANBK/A/E/24/00081

Date: 28/03/2024

Sri.Chandramouli Mohan



Dear Sir,

Sub: First Appeal under Section 19 of RTI Act, 2005 dated 29/02/2024

I have studied the contents of your Appeal and the application submitted to the Public Information Officer (PIO), Canara Bank, Bengaluru and I conclude as under:

In your RTI application dated 20/01/2024, you requested the following information regarding your pension revision:

"Please refer to RBI's letter S2712/01.12.001/2022-23 (Vol.11) dt July 7, 2023 (Copy attached) and extract of letter of displeasure issued by RBI (Copy attached). As per above cited letter, Canara Bank has confirmed to RBI that they have refunded the "ATM insufficient fund charges" covering the difference between the original fee charged and the approved fee for the period from July 1, 2017 to January 23, 2023.

Information sought:

1. *What is the total amount refunded to the customers in the above cited matter as confirmed to RBI?*
2. *In the above matter, what is the eligible amount that could not be refunded to the customers due to technical reasons like account of the customer has been frozen or closed already?*

The CPIO in her reply dated 19/02/2024 informed as under:

मूलगा का अधिकार अधिनियम अनुभाग
वस्तु विधि व धोखाधड़ी निवारण विभाग,
प्रधान कार्यालय (अमेक्स)
एल आई सी बिल्डिंग
113जे सी रोड
बंगलूरु 002 560 -

RIGHT TO INFORMATION ACT SECTION
RECOVERY, LEGAL AND FRAUD PREVENTION WING
HEAD OFFICE (ANNEX)
LIC BUILDING
113 J C ROAD
BENGALURU-560002

४ : 080-22116378
Email: horia@canarabank.com





"1,2-The information sought by you is not maintained in the manner sought by you and for collecting and compiling the information sought exclusively to reply to the RTI Application, the PIO has to divert its limited resources disproportionately. Hence, exempted under section 7 sub section 9 of the RTI Act, 2005."

You have preferred the subject Appeal alleging that CPIO has provided incomplete, misleading or false information.

In this regard, I concur with the CPIO. However, after being taken up with the concerned User Section once again, they collected and furnished the information as under:

1. Total amount refunded to customers is Rs.23.63 crores.
2. Total amount that could not be refunded to customers due to technical reasons like account of the customer has been frozen or closed already is Rs.0.68 crores.

I have nothing further to add.

Accordingly, subject appeal is disposed off.

Yours sincerely



(HARI PV)
APPELLATE AUTHORITY
DEPUTY GENERAL MANAGER

मूल्याकार अधिकार अधिनियम अनुभाग
वर्तमान विधि व धोखाधडी निवारण विभाग,
प्रधान कार्यालय (अनेकस)
एल आई टी विलिंग
.113 जे सी रोड
बैंगलुरु 002 560 -

RIGHT TO INFORMATION ACT SECTION
RECOVERY, LEGAL AND FRAUD PREVENTION WING
HEAD OFFICE (ANNEX)
LIC BUILDING
113 J C ROAD
BENGALURU-560002

Phone : 080-22116378

Email: horia@canarabank.com

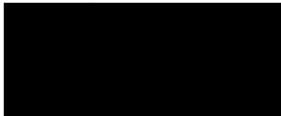




Ref: RLFPW/RIA/CANBK/A/E/24/00080

Date: 28/03/2024

Sri.Chandramouli Mohan



Dear Sir,

Sub: First Appeal under Section 19 of RTI Act, 2005 dated 29/02/2024

I have studied the contents of your Appeal and the application submitted to the Public Information Officer (PIO), Canara Bank, Bengaluru and I conclude as under:

In your RTI application dated 20/01/2024, you requested the following information regarding your pension revision:

What is the total amount of GST portion (on the service charges collected on "ATM insufficient balance charges") refunded to the customers as confirmed in the above cited letter?

The CPIO in her reply dated 19/02/2024 informed as under:

"The information sought by you is not maintained in the manner sought by you and for collecting and compiling the information sought exclusively to reply to the RTI Application, the PIO has to divert its limited resources disproportionately. Hence, exempted under section 7 sub section 9 of the RTI Act, 2005."

सूचना का अधिकार अधिनियम अनुभाग
वसूली विधि व धोखाधड़ी निवारण विभाग ,
प्रधान कार्यालय (अनेकस)
एल आई सी बिल्डिंग
, 113 जे.सी. रोड
बंगलुरु 002 560 -

RIGHT TO INFORMATION ACT SECTION
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BENGALURU-560002

४ : 080-22116378

Email: horia@canarabank.com



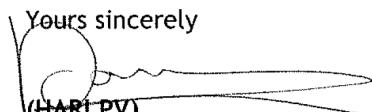
You have preferred the subject Appeal alleging that CPIO has provided incomplete, misleading or false information.

In this regard, I concur with the CPIO. However, after being taken up with the concerned User Section once again, they collected and furnished the information as under:

“Total amount of GST portion (on the service charges collected on “ATM insufficient balance charges”) refunded to the customers is Rs.3.59 crores.”

I have nothing further to add.

Accordingly, subject appeal is disposed off.

Yours sincerely

(HARI PV)
APPELLATE AUTHORITY
DEPUTY GENERAL MANAGER

सूचना का अधिकार अधिनियम अनुभाग
वसूली विधि व धोखाशई निवारण विभाग
प्रधान कार्यालय (अनेकस)
एल आई सी बिल्डिंग
113ओ सी रोड
बैंगलुरु 002 560 -

RIGHT TO INFORMATION ACT SECTION
RECOVERY, LEGAL AND FRAUD PREVENTION WING
HEAD OFFICE (ANNEX)
LIC BUILDING
113 J C ROAD
BENGALURU-560002
Phone : 080-22116378
Email: horia@canarabank.com





Annexure K: RBI's understanding of the PSS Act- "directly or indirectly"

Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376
Attachments: Action history of registration number DEABD_E_2023_0030376.pdf; DEABD_E_2022_81975-Mohan Chandramouli.pdf; DEABD_E_2022_81975-Annex.pdf; DEABD_E_2023_0030376.pdf; FW: CPGRAMS complaint - DEABD_E_2023_0030376

From:
Sent: 20 July 2023 18:22
To:
Cc:
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Please refer to your CPGRAM complaint DEABD/E/2023/0030376.

2. In this regard, our reply is as under.

Sl. No.	Query	Reply
1.	CBDT Directive that banks cannot levy any extra charge on transactions made through electronic modes on or after January 1, 2020. "... based on section 10A of the Payment and Settlement Systems Act 2007, any charge including the MDR (Merchant Discount Rate) shall not be applicable on or after 1st January 2020 on payment made through prescribed electronic modes," CBDT said in a statement	The information sought is not clear as no reference to any particular transaction is made in the complaint.
2.	Clarification about the words "directly or indirectly" in provision 10 (A) of PSS Act would clear the doubt in the air.	The information sought is not clear as no reference to any particular transaction is made in the complaint

Regards
प्रबंधक / Manager
भूगतान और निपटान प्रणाली विभाग / Department of Payment and Settlement Systems
केंद्रीय कार्यालय/Central Office
भारतीय रिजर्व बैंक / Reserve Bank of India

Author's note: The query re-framed by RBI and the concluding reply (as above) are in complete disagreement with what RBI has internalised, as seen in the internal correspondence that follows. This is detrimental to consumer protection and fairness to truthfully handle such issues.



Benchmarking Reasonableness of Service Charges



Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376
Attachments: Action history of registration number DEABD_E_2023_0030376.pdf; DEABD_E_2022_81975-Mohan Chandramouli.pdf; DEABD_E_2022_81975-Annex.pdf; DEABD_E_2023_0030376.pdf; FW: CPGRAMS complaint - DEABD_E_2023_0030376 ; CPGRAM -C Mouli.docx

From:
Sent: 20 July 2023 18:19
To:
Cc:
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Madam,

DRAFT REPLY FOR CPGRAM DEABD_E_2023_0030376 is enclosed for approval

Regards
प्रबंधक / Manager

अमंगतान और निपटान प्रणाली विभाग / Department of Payment and Settlement Systems
केंद्रीय कार्यालय/Central Office
भारतीय रिजर्व बैंक / Reserve Bank of India
मुंबई / Mumbai



From:
Sent: 20 July 2023 16:12
To:
Cc:
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Madam,

The complainant, Shri Mohan Chandramouli had lodged 1st complaint on October 10, 2022 vide DEABD/E/2022/81975 wherein the following matters were highlighted –

- a. CBDT's move to disarm banks by prohibiting levying extra-charges on e-transactions carried out on or after January 1,2020.
- b. Government's move directing banks to reverse charges levied such as MDR.
- c. A paper written by a IIT Bombay professor highlighting probable levy of indirect charges by banks that indirectly impedes digital ecosystem growth.
- d. Clarification on words "directly or indirectly" in provision 10 (A) of PSS Act that may result in banks reversing huge corpus of money levied in the name of Service Charges.



Benchmarking Reasonableness of Service Charges



2. The said CPGRAMS was closed vide DPSS, HelpDesk's reply dated November 10, 2022 stating the issues flagged were under examination.

3. Policy Division had received email dated January 31, 2023 from DOR seeking clarification on whether DPSS has issued any guidelines/instructions with respect to the CBDT directions and if DPSS has received any references flagging the issue of non-compliance of the CBDT directions by banks or payment system providers and PD clarified DOR (on January 31, 2023) that DPSS has not issued any specific guidelines in connection with the subject and the department has also not received any references flagging the issues pertaining to non-compliance of the CBDT directions.

