



FINO Payments Bank

Customer Compensation Policy

Version 11.0

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A. Policy usage guide

This section explains the structure of the policy document and the purpose of the same is to enable easy navigation and understanding of the contents of the document by various stakeholders. The Policy is organized in the following sections:

Regulatory reference

This section outlines the list of applicable regulations to the current policy document. The name of regulation issued by various regulators along with the date and reference number will be listed under this section.

The purpose of the same is to enable various stakeholders in identification of applicable regulations for the policy and act as a ready reference for the regulations.

Key stakeholders and roles

Under this section, a list of all the key stakeholders involved in the design, review, approval and implementation of the policy are identified and the major roles to be performed by them are listed. This section enables various stakeholders in understanding their respective roles with regard to the current policy document.

Frequently asked questions

This section lists down the frequently asked questions with respect to the current policy document from the perspective of various stakeholders and gives a reference to the relevant section of the policy to aid in clear understanding of the question.

Policy content

This section contains various aspects of the policy design and implementation as per the applicable regulatory guidelines. This section outlines the action required by various stakeholders of the Bank in ensuring implementation of the policy.

Glossary

This section contains the definition of key terms used in the policy as per the applicable regulatory guidelines and industry standards.

B. Regulatory reference

The following key regulations are applicable to the current policy document.

Regulator	Regulation Name	Regulation Date	Regulation Code
IBA	Model Customer Compensation Policy	NA	NA
RBI	Master Circular on Para-banking Activities	01 July 2015	RBI/2015-16/30 DBR.No.FSD.BC.19/24.01.001/2015- 16
RBI	Master Circular on Customer Service in Banks	01 July 2015	RBI/2015-16/59 DBR No.Leg.BC. 21/09.07.006/2015- 16
RBI	Circular on Customer Protection	06 July 2017	RBI/2017-18/15 DBR.No.Leg.BC.78/09.07.005/2017- 18

C. Key Stakeholders and Roles

Key stakeholders whose role and responsibility shall include the following:

Customer service committee of the Board

- Formulate a customer compensation policy designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques/instruments, remittances within India etc.
- Develop a policy based on principles of transparency and fairness in the treatment of customers.
- 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.
- Establishment of a Banking Ombudsman or any other Forum for redressal where the customer can approach if they have any complaints.

D. Policy Content

1. Preamble

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 endeavor to offer services to its customers with best possible utilization of its technology infrastructure.

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, remittances within India, 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 the loss for the actual transaction amount 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.

2. Un-authorized / Erroneous Debit

If there is an unauthorized/erroneous direct debit to an account, the entry shall be reversed at the earliest on being informed of the erroneous debit, after verifying the position and obtaining due approval of the competent authority. In the event of the unauthorized/ erroneous debit resulting in a financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on Savings bank deposit then the Bank shall compensate the customer for such loss.

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 shall compensate the customer to the extent of such financial losses.

The Bank shall compensate the financial loss, supported with documentary evidence, to the extent of actual amount that the customer 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 or its employees.

- A few instances of such cases of unauthorized debits and/ or erroneous debit or credit entries and their possible impacts on the interest of the customers are enumerated below: Due to erroneous debit in savings account, payment of telephone/ electricity bill, school fees, etc. may get delayed and payment after due date may result in deprivation of rebate/ discount/ commission and/ or imposition of fine/ penalty etc. In such cases, the Bank shall compensate the actual amount of rebate/ discount/ commission/fines/penalty etc., as the case may be.
- Due to wrong debit in a Savings account the balance in the same may be less by that sum for the purpose of calculation of interest. To compensate the loss, the amount wrongly debited shall be credited with value-dated effect. Consequent upon unauthorized/ erroneous debit, due to fall in minimum balance in the account resulting in levying of service charges, if any, shall be refunded to the customer.

