

## **COMPENSATION POLICY**

### **Introduction**

Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the bank's endeavour to offer services to its customers with best possible utilization of its technology infrastructure. Withdrawal of the Reserve Bank of India instructions to banks on time frame for collection of outstation cheques, payment of interest on delayed collection of outstation cheques/instruments, with effect from 1<sup>st</sup> November 2004, had offered bank further opportunities to increase its efficiency for better performance. This Compensation Policy of the bank is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques/instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this policy is to establish a system whereby the bank compensates the customer for any financial loss he/she might incur due to deficiency in service on the part of the bank or any act of omission or commission directly attributable to the bank. By ensuring that the customer is compensated without having to ask for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

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

### **1. Unauthorized/Erroneous Debit**

If the bank has raised an unauthorized debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying

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

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

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

## **2. ECS direct debits/other debits to accounts**

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

The bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. In the event the bank levies any charge in violation of the arrangement, the bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

Where it is established that the bank had issued and activated a credit card without written consent of the recipient, the bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient

amounting to twice the value of charges reversed as per regulatory guidelines in this regard.

### **3. Payment of Cheques after Stop Payment Instructions**

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

### **4. Fraudulent collection of cheques under CTS**

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

### **5. Foreign Exchange Services**

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries, as the bank would not be able to ensure timely credit from overseas banks. It is the bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, may consider upfront credit against such instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past. However, the bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account/ due date after taking into account normal cooling period stipulated. The compensation in such cases will be worked out as follows:

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

### **6. Payment of Interest for delayed Collection of Outstation Cheques**

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

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

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

## **7. Compensation for loss of instrument in transit**

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

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

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop

payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank the bank will compensate the accountholder in respect of instruments lost in transit in the following way:

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

## **7.2 Fraudulent encashment of cheques lost in transit**

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

## **8. Issue of Duplicate Draft and Compensation for delays**

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for fixed deposit of corresponding period will be paid as compensation to the customer for such delay.

## **9. Violation of the Code by bank's agent**

In the event of receipt of any complaint from the customer that the bank's representative / courier or DSA has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers, which the bank has adopted voluntarily, the bank is committed to investigate the matter and

endeavor to communicate the findings to the customer within 7 working days from

the date of receipt of complaint and wherever justified compensate the customer for financial losses, if any, as contemplated under this policy.

#### **10. Transaction of “at par instruments” of Co-operative Banks by Commercial Banks**

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

#### **11. Lenders liability; Commitment to borrowers**

The bank has adopted the principles of lenders liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to Customers adopted by the bank, the bank would return to the borrowers all the securities/ documents/title deeds to mortgaged property within 15 days of repayment of all dues agreed to or contracted. The bank will compensate the borrower for monetary loss suffered, if any, due to delay in return of the same. In the event of loss of title deeds to mortgage property at the hands of the bank the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount ₹100/- per day beyond 15 days subject to maximum ₹10,000/-.

#### **12. ATM Failure**

It is mandatory for bank to reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 7 working days from the receipt of the complaint. For any failure to re-credit the customer's account within 7 working days from the date of receipt of the complaint, bank shall pay compensation of ₹100/- per day to the aggrieved customer. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transactions. Any customer is entitled to receive such compensation for delay only if a complaint is lodged with the bank within 30

days of the date of the transaction. Details of charge back in case of ATM transaction by a customer of the bank when he uses other bank ATM may be included.

### **13. Fraudulent/unauthorized debits through alternate channels**

Bank has put in place dynamic fraud prevention systems for various alternate channels viz. ATMs, Credit Cards, Debit Cards, Internet Banking etc. Following safeguards are in place to reduce possibility of frauds:

- i. Our internet banking facility is supported by two factor authentication.
- ii. Beneficiary registration is necessary in case of fund transfer through internet banking.
- iii. Additional security features like generation of One Time Password (OTP) for transactions above threshold limit, say ₹25,000/- are being introduced.  
SMS alerts on transactions are sent to registered mobile no. of customers.
- iv. Customers are cautioned so as to avoid fraudulent communications asking for User Id, Password, Card No., Account No. etc. through website as well as internet banking log-in page.
- v. While signature authentication is available in case of Visa/Master Cards, PIN validation is additional security feature of Rupay Cards
- vi. All our debit and credit card transactions for online purchase (Card Not Present - CNP) are enabled with second factor of authentication through verified by visa (vbv) for Visa cards and secured codes for Master card which is applicable for Indian Merchants.
- vii. Use of cards at ATM is protected by PIN which is not supposed to be divulged to anybody by the customer.
- viii. Lost Card Insurance cover is available from lodgement of complaint by customer.
- ix. 24 x 7 facility for immediate blocking of lost card is available through call centre.

### **Compensation**

Bank would provide immediate compensation in respect of unauthorized transactions of debit/credit card arising due to clone cards or unauthorized transactions in 'card not present scenario'. On the failed online transactions, the Bank through its Customer Care Unit would facilitate obtaining reimbursement of the amount expeditiously. However, as such reimbursements have to go through the process of merchant establishments/ payment aggregators; the Bank's commitment will be restricted to obtaining reimbursement.

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

**14. Compensation decided by Banking Ombudsman**

Bank will pay compensation as decided by the Banking Ombudsman in all cases referred to them.

**15. Force Majeure**

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

16. The policy shall be valid for the financial year 2015-16 and its continuity may be extended for a further period not exceeding six months with the specific approval of Chairman & Managing Director.

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