4. The complainant has freshly lodged another CPGRAMS vide DEABD/E/2023/0030376 on March 31, 2023. The contain of the complaint is about **banks levying services charges on exempted digital transactions violating the CBDT guidelines and RBI is yet to take action.**

As advised by Policy Division the complaint was forwarded to DOR in May 2023 for direct reply to complainant. However, DOR has again forwarded the complaint to DPSS on July 14, 2023 and the same was again referred to Policy Division. Policy Division has advised us on July 19, 2023 to transfer the complaint to DoR (mail enclosed).

Submitted for orders please.

Regards

प्रबंधक / Manager

भुगतान और निपटान प्रणाली विभाग / Department of Payment and Settlement Systems

केंद्रीय कार्यालय/Central Office

भारतीय रिजर्व बैंक / Reserve Bank of India

मुंबई / Mumbai



From:

Sent: 20 July 2023 12:55

To:

Subject: Re: CPGRAMS complaint - DEABD_E_2023_0030376

आदरणीय महोदया,

The complainant had initially lodged CPGRAMS vide DEABD/E/2022/81975 wherein the following matters were highlighted –

- a. CBDT's move to disarm banks by prohibiting levying extra-charges on e-transactions carried out on or after January '20.
- b. Government's move directing banks to reverse charges levied such as MDR.
- c. A paper written by a IIT Bombay professor highlighting probable levy of indirect charges by banks that indirectly impedes digital ecosystem growth.
- d. Clarification on words "directly or indirectly" in provision 10 (A) of PSS Act that may result in banks reversing huge corpus of money levied in the name of Service Charges.



2. The said CPGRAMS was closed vide DPSS, HelpDesk's reply dated November 10, 2022 stating the issues flagged were under examination. The complainant has freshly lodged another CPGRAMS vide DEABD/E/2023/0030376 on March 31, 2023.
3. DPSS, CO vide its mail dated January 31, 2023 has already clarified that as such no guidelines have been issued with respect to non-compliance of CBDT directions.
4. Pertaining to query 'd', it could be opined that DPSS, CO as such is not empowered to interpret the words made use of in the Act and hence the captioned CPGRAMS may be forwarded to DoR/Legal Department for necessary action at their end.

Thanks & Regards,

सहायक प्रबंधक/ Assistant Manager

भुगतान और निपटान प्रणाली विभाग/Department of Payment and Settlement Systems

केंद्रीय कार्यालय, मुंबई / Central Office, Mumbai

आरतीय रिजर्व बैंक / Reserve Bank Of India

From:
Sent: 20 July 2023 11:46
To:
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Regards

प्रबंधक / Manager

भुगतान और निपटान प्रणाली विभाग / Department of Payment and Settlement Systems

केंद्रीय कार्यालय/Central Office

आरतीय रिजर्व बैंक / Reserve Bank of India

मुंबई / Mumbai



From:
Sent: 19 July 2023 19:21
To:
Cc:
Subject: CPGRAMS complaint - DEABD_E_2023_0030376
Importance: High

Madam,

We have earlier received the said reference in April 2023 and we had transferred the same to DOR in May, 2023 as advised by PD.

Action history of the same is enclosed.

From:
Sent: Wednesday, July 19, 2023 5:39 AM
To:
Cc:
Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376
Importance: High

महोदया,

With reference to the captioned CPGRAMS complaint, the response from policy division is mentioned below.



2. We may, if approved forward the complaint to Department of Regulation with comments:

"

कृपया शिकायत की जांच समयबद्ध रूप से करने की व्यवस्था करें और शिकायतकर्ता को उपयुक्त उत्तर भेजें और उसके निपटान के तुरंत बाद शिकायतकर्ता को भेजें गए उत्तर को सीपीग्राम्स पोर्टल पर भी अपनी टिप्पणी/ कार्रवाई के साथ अपलोड करें।

Kindly arrange to examine and redress the grievance and give an appropriate reply to the complainant within a time-bound manner. After redressal, a copy of the reply given to the complainant along with your comments/action may be uploaded on the CPGRAMS portal

"

For approval please.

सादर | Regards

सहायक | Assistant

भुगतान और निपटान प्रणाली विभाग (केंद्रीय कार्यालय) | DPSS, CO

भारतीय रिज़र्व बैंक | Reserve Bank of India

मुंबई | Mumbai



From:

Sent: 19 July 2023 15:39

To:

Cc:

Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Importance: High

महोदय / महोदया,



Benchmarking Reasonableness of Service Charges



PFA the earlier responses requesting Admin to forward the same to DoR, as the subject case was dealt by the department.

You may forward the complaint on the portal to DoR. It had the approval of the then CGM.

धन्यवाद।

सहायक प्रबंधक / Assistant Manager

भुगतान और निपटान प्रणाली विभाग / Department of Payment & Settlement Systems

केन्द्रीय कार्यालय / Central Office

14 वी मंज़िल, केन्द्रीय कार्यालय भवन / 14th Floor, Central Office Building

भारतीय रिजर्व बैंक / Reserve Bank of India

फोर्ट / मुंबई / Fort, Mumbai-400001



From:

Sent: 19 July 2023 15:10

To:

Cc:

Subject: FW: CPGRAMS complaint - DEABD_E_2023_0030376

Importance: High

महोदय,

Please find attached the interim reply provided to CPGRAMS complaint - DEABD/E/2022/81975



2. In this regard, the complainant has raised a new complaint - DEABD_E_2023_0030376 regarding Clarification in the matter and order refund of wrongly collected service charges to all the customers.

3. In view of the CPGRAMS review by Ministry and top management of RBI on July 21, 2023 , it is requested to kindly provide reply to complaint DEABD_E_2023_0030376 by today evening.

4. Kindly treat this is most urgent.

सादर | Regards

सहायक | Assistant

भुगतान और निपटान प्रणाली विभाग (केंद्रीय कार्यालय) | DPSS, CO

भारतीय रिज़र्व बैंक | Reserve Bank of India

मुंबई | Mumbai



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Annexure L: Response of RBI towards RTI query



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

पर्यवेक्षण केंद्रों आरआईए सं. 510487/01.13.001/2023-24

मार्च 27, 2024

By Email/By Post

Chandramouli Mohan

रिज़र्व बैंक ऑफ इंडिया, एसटीएल, बैंगलोर - 560001

महोदय/Dear Sir,

सूचना का अधिकार अधिनियम, 2005 /Right to Information Act, 2005

हमारा संदर्भ सं. आरआईए RBIND/R/E/23/07431 अपील सं. RBIND/A/E/24/00086

Please find enclosed order dated March 12, 2024 passed by the First Appellate Authority in the captioned appeal filed by you.

2. In compliance to the directions contained in para 4 of the aforesaid Order, our revisited response to the queries in RTI application is as under.

मांगी गई सूचना / Information sought	हमारा उत्तर /Our reply
This has reference to the email/letter RBI/Cansaral/004/2021 dt 30 th Oct 2021 sent by me to RBI (attachment1) wherein a complaint was made against Canara Bank for their imposition of illegal charges to the tune of Rs 5 per UPI transaction onto BSBD Account holders.	Consequently, on 25 th Jan 2022, RBI's response was received from ssm.canara@rbi.org.in SSM Division, RBI, Bangalore (attachment2). The response from the SSM states- "it is advised that the allegations made in your complaint were examined by the SSM Division and necessary action has been taken wherever required."
Information sought:	
1. Please provide copy of the correspondence (emails, file-noting, letters, or any other relevant documents that served as the back-papers for the decision-making process) during the 3-month period November 2021-January 2022 that relates to the investigation of the complaint and consequent 'necessary'	A copy of office note recorded in the SSM (Senior Supervisory Manager) Division-Canara Bank during the requested period in the said complaint matter is enclosed after redacting the information not relevant to the query raised in RTI application and personal information of individuals exempt from

पर्यवेक्षण विभाग, केंद्रीय कार्यालय, सेटर 1, विश्व व्यापार केंद्र, कफ परेड, कोलाबा, मुंबई-400 005

फोन नं: 022-2218 0131-39 फैक्स नं: 022-22160932

Department of Supervision, Central Office, World Trade Centre 1, Cuffe Parade, Colaba, Mumbai - 400 005
Tel: 022-2218 0131-39 Fax: 022-22160932

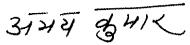
हिन्दी आसान है, इसका प्रयोग बढ़ाइए



RIA No. RBIND/R/E/23/07431 Appeal No. RBIND/A/E/24/00086

action/ decision taken by RBI on the matter with reasons for such decision.	disclosure under Section 8(1)(j) of the RTI Act 2005.
2. Also, please provide copy of the document showcasing the final decision/ action taken by RBI in this matter.	The issues raised in the complaint were examined in detail by the SSM Division-Canara Bank during the ISE(Inspection for Supervisory Evaluation) 2022 (i.e. w.r.t position as on March 31, 2022). On establishment of the violations, the bank was advised to refund the undue charges collected. In compliance, Canara Bank had refunded the charges. The same has been certified by the statutory auditors of the bank.