In case of 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 defined time limit from the date of reporting of erroneous debit. In case, the verification involves a third party, the Bank shall complete the verification process within a maximum time period from the date of reporting of erroneous transaction by the customer to be defined by circular instructions from time to time

3. NACH Direct Debits/Other Debits to Accounts

Bank, in the event of failure to meet the NACH/ direct debit instructions of the Customer in time, shall compensate the loss to the extent of actual transaction amount that the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions.

The Bank shall refund the amount of service charges debited in the customer's account in excess/ in violation of schedule of service charges when pointed out by the customer after proper scrutiny. The Bank shall also compensate the Consequential financial loss, if any, to the customer for debit of excess service charges after proper verification/ scrutiny of agreed terms and conditions.

4. Erroneous Debits arising on Account of Fraudulent or Other Transactions

In case of any fraud, if the Bank is convinced that an irregularity / fraud has been committed by its employees towards any customer, the Bank shall at once acknowledge its liability and pay the appropriate claim. However, such claims for restitution shall be disposed of as per the powers delegated to authorities at various levels by the Bank via circularized instructions from time to time.

In cases where the Bank is at fault, the customer shall be compensated without demur in accordance with this policy.

5. Remittances in India (Credit to the account & payout)

The Bank shall pay interest at the prevailing Savings bank deposit rate to the customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned hereinafter. Such interest shall be paid without any demand from customers in all types of accounts.

In case 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 about the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and can also ensure that other cheques issued by him / her are not dishonored due to non-credit of the amount of the lost cheque/instruments.

6. 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 Merchant / BC 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, bank shall take appropriate steps to investigate and to handle the complaint and to revert to the customer within seven days from the date of receipt of complaint and wherever justified, shall compensate the customer for financial losses, if any.(discussed)

7. Violation of the Code by Bank's Employees and Agents

In the event of receipt of any complaint from the customer that the Bank's employee / representative / courier has engaged in any improper conduct or acted in violation of the Code of Bank's commitment to Customers, the Bank shall compensate to the customer, on merit of the individual cases, the financial losses for the act of such employee / representative / courier after proper investigation.

8. 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

9. ATM Failure

The Bank shall refund the customer the amount wrongfully debited on account of failed ATM transactions within the maximum period specified by RBI from time to time from the day of receipt of the complaint. For any failure to re-credit the customer's account within that time period, the Bank shall pay compensation to the aggrieved customer as mandated by RBI from time to time. Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within a specified period as mandated by RBI from time to time. As per the present extant of the RBI Master Circular dated 1st July, 2015 the specified period is mentioned as seven days from the date of complaint.

The above will apply if the customer uses other Bank's ATM to withdraw cash.

10. Customer Protection-Limiting Liability of Customers in Unauthorized Banking Transactions

RBI advised the Banks to incorporate its regulatory directions on customer protection limiting the liability of customers in unauthorized banking transactions. Accordingly, the following details have been incorporated.

Limited Liability of a Customer

(a) Zero Liability of a Customer

A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:

- (i) Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
- (ii) Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within **three working days** of receiving the communication from the bank regarding the unauthorised transaction.

(b) Limited Liability of a Customer

A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:

- (i) In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.
- (ii) In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of **four to seven working days** after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower. Further, if the delay in reporting is **beyond seven working days**, the

customer liability shall be determined as per the Bank's policy viz., is limited to the transaction liability of the customer.

Below is the gist for the limit and timelines for customer's liability

Table 1	
Maximum Liability of a Customer	
Type of Account	Maximum liability (₹)
* BSBD Accounts	5,000
* All other SB accounts	
* Pre-paid Payment Instruments	10,000
* Current Accounts of MSMEs	
* All other Current Accounts	25,000

The Standing Committee on Customer Service in each bank shall periodically review the unauthorized electronic banking transactions reported by customers or otherwise, as also the action taken thereon, the functioning of the grievance redress mechanism and take appropriate measures to improve the systems and procedures.

(iii) The shadow credit to the customer's account will be processed basis the below grid on all eligible cases

Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's liability (₹)
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	The transaction value or Rs 20,000/- whichever is lower.