भवदीय / Yours faithfully,


(अभय कुमार) / (Abhay Kumar)
केंद्रीय लोक सूचना अधिकारी / Central Public Information Officer
अनुलग्नक: यथोक्त / Encls: As above



Before the Appellate Authority under Right to Information Act, 2005
Reserve Bank of India, Central Office, Mumbai
Appeal No. RBIND/A/E/24/00086

Name of the Appellant : Chandramouli Mohan
Date of receipt of RTI application in RBI : 22/12/2023
(RBIND/R/E/23/07431)
Date of issue of reply by CPIO, DoS : 17/01/2024
Date of receipt of first appeal : 31/01/2024

1. Preliminary observations: In the original application filed by the appellant under the provisions of Right to Information Act, 2005 ('RTI Act'), the appellant had referred to a complaint made by him with the Reserve Bank of India ('RBI') against collection of Rs.5/- per transaction by Canara Bank from its customers for withdrawal of money through ATMs including through Unified Payment Interface (UPI) beyond a certain number of transactions in a month. This complaint was disposed of by the CPIO by an email dated January 25, 2022. In his original application under RTI Act, the appellant sought copies of the emails, filing noting, letters etc. related to the action taken on his complaint including the final decision taken thereon.

2. The RTI application was responded to by the CPIO, DoS vide letter dated January 17, 2024 stating that the complaint received from the complainant was processed and closed by RBI by issuing a reply to the complainant vide email dated January 25, 2022. As regards providing the information, i.e., email exchanged, office noting etc., the CPIO has expressed his inability to provide the same in terms of Section 7 (9) of the RTI Act as the requested information is spread across various files and locations and compiling the same would disproportionately divert the resources of the public authority.

3. Ground/relief sought: Dissatisfied with the reply given by the CPIO, the appellant has preferred this appeal. It is contended that the complaint filed by the appellant against Canara Bank was closed by stating that 'necessary action has been taken wherever required' and without disclosing the explicit action that was taken. It is contended that the matter is of public interest and it is the obligation of the public authority under Section 4 of the RTI Act to provide all the relevant facts while taking a decision which affects the public, along with the reasons for its decisions. In the appeal, the appellant has stated that he may be provided only with the information available with the SSM Division, RBI Bangalore and also the final decision/ action taken by SSM Division.

4. My Observations: I have considered the original application, the reply given by the CPIO and the appeal preferred by the appellant. The CPIO stated in his reply that the complaint dated October 30, 2021 received from the appellant was closed after issuing a reply by email dated January 25, 2022. As regards the back papers related to the decision making process, it was stated by the CPIO that the same are not maintained in a complied form and is spread across various files and locations and as such could not be disclosed as referred to in section 7 (9) of the RTI Act. As discussed earlier, in the appeal, the appellant has limited his request to those information available with the SSM Division in Bengaluru. Again, it is noticed that the information requested by the appellant is limited to a period of three months from November 2021 to January 2022. As such, I am inclined to allow this appeal directing the CPIO to

Appeal No. RBIND/A/E/24/00086_AK





reconsider the original application under RTI Act afresh within a period of 15 working days from the date of receipt of this order subject to the provisions of RTI Act.

5. The appeal is disposed of as above.

6. The order may be served on the appellant. A copy of this order may also be served upon the CPIO for compliance within 15 working days from the date of receipt of this order.

[Dr. Deepak Kumar]
Executive Director & Appellate Authority
12/03/2024



Appeal No. RBIND/A/E/24/00086_AK



भारतीय रिजर्व बैंक, बैंगलुरु / RESERVE BANK OF INDIA, BENGALURU

पर्यवेक्षण विभाग / DEPARTMENT OF SUPERVISION

एसएसएम अनुभाग-केनरा बैंक / SSM SECTION – CANARA BANK

Violations by Canara Bank - Need for punitive Action – Complaint by Shri C Mohan

We are in receipt of an email dated October 30, 2021 from C Mohan on the captioned subject, forwarding therewith two complaints. One is regarding Violation of Payment Settlement Systems Act, 2007 and the other regarding unfair practices during the current Financial Year with an intention of reaching their targets for enrolment to Govt schemes.

A. Violation of Payment Settlement Systems Act, 2007 and CBDT directives by Canara Bank:

2. The complainant has made allegations that Canara bank has been levying exorbitant charges in BSBD Accounts and also against the instructions of CBDT and Payment & Settlement Systems Act, 2007. The complainant had also sent copy of the complaints posted in social media (Twitter) by other customers of the bank.

In this regard, the matter was taken up with the bank and comments were sought from the bank. The allegations made by the complainant and comments of the SSM Division thereto are as under;

a) **Allegation:** Canara Bank has been levying charges of Rs.5/- Plus GST whenever the number of debit transactions (including cash withdrawals) in a Basic SB account exceeds 4 in a month. In other words, the bank takes all the debit transactions - including those in digital mode - UPI, IMPS, NEFT etc. - of the customers into account while arriving at the number of transactions in a month.

SSM comments: Service charge for withdrawals (beyond first four free withdrawals): It is observed that the bank offers four free withdrawals in a month for BSBD accounts, as per RBI Circular Ref No. DBR.LEG.BC.No. 47/09.07.005/2018-19 dated June 10, 2019. However, beyond four withdrawals in a month, the bank charges Rs.5/- + GST per transaction. Further, it is stated in para 3 of the Circular, *ibid*, "that banks are free to provide additional value-added services, including issue of cheque book, beyond the above minimum facilities, which may/may not be priced (in non-discriminatory





manner) subject to disclosure. The availment of such additional services shall be at the option of the customers." In view of this, we may not initiate any action.

b) Allegation: CBDT asked banks to refund the charges collected, if any, on or after January 1, 2020 on transactions carried out using the digital mode and not to impose charges on future transactions carried out through such modes. Section 10A of the Payment and Settlement Systems Act, 2007 which was inserted by the Finance Act provides that no bank or system provider shall impose and charge on a payer, or a beneficiary receiving payment, through electronic mode prescribed under Section 269SU of the Act. I am afraid that "Can saral min txns charges" – as stated in the narration - levied by Canara Bank is clear violation of CBDT directives and Payment Settlement Systems Act, 2007. It can also be construed as default in Regulatory Compliance.

SSM Comments: It is observed from the CBDT letter dated August 30, 2020 on "Imposition of charge on the prescribed electronic modes under section 269SU of the Income-tax Act, 1961 – reg." that a new provision namely section 10A was also inserted in the Payment and Settlement Systems Act 2007 ("the PSS Act"), which provides that no bank or system provider shall impose any charge on a payer making payment, or a beneficiary receiving payment, through electronic modes prescribed under section 269SU of their IT Act. Subsequently vide notification no. 105/2019 dated 30 .12.2019 (i) Debit Card powered by RuPay; (ii) Unified Payments Interface (UPI) (SHIM-UPI); and (iii) Unified Payments Interface Quick Response Code (UPI QR Code) (SHIM-UPI QR Code) were notified as prescribed electronic modes under section 269 SU of the IT Act. In this regard, the bank confirmed that IMPS Charges along with service charges for making payments through electronic modes from following channels are not being levied for BSBD Accounts:

- Debit Card powered by Rupay
- Unified Payment Interface (UPI) (BHIM-UPI)
- Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM UPI QR Code).

Further, the bank also confirmed that it has not levied any service charges for the transaction carried out using electronic modes prescribed under section 269SU of IT Act., after January 01, 2020.





c) Allegation: It is also "Unjust Enrichment" on the part of the bank to have collected such exorbitant charges. In my humble opinion, there appears to be a systemic failure at all levels of Administrative and Monitoring departments of the Bank (say Customer Service Dept, Compliance Dept, Risk Management Dept, Information Technology Dept, Audit Department) which has led to this precarious situation.

SSM Comments: Service Charges levied by the bank for various transactions were examined and the observations are as under;

NEFT Charges: For SB products, NEFT charges levied by the bank are as under;

- a) Nil for Savings Bank a/c holders for funds transfer done through the NEFT system which are initiated online (Internet banking and / or mobile apps of the bank) w.e.f January 01, 2020.
- b) For NEFT transactions done through branches, the charges levied are as under;

Amount of NEFT Transaction	Customer Charges (Exclusive of GST)
Upto Rs.10,000/-	Rs.2.25
Rs.10001 and upto Rs.1 lakh	Rs.4.75
Above Rs.1 lakh and upto Rs.2 lakh	Rs.14.75
Above Rs.2 lakh	Rs.24.75

It is observed that the charges levied by the bank for NEFT transactions done through branches are in line with the RBI prescribed charges.

F

ii. Charges for IMPS Transactions: For SB accounts other than BSBD and PMJDY, IMPS Funds Transfer through Mobile Banking and Internet Banking Services are as under;

Up to Rs. 5,000/-: NIL

Beyond Rs. 5,000/- to up to Rs. 25,000/-: Rs.5/-

Beyond Rs. 25,000/- to up to Rs.1 lakh: Rs. 10/-

Beyond Rs.1 lakh to up to Rs.2 lakhs: Rs. 15/-

It is pertinent to mention here that based on a thematic study conducted by MAG, DOS, CO on service charges levied by banks, it was observed that Canara bank was found to be outlier in three areas, including the observation "**while some PSBs have waived off IMPS charges on digital transactions, Canara bank and three other PSBs are still levying them.**". In this regard, the bank was advised vide our letter dated a March 29,

G



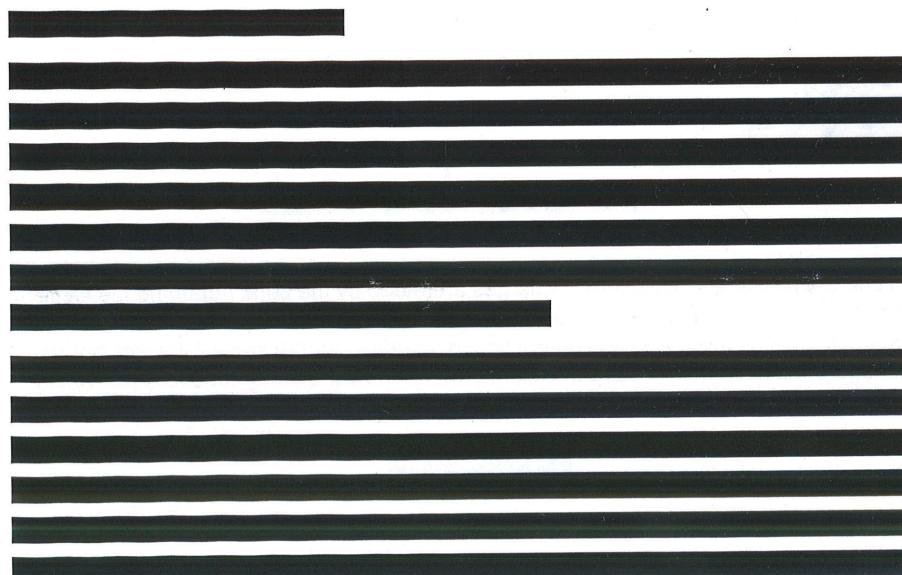
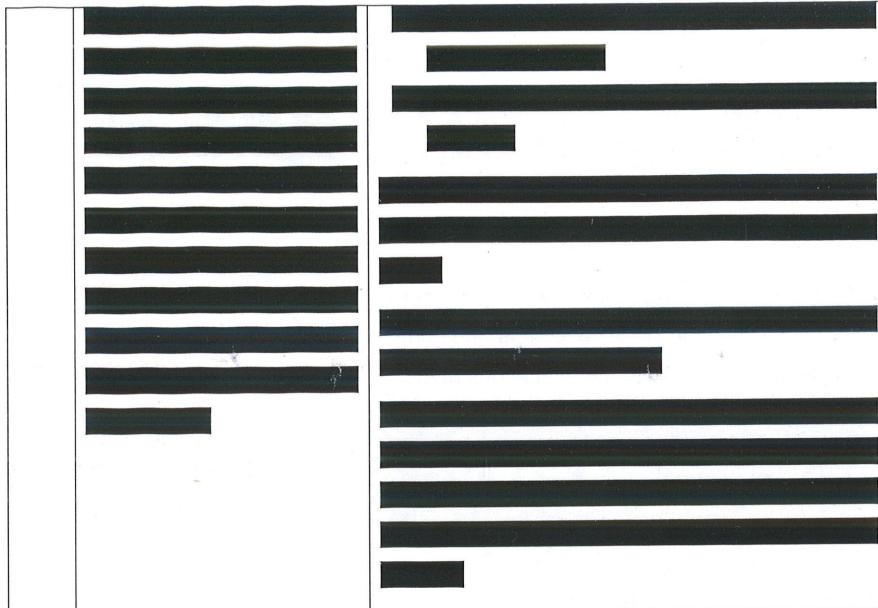


2021, to review the service charges levied by it and ensure that the charges are reasonable and not out of line with the average cost of providing the service. In response, the bank, vide letter dated April 15, 2021, had submitted that the bank has taken note of the observation and shall review the same during the ensuing review of service charges. Further, it is learnt that the bank proposed the review of service charges to the Board, vide note dated July 06, 2021. However, the Board deferred the same on July 27, 2021. In view of the above, we may advise the bank to expedite the process of reviewing the service charge.

d) Allegation: I earnestly request you to issue suitable orders / directives to Canara Bank for immediate refund of the excess / undue charges levied to its customers from 1st Jan 2020 as done by State Bank of India.

SSM Comments: It is confirmed by the bank that it has not charged any service charge for the transaction done through electronic modes prescribed under section 269SU of IT Act., after January 01, 2020.







[REDACTED]

5. Proposal:

a) As regards the allegations made by the complainant with regard to service charges levied by the bank in BSBD accounts and compliance of the bank with regard to CBDT instructions, we may treat the allegations made in the complaint as not-substantiated.

[REDACTED]

I

c) The bank may be advised to expedite the processing of reviewing the service charges as advised vide our letter dated March 29, 2021.

Submitted for approval please.

Sd/-

January 10, 2022

[REDACTED]

(Pl check whether full disclosure of charges are made by the bank regarding the value added services provided in BSBD accounts. Also, it is not clear how enrolment for Govt schemes is automated. Isn't customer consent obtained for the same for which branch managers will have to interact with customers? So, how are unfair practices prevented then. We may also advise the bank as proposed to expedite the review of charges.)





Resubmitted pl:

With reference to the queries of SSM, the matter was taken up with the bank and the following observations were made.

Query 1: PI check whether full disclosure of charges are made by the bank regarding the value added services provided in BSBD accounts.

Comments of SSM Division: The bank has disclosed the basic facilities provided to the BSDB Account. The bank has also disclosed the information with regard to withdrawal, wherein it has mentioned that "*Maximum 4 withdrawals per month including drawings through ATM free of charge. Withdrawals exceeding 4 per month would be levied a service charge at the rate not exceeding Rs.5/- per withdrawal*". Further, the bank has also disclosed in its website regarding the IMPS, Account closure and charges for SMS alert, for which BSBD Accounts are exempted.

The image consists of a series of horizontal black bars of varying lengths, arranged vertically. The bars are solid black and have irregular, slightly jagged edges. They are positioned against a white background. The lengths of the bars decrease as they move from top to bottom. There are approximately ten bars in total.





A series of horizontal black bars of varying lengths, arranged vertically. The top four bars are of equal length, while the bottom two are significantly shorter, creating a visual effect of a partially cut-off list or a redacted section.

Proposal:

- a) As regards the allegations made by the complainant with regard to service charges levied by the bank in BSBD accounts and compliance of the bank with regard to CBDT instructions, we may treat the allegations as not substantiated.

b) [REDACTED]

c) [REDACTED]

d) In view of the above, we may treat the matter as dealt with and close the complaint at our end and advise the complainant accordingly.





Submitted for approval please.

Sd/-

January 24, 2022

Draft email to the complainant





Benchmarking Reasonableness of Service Charges



Dear Sir

Please refer to the trailing mail dated October 30, 2021 on the captioned subject.

2. In this regard, it is advised that the allegations made in your complaint were examined by the SSM Division and necessary action has been taken, wherever required.
3. Thus, the complaint is being treated as closed at our end.

With regards

SSM Division-Canara Bank

RBI, Bengaluru

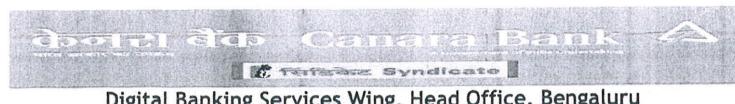
12



Author's note: RBI-SSM's reply to the complainant (as above) concealed the fact that RBI did not find enough substance to uphold the allegation. This unnecessarily hurt the affected users of UPI. The reply has an inherent tone that RBI has taken necessary action correctly, though it was to the contrary.



Benchmarking Reasonableness of Service Charges



F

Digital Banking Services Wing, Head Office, Bengaluru

RBI INDENT 2277 :- Service charges levied by the bank for withdrawals

S No	Observations	DBS Wing Reply
(a)	Debit Card powered by RuPay.	
(b)	Unified Payments Interface (<u>UPI</u>) (<u>BHIM-UPI</u>).	We confirm that our Bank has not levied any charges on or after January 01, 2020 for transactions carried out using the electronic modes prescribed under section 269SU of the IT Act.
(c)	Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code).	

Date: - 14.12.2021





Benchmarking Reasonableness of Service Charges



[G]



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

गोपनीय / Confidential

March 29, 2021

29 मार्च 2021

प्रबंध निदेशक और मुख्य कार्यकारी अधिकारी

The Managing Director & Chief Executive Officer

कैनरा बैंक Canara Bank

प्रधान कार्यालय Head Office

नंबर 112, जे.सी. रोड No. 112, J.C. Road

बैंगलुरु Bengaluru

कर्नाटक- 560002 Karnataka- 560002

प्रिय महोदय Dear Sir,

कैनरा बैंक द्वारा लगाए गए सेवा प्रभार

Service Charges levied by Canara bank

भारतीय रिज़र्व बैंक द्वारा बैंकों में लगाए गए सेवा शुल्क पर एक अध्ययन किया गया था। कैनरा बैंक में तीन क्षेत्रों में यह अधिक पाया गया, जैसा कि नीचे बताया गया है:

A study was conducted by Reserve Bank of India on service charges levied across the banks. Canara Bank was found to be outlier in three areas, as mentioned below:

- i) हालांकि कुछ पीएसबी द्वारा डिजिटल लेनदेन पर आईएमपीएस शुल्क माफ कर दिया गया है, कैनरा बैंक अभी भी यह शुल्क लगा रहा है।

While some PSBs have waived off IMPS charges on digital transactions, Canara bank is still levying them.

- ii) ऋण के लिए प्रसंस्करण शुल्क के संदर्भ में, कैनरा बैंक आवास ऋण के लिए उच्च दर पर चार्ज कर रहा है।

पर्यवेक्षण विभाग , 8/3/10 , वृंदावन रोड, बैंगलुरु - 560001
Department of Supervision, 10/3/8, Nrupathunga Road, Bengaluru - 560 001
Tel: (080) 2218 0372 Fax: (080) 2223 2185 E-mail: ssm.canara@rbi.org.in





In terms of processing fees for loans, Canara bank is charging on the higher side for housing loans.