11. Payment of penal interest for delayed returns/credits of RTGS/NEFT transactions

During the NEFT operating hours, Fino Payments Bank shall endeavor to put through the requests for NEFT transactions received by them, either online or across the counters, preferably in the next available batch but, in any case, not exceeding two hours from the time of receipt of the requests. In the likelihood of any delay / possible delay in adhering to this requirement, the Bank shall inform the customer of the delay / possible delay and the reasons for the same. In case of any delay in providing credit to the beneficiaries' account, the Bank shall pay compensation at current repo rate plus 2% to the beneficiary customer per day. The compensation amount should be credited to the customer's account automatically without any request. In case of delay in returning NEFT/RTGS credits on the same day, the Bank shall pay compensation to the sending bank for one day that will be ultimately credited to the sender customer.

In case of any delay in providing RTGS credit to the beneficiaries' account, the Bank shall pay compensation at current repo rate plus 2% to the beneficiary customer per day. Delay in credit on the same day has to be paid compensation to the customer for one day. The compensation amount should be credited to the customer's account automatically without any request. The beneficiary banks should credit the account of the beneficiary within 30 minutes of the receipt of the message at the Member Interface. In case, it is not possible to credit the funds to the beneficiary's account for any reason

e.g. account does not exist, account frozen, etc., funds will be returned to the originating member within one hour of the receipt of the payment at the Member Interface of the recipient member or before the end of the RTGS Business Day, whichever is earlier

12. Customer compensation for failed transactions using authorized Payment Systems

Sno	Description of the Incident	Framework for auto reversal and compensation	
		Timeline for auto reversal	Compensation Payable
I	II	III	IV
1 Automated Teller Machines (ATMs) including Micro-ATMs			
A	Customer's account debited but cash not dispensed.	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days.	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
2 Card Transaction			
A	<u>Card to card transfer</u> Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account.	₹ 100/- per day of delay beyond T + 1 day.
B	<u>Point of Sale (PoS) (Card Present) including Cash at PoS</u> Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.
C	<u>Card Not Present (CNP) (e-commerce)</u> Account debited but confirmation not received at merchant's system.		
3 Immediate Payment System (IMPS)			
A	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
4 Unified Payments Interface (UPI)			
a	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
B	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
5 Aadhaar Enabled Payment System (including Aadhaar Pay)			
A	Account debited but transaction confirmation not received at merchant	Acquirer to initiate "Credit Adjustment" within T + 5	₹100/- per day if delay is beyond T + 5 days.

	location.	days.	
B	Account debited but beneficiary account not credited.		
6 Aadhaar Payment Bridge System (APBS)			
A	Delay in crediting beneficiary's account.	Beneficiary bank to reverse the transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
7 National Automated Clearing House (NACH)			
A	Delay in crediting beneficiary's account or reversal of amount.	Beneficiary bank to reverse the uncredited transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
B	Account debited despite revocation of debit mandate with the bank by the customer.	Customer's bank will be responsible for such debit. Resolution to be completed within T + 1 day.	
8 Prepaid Payment Instruments (PPIs) – Cards / Wallets			
A	<u>Off-Us transaction</u> The transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TAT and compensation rule of respective system shall apply.		
B	<u>On-Us transaction</u> Beneficiary's PPI not credited. PPI debited but transaction confirmation not received at merchant location.	Reversal effected in Remitter's account within T + 1 day.	₹100/- per day if delay is beyond T + 1 day

13. Other Areas of Deficiencies in Service

Adoption of the compensation policy shall not absolve accountability of the concerned employee responsible for the lapses/ deficiencies leading to financial loss to the Bank.

Bank will ensure that under no circumstances the compensation amount to be paid out to a specific customer does not exceed the actual amount of nominal financial loss subject to relevant RBI guidelines and awards/ directions given by any court of law/statutory bodies. However, the actual compensation may be decided on case to case basis by the competent authority comprising a committee whose members shall include Head – General Banking, Operation, Compliance, Legal and Risk Department.

E. Glossary

BSBD- Basic Savings Bank Deposit Account

MSME- Micro Small and Medium Enterprises