- iii) बैंक एनएसीएच जनादेश पंजीकरण के लिए सबसे अधिक रु. 200 शुल्क ले रहा है, जबकि अन्य पीएसबी अधिकांश औसत रु.100 चार्ज कर रहे हैं।

The bank is charging one of the highest fees of ₹200 for NACH Mandate registration whereas most of the other PSBs are charging on an average ₹100.

2. जैसा कि आप जानते हैं, सेवा शुल्क निर्धारित करने के निर्णय को समाप्त कर दिया गया है और व्यक्तिगत बैंकों को सौंप दिया गया है। हालांकि, विभिन्न प्रकार की सेवाओं जैसे चेक संग्रह के लिए शुल्क आदि के लिए सेवा शुल्क तय करते समय, बैंकों को सलाह दी गई है कि वे 1 जुलाई 2015 को बैंकों में ग्राहक सेवा पर मास्टर परिपत्र के अनुसार, यह सुनिश्चित करें कि शुल्क उचित हैं और यह सेवाएं प्रदान करने की औसत लागत से अधिक नहीं हैं।

As you are aware, the decision to prescribe service charges has been deregulated and left to individual banks. However, while fixing service charges for various types of services like charges for cheque collection, etc., the banks are advised vide Master Circular on Customer Service in Banks dated July 1, 2015, to ensure that the charges are reasonable and are not out of line with the average cost of providing these services.

3. पूर्वगामी के मद्देनजर, बैंक को सलाह दी जाती है कि वह सेवा शुल्क की समीक्षा करे, विशेष रूप से ऊपर वताए गए शुल्क और सुनिश्चित करें कि शुल्क उचित हैं और ये सेवाएं प्रदान करने की औसत लागत से अधिक नहीं हैं। बैंक को हमें इस पत्र की तारीख से 15 दिनों के भीतर मामले में की गई कार्रवाई संबंधी रिपोर्ट प्रस्तुत करने की सलाह दी जाती है।

In view of the foregoing, the bank is advised to review the service charges levied by it specifically the charges mentioned above and ensure that the charges are reasonable and are not out of line with the average cost of providing these services. The bank is also advised to furnish us an action taken report in the matter within 15 days from the date of this letter.





Benchmarking Reasonableness of Service Charges



4. कृपया पावती भेजें।

Kindly acknowledge receipt.

भवदीय Yours faithfully,





Annexure M: Analysis out of the two questions raised in the Rajya Sabha

A. RAJYA SABHA: UNSTARRED QUESTION No. 1807

ANSWERED ON TUESDAY, DECEMBER 14, 2021/ AGRAHAYANA 23, 1943 (SAKA)

Fees charged by SBI on Jan Dhan accounts

1807. SHRI NARAIN DASS GUPTA

Will the Minister of FINANCE be pleased to state:

- (a) whether government is aware of the fact that State Bank of India (SBI) has charged fees from the poor people holding Jan-Dhan accounts going against the rules;
- (b) if so, the amount of funds collected by bank from the financial year 2017-18 till October 2020-21;
- (c) whether Government would take action against the officials who charged fees from Jan-Dhan Account holders in violations of the rules; and
- (d) if not, whether Government would issue directions to the banks to refund the fees collection form Jan-Dhan account holders?

Answer (*Author's comments to the reply are in red*)

The Minister of State in the Ministry of Finance (DR BHAGWAT KARAD)

(a) to (d) As per extant guidelines of Reserve Bank of India (RBI), Basic Savings Bank Deposit Account (BSBDA) including accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) provide **following basic minimum facilities** free of charge and without any requirement for maintaining minimum balance in the account:

- i. Deposit of cash at bank branch as well as ATMs/Cash Deposit Machines (CDMs).
- ii. Receipt/ credit of money through any electronic channel or by means of deposit /collection of cheques drawn by Central/State Government agencies and departments.
- iii. No limit on number and value of deposits that can be made in a month.

iv. Minimum of four withdrawals in a month, including ATM withdrawals.

v. ATM Card or ATM-cum-Debit Card

RBI has also advised that Banks would be free to evolve requirements including pricing structure for additional value-added services beyond the stipulated basic minimum services on **reasonable and transparent basis** and are to be applied in a non-discriminatory manner. The availment of such services are to be made at the option of the customers.

The above mentioned extant regulatory guidelines of RBI apply only from July 1, 2019. Prior guidelines are different. Since the questions pertain to the period April 2017 through October 2021, to clearly understand the reply, earlier guidelines (i.e., prior to July 1, 2019) that is different from extant guidelines (July 1, 2019 onwards) need to be spelt out clearly.



State Bank of India has informed that they have levied charges **only** on the value added services demanded by the Jan-Dhan customers beyond the prescribed number of free services as mentioned above.

What are the additional value-added services offered by SBI for which SBI levied charges? SBI considered the digital transactions using the government promoted means like UPI and RuPay debit card as value-added service for the purpose of financial inclusion.

As informed by SBI, they have charged Rs. 345.84 crore during the period from 2017-18 upto October'2021 for providing additional services demanded by the customers beyond the minimum allowed free services **at BC/CSP**.

BC means a business correspondent while, CSP means a Customer Service Point. CSP is a banking outlet run by SBI-sourced non-banking individuals. Therefore, SBI's CSP is like a mini bank for carrying out limited transactions and sourcing business.

When SBI informs to the parliament that 'they have charged Rs. 345.84 crore during a certain period for providing additional services **at BC/CSP**', it implies that the services were rendered in an assisted mode. In other words, explicit physical infrastructure or/and explicit manpower of SBI was used in a face-to-face interaction with the customer.

As per CBDT guidelines dated 30.08.2020, Banks were advised to refund the charges collected, if any, on or after 01.01.2020 on transactions carried out using the electronic modes namely RuPay Debit Card, Unified Payments Interface (UPI) (BHIM-UPI); and Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)) and not to impose charges on future transactions carried out through these modes. Accordingly, SBI has refunded Rs. 90.19 crore to the beneficiaries of PMJDY in line with these guidelines and has stopped recovering charges on transactions through these modes w.e.f 01.01.2020.

The Rs. 90.19 crore refunded by SBI is part of the original Rs. 345.84 crore as charges collected during the period from 2017-18 upto October'2021. Majority of the UPI and RuPay Debit Card merchant transactions, for which SBI made the refunds, were transactions done in an unassisted mode.



B. RAJYA SABHA: UNSTARRED QUESTION No. 1818

ANSWERED ON TUESDAY, DECEMBER 14, 2021/ AGRAHAYANA 23, 1943 (SAKA)

Excess Transaction charges on Jan Dhan Account by SBI

1818. DR. AMEE YAJNIK and SHRI DIGVIJAYA SINGH

Will the Minister of FINANCE be pleased to state:

- (a) total amount deducted by SBI from several Jan Dhan Accounts in the last two years as excess transaction charges, State-wise;
- (b) whether it is a fact that as per RBI guidelines, UPI transaction is not chargeable and customer can do more than four transactions, through UPI;
- (c) whether Government has given any direction to SBI to refund unfairly charged amount to their customers; and
- (d) if so, the details thereof and, if not, the reasons therefor?

Answer

The Minister of State in the Ministry of Finance (DR BHAGWAT KARAD)

(a) to (d) As per extant guidelines of Reserve Bank of India (RBI), Basic Savings Bank Deposit Account (BSBDA) including accounts opened under Pradhan Mantri Jan Dhan Yojana (PMJDY) provide **following basic minimum facilities** free of charge and without any requirement for maintaining minimum balance in the account:

- i. Deposit of cash at bank branch as well as ATMs/Cash Deposit Machines (CDMs).
- ii. Receipt/ credit of money through any electronic channel or by means of deposit /collection of cheques drawn by Central/State Government agencies and departments.
- iii. No limit on number and value of deposits that can be made in a month.

iv. Minimum of four withdrawals in a month, including ATM withdrawals.

v. ATM Card or ATM-cum-Debit Card

RBI has also advised that Banks would be free to evolve requirements including pricing structure for additional value-added services beyond the stipulated basic minimum services on **reasonable and transparent basis** and to be applied in a non-discriminatory manner. The availment of such services are to be made at the option of the customers.

State Bank of India has informed that they have levied charges only on the value added services demanded by the Jan-Dhan customers beyond the prescribed number of free services as mentioned above.

As informed by SBI, they have charged Rs. 224.8 crore during the period from 2019-20 to 2020-21 for providing additional services demanded by the customers beyond the minimum allowed free services at BC/CSP.



As per CBDT guidelines dated 30.08.2020, Banks were advised to refund the charges collected, if any, on or after 01.01.2020 on transactions carried out using the electronic modes namely RuPay Debit Card, Unified Payments Interface (UPI) (BHIM-UPI); and Unified Payments Interface Quick Response Code (UPI QR Code) (BHIM-UPI QR Code)) and not to impose charges on future transactions carried out through these modes. Accordingly, SBI has refunded Rs. 90.19 crore to the beneficiaries of PMJDY in line with these guidelines and has stopped recovering charges on transactions through these modes w.e.f 01.01.2020.

The State-wise details of the charges levied by SBI and amount refunded in compliance with RBI and CBDT guidelines are Annexed.

Annexure as referred to in part(a) and part(d) of reply to Lok Sabha Q.No. 1818 for 14.12.2021			
Charges levied and refunded by SBI in compliance with RBI and CBDT guidelines			Amount in crore
S.No.	FY 2019-20	FY 2020-21	Charges Refunded for period (01.01.20 to 14.09.20)
1 ANDAMAN AND NICOBAR	0.02	0.01	0.00
2 ANDHRA PRADESH	10.82	5.50	8.01
3 ARUNACHAL PRADESH	0.35	0.24	0.22
4 ASSAM	6.74	3.83	3.65
5 BIHAR	17.18	7.72	7.86
6 CHANDIGARH	0.04	0.02	0.03
7 CHATTISGARH	4.78	2.23	2.33
8 DADRA & NAGAR HAVELI AND DAMAN & DIU	0.04	0.03	0.03
9 DELHI	1.87	0.93	1.25
10 GOA	0.01	0.00	0.00
11 GUJRAT	2.76	1.45	1.88
12 HARYANA	2.28	1.26	1.83
13 HIMACHAL PRADESH	0.24	0.13	0.17
14 JAMMU AND KASHMIR	0.04	0.03	0.03
15 JHARKHAND	4.11	1.74	1.80
16 KARNATAKA	5.44	2.85	4.16
17 KERALA	0.70	0.43	0.49
18 Ladakh	0.00	0.00	0.00
19 LAKSHADWEEP	0.00	0.00	0.00
20 MADHYA PRADESH	11.70	4.87	5.54
21 MAHARASHTRA	14.04	5.88	9.40
22 MANIPUR	0.21	0.16	0.17
23 MEGHALAYA	0.14	0.13	0.13
24 MIZORAM	0.05	0.03	0.04
25 NAGALAND	0.14	0.13	0.14
26 ODISHA	12.57	5.89	6.27
27 PONDICHERRY	0.05	0.03	0.04
28 PUNJAB	0.80	0.40	0.46
29 RAJASTHAN	10.36	5.80	7.97
30 SIKKIM	0.03	0.02	0.02
31 TAMILNADU	1.75	0.99	1.01
32 TELANGANA	11.10	5.16	8.26
33 TRIPURA	0.24	0.14	0.17
34 UTTAR PRADESH	15.85	7.32	9.02
35 UTTARAKHAND	0.76	0.36	0.48
36 WEST BENGAL	15.20	6.69	7.33
Grand Total	152.42	72.38	90.19

Source: State Bank of India

Inference derived from the data provided by SBI

SBI's collections from BSBDA (Rs. Cr)	Originally Collected	UPI/RuPay charges Refunded	Collections after refund	Undue UPI/RuPay charges collected (still not refunded)	Collections as and when the undue charges are refunded
FY18	34.74		34.74	11.67	23.07
FY19	72.07		72.07	59.69	12.38
FY20	152.42	40.82	111.60	92.84	18.76
FY21	72.38	49.37	23.01		23.01
Apr-Oct 21	14.23		14.23		14.23
Total (Apr 17 - Oct 21)	345.84	90.19	255.65	164.20	91.45

Note: The break-up of Rs. 90.19 into the two financial years is based on estimates provided in the November 2021 IIT Bombay technical report “**SBI’s Undue Enrichment from Exploitative Charges on UPI and RuPay Transactions—Imposition of Discriminatory and Unreasonable Charges for Transacting Digitally in a BSBDA**”.

The undue UPI/RuPay charges collected by SBI, but still not refunded, are based on the explicit calculations in the IIT Bombay technical report

http://www.math.iitb.ac.in/~ashish/workshop/SBI-UPI-RuPay-21_11_21.pdf

Furthermore, based on the data provided by SBI, we are able to identify the state-wise prominence of SBI’s BSBDA customers transacting digitally. In the FY 2020-21, for which SBI charged for the services only for 82 days (and subsequently refunded the charges imposed on UPI/RuPay digital payments), we observe the following:

- TELANGANA and MAHARASHTRA are seen to be states for which **88%** of the paid services rendered has been due to UPI/RuPay debit card used to undertake digital transactions.
- Six regions, TELANGANA, MAHARASHTRA, CHANDIGARH, KARNATAKA, ANDHRA PRADESH and HARYANA had more than **80%** of the paid services that is attributed to UPI/RuPay debit card digital transactions.
- Seven regions, RAJASTHAN, DELHI, MIZORAM, PONDICHERRY, UTTARAKHAND, HIMACHAL PRADESH and GUJRAT had between **71-75%** of the paid services that is attributed to UPI/RuPay debit card digital transactions.
- Six regions, UTTAR PRADESH, TRIPURA, PUNJAB, KERALA, MADHYA PRADESH and WEST BENGAL had between **60-67%** of the paid services that is attributed to UPI/RuPay debit card digital transactions.
- Finally, thirteen regions, NAGALAND, ODISHA, MANIPUR, CHATTISGARH, JHARKHAND, TAMILNADU, BIHAR, DADRA & NAGAR HAVELI AND DAMAN & DIU, JAMMU AND KASHMIR, MEGHALAYA, SIKKIM, ASSAM and ARUNACHAL PRADESH had between **50-59%** of the paid services that is attributed to UPI/RuPay debit card digital transactions.



Benchmarking Reasonableness of Service Charges



Charges levied and refunded by SBI in compliance with RBI and CBDT guidelines				Refund (Rs. Crore)		Off the total collections, the % Refunded towards collections due to RuPay/UPI transactions	
S.No.	Amount in crore			FY2019-20 (For charges collected during Jan 1 - Mar 31) 91 days	FY2020-21 (For charges collected during April 1-6 and Jul 1 - Sep 14) 82 days	FY2019-20 (% refunded)	FY2020-21 (% refunded)
	FY 2019-20	FY 2020-21	Charges Refunded for period (01.01.20 to 14.09.20)				
1 TELANGANA	11.10	5.16	8.26	3.74	4.52	34	88
2 MAHARASHTRA	14.04	5.88	9.40	4.25	5.15	30	88
3 CHANDIGARH	0.04	0.02	0.03	0.01	0.02	34	82
4 KARNATAKA	5.44	2.85	4.16	1.88	2.28	35	80
5 ANDHRA PRADESH	10.82	5.50	8.01	3.63	4.38	34	80
6 HARYANA	2.28	1.26	1.83	0.83	1.00	36	80
7 RAJASTHAN	10.36	5.80	7.97	3.61	4.36	35	75
8 DELHI	1.87	0.93	1.25	0.57	0.68	30	74
9 MIZORAM	0.05	0.03	0.04	0.02	0.02	36	73
10 PONDICHERRY	0.05	0.03	0.04	0.02	0.02	36	73
11 UTTARAKHAND	0.76	0.36	0.48	0.22	0.26	29	73
12 HIMACHAL PRADESH	0.24	0.13	0.17	0.08	0.09	32	72
13 GUJARAT	2.76	1.45	1.88	0.85	1.03	31	71
14 UTTAR PRADESH	15.85	7.32	9.02	4.08	4.94	26	67
15 TRIPURA	0.24	0.14	0.17	0.08	0.09	32	66
16 PUNJAB	0.80	0.40	0.46	0.21	0.25	26	63
17 KERALA	0.70	0.43	0.49	0.22	0.27	32	62
18 MADHYA PRADESH	11.70	4.87	5.54	2.51	3.03	21	62
19 WEST BENGAL	15.20	6.69	7.33	3.32	4.01	22	60
20 NAGALAND	0.14	0.13	0.14	0.06	0.08	45	59
21 ODISHA	12.57	5.89	6.27	2.84	3.43	23	58
22 MANIPUR	0.21	0.16	0.17	0.08	0.09	37	58
23 CHATTISGARH	4.78	2.23	2.33	1.05	1.28	22	57
24 JHARKHAND	4.11	1.74	1.80	0.81	0.99	20	57
25 TAMILNADU	1.75	0.99	1.01	0.46	0.55	26	56
26 BIHAR	17.18	7.72	7.86	3.56	4.30	21	56
27 DADRA & NAGAR HAVELI AND DAMAN & DIU	0.04	0.03	0.03	0.01	0.02	34	55
28 JAMMU AND KASHMIR	0.04	0.03	0.03	0.01	0.02	34	55
29 MEGHALAYA	0.14	0.13	0.13	0.06	0.07	42	55
30 SIKKIM	0.03	0.02	0.02	0.01	0.01	30	55
31 ASSAM	6.74	3.83	3.65	1.65	2.00	25	52
32 ARUNACHAL PRADESH	0.35	0.24	0.22	0.10	0.12	28	50
33 ANDAMAN AND NICOBAR	0.02	0.01	0.00	0.00	0.00	0	0
34 GOA	0.01	0.00	0.00	0.00	0.00	0	0
35 Ladakh	0.00	0.00	0.00	0.00	0.00		
36 LAKSHADWEEP	0.00	0.00	0.00	0.00	0.00		
Grand Total	152.42	72.38	90.19	40.82	49.37		



The double whammy

- For two years, effective January 1, 2018, the government made MDR zero for the merchants and decided to bear the MDR cost for two calendar years on all RuPay debit card and BHIM-UPI transactions less than or equal to Rs. 2000.
- The government fixed the MDR at 0.4% for such transactions and reimbursed the same to the banks.
- Corresponding to the government provided MDR of 0.4%, the interchange²⁷ fixed had been 0.15%.

Thus, SBI collected the charges for the same RuPay debit card/BHIM-UPI transaction done at the merchant locations from two sources, i.e., charges collected from the BSBDA customer and the government reimbursements received (@ 0.15-0.4% of the transaction amount less than equal to Rs. 2000).

Text from the Gazette notification

MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY NOTIFICATION
New Delhi, the 27th December, 2017

Subject: Subsidizing MDR charges on Debit Cards/BHIM UP/AePS transactions of value less than or equal to Rs. 2000/-.

No. 6(19)2017-DPD-1-

- xi) Therefore, for a period of one quarter starting from 1.1.2018 there will be a cap on MDR reimbursable to the acquirer banks which will be at 0.40% of the total value of the debit card/ BHIM UPI / Aadhaar Pay transactions less than or equal to Rs. 2000. If felt necessary this cap could be revisited thereafter.

²⁷ Interchange or issuer interchange is the share of the MDR that the issuer bank (SBI) keeps as their commission. Thus, MDR comprises of the interchange and the acquirer's commission.



Annexure N: Speaking-order of CIC dated 18-08-2023

केन्द्रीय सूचना आयोग
Central Information Commission
बाबा गंगनाथ मार्ग, मुनिरका
Baba Gangnath Marg, Munirka
नई दिल्ली, New Delhi – 110067

File No : CIC/SBIND/A/2022/622722

Ashish Das

.....अपीलकर्ता/Appellant

VERSUS

बनाम

CPIO,
State Bank of India
Financial Inclusion Corporate Centre
4th Floor, Mafatlal Centre, Nariman Point
Mumbai-400021

....प्रतिवादीगण /Respondent

Date of Hearing : 03/08/2023
Date of Decision : 18/08/2023

INFORMATION COMMISSIONER : Saroj Punhani

Relevant facts emerging from appeal:

RTI application filed on	:	06/01/2022
CPIO replied on	:	04/02/2022
First appeal filed on	:	11/02/2022
First Appellate Authority order	:	09/03/2022
2nd Appeal/Complaint dated	:	NIL

Information sought:

The Appellant filed an RTI application dated 06.01.2022 seeking the following information:-

"THE SERVICE CHARGE: Effective June 1, 2017, SBI implemented their board approved policy of imposing service charges @ Rs 17.70 (inclusive of VAT/GST) for every withdrawal, beyond four a month, in a Basic Savings Bank Deposit Account



(BSBDA) opened under their BC channel. Here withdrawal means any debit transaction. Without seeking any information that is of commercial confidence as per Section 8(1)(d) of the RTI Act 2005, we request for the following information:

1. Kindly provide the date on which the Board of Directors of SBI approved the fixation of the above-mentioned SERVICE CHARGE that got implemented from June 1, 2017.
2. Kindly provide the list of names of the Board of Directors then, who approved the SERVICE CHARGE.
3. Restricting only to the specific matter that requires the Board of Directors of SBI (as per RBI mandates) to approve any service charge after having consciously ensured the reasonableness in the fixation of the charges, please provide only that part of the specific signed minutes of the Board of Directors of SBI, wherein the Board approved the fixation of service charges @ Rs 17.70 (inclusive of VAT/GST) for every withdrawal, beyond four a month, in a BSBDA.

Keeping in view the larger public interest with over 11 crore BSBDA holders that had opened their accounts under the BC channel, it warrants for a clear understanding of the minuted rationale of the Board of Directors of SBI that allowed imposition of such unreasonable charges @ Rs 17.70 per withdrawal, even for an unassisted (i.e., without any assistance from a BC outlet), mobile-based BHIM-UPI digital transaction. Kindly ensure to provide the sought-after information in the true spirits and objectives as per the preamble of the RTI Act, 2005, which states that the Act was enacted TO PROMOTE TRANSPARENCY AND ACCOUNTABILITY IN THE WORKING OF EVERY PUBLIC AUTHORITY.... The Act was enacted by keeping in view the right of AN INFORMED CITIZENRY AND TRANSPARENCY OF INFORMATION WHICH ARE VITAL TO ITS FUNCTIONING AND ALSO TO CONTAIN CORRUPTION AND TO HOLD GOVERNMENTS AND THEIR INSTRUMENTALITIES ACCOUNTABLE TO THE GOVERNED... . The preamble opens with a reference to the Constitution having established a democratic republic and the need therefore, for an informed citizenry. The preamble reveals that legislature was conscious of the likely conflict with other public interest including efficient operations of the Governments and optimum use of limited fiscal resources and the preservation of confidentiality of sensitive information and the necessity to harmonize these conflicting interests. A citizen of India has every right to ask for any information subject to the limitation prescribed under the Act. The right to seek information is only to fulfil the objectives of the Act laid down in the preamble, that is, to promote transparency of information.”



The CPIO furnished a reply to the appellant on 04.02.2022 stating as under:-

Sr. No.	Information Sought	Our Responses
	<p><i>"THE SERVICE CHARGE: Effective June 1, 2017, SBI implemented their board approved policy of imposing service charges @ Rs 17.70 (inclusive of VAT/GST) for every withdrawal, beyond four a month, in a Basic Savings Bank Deposit Account (BSBDA) opened under their BC channel. Here withdrawal means any debit transaction. Without seeking any information that is of commercial confidence as per Section 8(1)(d) of the RTI Act 2005, we request for the following information</i></p>	
1	<p><i>Kindly provide the date on which the Board of Directors of SBI approved the fixation of the above-mentioned SERVICE CHARGE that got implemented from June 1, 2017</i></p>	29.05.2017
2	<p><i>Kindly provide the list of names of the Board of Directors then, who approved the SERVICE CHARGE</i></p>	<p><i>This information cant not be provided, as the same is exempted from disclosure under section 8(1)(d) of the RTI Act. Moreover, no larger public interest warrants disclosure of the same.</i></p>
3	<p><i>Restricting only to the specific matter that requires the Board of Directors of SBI (as per RBI mandates) to approve any service charge after having consciously ensured the reasonableness in the fixation of the charges, please provide only that part of the specific signed minutes of the Board of Directors of SBI, wherein the Board approved the fixation of service charges @ Rs 17.70 (inclusive of</i></p>	<p><i>This information cant not be provided, as the same is exempted from disclosure under section 8(1)(d) of the RTI Act. Moreover, no larger public interest</i></p>



	VAT/GST) for every withdrawal, beyond four a month, in a BSBDA warrants disclosure of the same.
--	--

Being dissatisfied, the appellant filed a First Appeal dated 11.02.2022. FAA's order, dated 09.03.2022 is as under:-

"We refer to the RTI appeal received by us on 11.02.2022. On perusal of the appeal, I observe that Shri Ashish Das had submitted a RTI application (received on 06.01.2022) for providing details as per queries raised from 1 to 3 in regard to the service charges and reply of the CPIO & DGM (Ops.) vide letter No. 1690 dated 04.02.2022. I have gone through the grounds of appeal dated 11.02.2022 of Shri Ashish Das, his RTI Application and the reply of the CPIO & DGM (Ops) vide letter No. 1690 dated 04.02.2022. After applying free and fair mind. I understand that CPIO has responded to the queries under the provisions of RTI act. The appeal is disposed of according."

Feeling aggrieved and dissatisfied, the appellant approached the Commission with the instant Second Appeal.

Relevant Facts emerging during Hearing:

The following were present:-

Appellant: Present through video conference.

Respondent: Sumithrananda Reddy, DGM (Operations) & CPIO present through video conference.

The Appellant invited the attention of the bench to his written submissions dated 30.07.2023 stating inter alia as under:

"It is emphasised that there is nothing of commercial confidence, trade secrets or intellectual property that has been sought, the disclosure of which would harm the competitive position of a third party. So, invoking Section 8(1)(d) by the CPIO is arbitrary and possibly having mala fide intent in denying the information.

5. Since the CPIO specifically quoted and questioned on the validity of any larger public interest, I would like to highlight that (as already mentioned in my original application),

-- Keeping in view the larger public interest with over 11 crore BSBDA holders that had opened their accounts under the government's PMJDY, it warrants for a clear understanding and rationale contained in the documented minutes of the Board of Directors of SBI that allowed imposition of such unreasonable charges @



Rs 17.70 per withdrawal, even for the much promoted mobile-based BHIM-UPI digital transactions--

6. SBI did not ensure in providing the sought-after information in the true spirits and objectives as per the preamble of the RTI Act, which states that the Act was enacted TO PROMOTE TRANSPARENCY AND ACCOUNTABILITY IN THE WORKING OF EVERY PUBLIC AUTHORITY...

7. In a related context, I would like to highlight RBI's inspection report on Canara Bank (appended below), where Canara Bank not only did not get board approval but also did not have any board-note that showed that the board ensured the reasonableness in the fixation of the charges. This information resulted in Canara Bank refunding to their customers, the excess money collected (unauthorised service charges) for nearly two years."

Further, the Appellant narrated the preface mentioned in the contents of the RTI Application to emphasise on the purpose of him seeking the information under reference. He furthermore stated that he is not intending to intervene with any trade secret or commercial confidence of the bank, his request is limited to the '*minutes of the Board of Directors of SBI, wherein the Board approved the fixation of service charges @ Rs 17.70 (inclusive of VAT/GST) for every withdrawal, beyond four a month, in a BSBDA*'. As for names of board directors etc. he has received the information in response to a subsequent communication with the bank and has also learnt that such details are contained in their Annual Report.

The CPIO submitted that the relevant RBI circular stipulates 4 withdrawals free of cost and beyond that withdrawal is chargeable at the rate Rs. 15 plus applicable GST. He further clarified that these charges are only for cash withdrawals and not UPI transactions as opposed to what is being alleged by the Appellant. The CPIO furthermore explained at length the rationale behind imposing service charges for ATM withdrawals from customer service points on BSBDA holders.

The Appellant argued that the CPIO is tendering an incorrect statement as the circular he has referred to refers to all Debit transactions, and not cash withdrawal specifically. That, he has no problem in accepting that customer service points are supposed to be paid with hefty commission amount but his concern is the service charge applied for UPI transactions for which he has sought to know the rationale/reason based on which the Board approved the application of the averred service charge.

The CPIO pointed out that the RTI query is specific to withdrawal and not UPI transaction and the reply and submissions made by his office in the matter till now



are with respect to withdrawals and not UPI transactions. It was also argued that it is not the case that the information about the rate of charges applied by the bank to the customers is kept in the dark, all such charges are available in the public domain and the Bank follows all RBI protocols in imposing any of the service charges. As for the apprehension in disclosing the Board minutes, the CPIO submitted that there are many factors that the Board considers whilst taking any decision, be it compliance, profitability, business expansion etc. and these factors are for the internal consumption of the bank and therefore is not a disclosable category of information.

Decision:

The Commission having heard the parties at length observes at the outset that there appears to a certain anomaly in what the Appellant is seeking in the RTI Application and the case he has argued in the grounds of Second Appeal as well as during the hearing in as much as his emphasis is on service charge applied on UPI transactions but the CPIO's submissions are with respect to ATM withdrawals. It is not clear what exactly does the averred circular of the year 2017 stipulated but the Appellant in the preface to the RTI Application has specified in the context of the said circular that "*withdrawal means any debit transaction*". Similarly, while the CPIO submitted regarding a charge of Rs. 15 plus GST on ATM withdrawals, the subject matter under reference is about a circular allegedly stipulating "*Rs 17.70 (inclusive of GST/VAT)*" as service charge. The CPIO has neither refuted to the existence of such a circular or lent clarity to the anomaly caused in the matter by the mention of two different service charges and two different contexts.

Now since the request of the Appellant is restricted to the approved board minutes as sought for at point no.3 of the RTI Application, considering the fact that the policy decision implemented by the Board is beyond any reasonable doubt a matter concerning larger public interest, the CPIO is directed to revisit point no.3 of the RTI Application in light of the provisions of Section 4(1)(c) and 4(1)(d) of the RTI Act which stipulates as under:

"4. Obligations of public authorities—

(1) Every public authority shall—

(c) publish all relevant facts while formulating important policies or announcing the decisions which affect public;



(d) provide reasons for its administrative or quasi-judicial decisions to affected persons."

A revised reply to point no.3 of the RTI Application shall be provided by the CPIO to the Appellant after due consideration of the above provisions and if required by invoking Section 10 of the RTI Act wherever required to harmonise the conflicting interest of the public at large and the confidentiality that is aimed to be maintained by the Bank in the matter.

The abovesaid revised reply shall be sent to the Appellant by the CPIO within 15 days from the date of receipt of this order under due intimation to the Commission.

The appeal is disposed of accordingly.

Saroj Punhani (सरोज पुन्हानि)

Information Commissioner (सूचना आयुक्त)

Authenticated true copy
(अभिप्रमाणित सत्यापित प्रति)

(C.A. Joseph)
Dy. Registrar
011-26179548/ ca.joseph@nic.in
सी. ए. जोसेफ, उप-पंजीयक
दिनांक /



Annexure O: SBI's board approval for only cash withdrawal charges


The banker to every Indian

भारतीय स्टेट बँक
भारतीय स्टेट बँक
STATE BANK OF INDIA

Shri Ashish Das,
B-115 White House, IIT Bombay, Powai,
Mumbai,
Maharashtra
Pin: 400076

By Speed Post

FI/OPS/2023-24/५८७ Date: 18.09.2023

Dear Sir,

RIGHT TO INFORMATION ACT, 2005
FILE NO. : CIC/SBIND/A/2022/622722
DATE OF HEARING: 03.08.2023
DATE OF DECISION: 18.08.2023

The chronology of events, are as under:

Date of RTI Application	Date of reply by CPIO	Date of 1st Appeal	Date of receipt of 1st Appeal	Date of order of FAA
06.01.2022	04.02.2022	11.02.2022	11.02.2022	09.03.2022

Hon'ble Commission has directed the CPIO to revisit point no. 3 of the RTI Application in light of the provisions of Section 4(1) (c) and 4 (1) (d) of the RTI Act. Hon'ble commission directed the CPIO that a revised reply to point no. 3 of the RTI Application shall be provided by the CPIO to the Appellant after due consideration of the above provisions and if required by invoking Section 10 of the RTI Act wherever required to harmonise the conflicting interest of the public at large and the confidentiality that is aimed to be maintained by the Bank in the matter.

In view of the above and as per the information sought by you on point no. 3:

Information Sought:
THE SERVICE CHARGE: Effective June 1, 2017, SBI implemented their board approved policy of imposing service charges @ Rs 17.70 (inclusive of VAT/GST) for every withdrawal, beyond four a month, in a Basic Savings Bank Deposit Account (BSBDA) opened under their BC channel. Here withdrawal means any debit transaction.
Without seeking any information that is of commercial confidence as per Section 8(1)(d) of the RTI Act 2005, we request for the following information:
Restricting only to the specific matter that requires the Board of Directors of SBI (as per RBI mandates) to approve any service charge after having consciously ensured the reasonableness in the fixation of the charges, please provide only that part of the specific signed minutes of the Board of Directors of SBI, wherein the Board approved the fixation of service charges @ Rs 17.70 (inclusive of VAT/GST) for every withdrawal, beyond four a month, in a BSBDA.

YONO SBI

bank.sbi +91 022 6863 1520 Page 1 of 2 Page 1 of 2 rgm.mmf@sbi.co.in

वित्तीय समावेशन कारपोरेट केंद्र 4था महला, मफतलाल सेंटर, नरिमन पॉइंट, मुंबई - 400 021, भारत

वित्तीय समावेशन कारपोरेट केंद्र 4थी मंजिल, मफतलाल सेंटर, नरिमन पॉइंट, मुंबई - 400 021, भारत

Financial Inclusion Corporate Centre 4th Floor, Mafatlal Centre, Nariman Point, Mumbai - 400 021- India



Benchmarking Reasonableness of Service Charges



In compliance of the Hon'ble CIC decision, we are providing the following information invoking Section 10 of the RTI Act.

1. Executive Committee of the Central Board (E.C.C.B) approval dated 17.02.2017 authorizing MD (NBG) for according approval to modification in Service Charges as per business requirements (copy attached).
2. MD approval dated 29.05.2017 for the modification of fee structure for Business Correspondent (BC) activities (copy attached).

Yours faithfully,

(Sumithrananda Reddy)

CPIO & DGM (Ops)
Financial Inclusion Department
State Bank of India
Corporate Centre Mumbai





ECCB Meeting No.47/2016-17 dated 20th February 2017

- : 48 :-

SECTION: I – MISCELLANEOUS (MISC)/GENERAL/
ADMINISTRATIVE
(contd/-...)

I-COO-2 Revision of Service Charges

SUBMITTED a Memorandum dated the 17th February 2017, by the Dy. Managing Director - Chief Operations Officer, recommending that, for the reasons and on the terms stated therein, approval be accorded for :

- a) revision in Service Charges; and
- b) authorising MD-NBG for according approval to modification in Service Charges as per business requirements which will be put upto ECCB once in six months for information and approval, as detailed in the Memorandum and annexures thereto.

Copies of the Memorandum and enclosures had been circulated to the Directors on the Executive Committee.

Approved

Authenticated True Copy provided
invoking Section 10 of the RTI Act

Surveil
(CPIO for RTI)
18/01/23





प्राप्त / RECEIVED
18 FEB 2017
नेंद्रीय शोर्ट सायकलस/Central Board Sectt.

17/2-

MEMORANDUM FOR
EXECUTIVE COMMITTEE OF THE CENTRAL BOARD

REVISION OF SERVICE CHARGES

1	PURPOSE OF THE MEMORANDUM	<p>a) Memorandum is related to revision of Service charges. As mandated by RBI, revision/modification of Service charges is required to be approved by the Board of the Bank. b) Authorising MD NBG for according approval to modification in Service Charges as per business requirements which will be put up to ECCB once in six months for information and approval.</p>
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Authenticated True Copy Provided
invoking Section 10 of the RTI Act

Sunilk
(CPIO for RTI)
18/09/13



7	SUMMARY OF THE MEMORANDUM	<p>vi. Revision in Service Charges to be effective from 01.04.2017.</p>
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27/5
MD (NBG)

Business Correspondent (BC) Channel
Modification of Fee structure for BC Activities

Placed aside is the note approved by MD (NBG) dated 21.01.2017 regarding revision of remuneration for BCs w.e.f. 01.03.2017.

authenticated True Copy provided
invoking Section 10 of the RTI Act

(CPIO FOR RTI)
18/09/17





Benchmarking Reasonableness of Service Charges



Particulars	Existing	Proposed
Fee for Txns. in excess of first four free withdrawals viz., Cash withdrawal / Transfer (Home branch) / Cash withdrawal using Debit card / AEPS On-Us	Rs.5/-+ service tax per transaction	Rs.15/-+ service tax per transaction

5. Submitted for approval, please.

FI & MF Department
Corporate Centre
Mumbai
Date: 16.05.2017

Encl:

Authenticated True Copy provided
invoking Section 16 of the RTI Act

Sunil
(CPIO for RTI)

18/01/23

