

PPB

Crash course

Module- A

Lec-10

Grievance Redressal & RBI Integrated Ombudsman Scheme 2021

Introduction to Grievance Redressal

A grievance occurs when a customer feels aggrieved about a bank's products, services, procedures or systems. Immediate resolution is crucial to prevent escalation.

Every bank must have a Grievance Redressal Policy outlining principles for handling customer complaints. The RBI has implemented various initiatives over the years to strengthen this mechanism:

- ✓ Banking Ombudsman Scheme introduced in 1995
- ✓ Complaint Management System (CMS) launched in 2019
- ✓ Comprehensive framework established in January 2021



Model Policy on Grievance Redressal

Banks must establish a structured grievance redressal system based on these core principles:

Fair Treatment

Customers will be treated fairly at all times, with complaints handled courteously and promptly.

Escalation Rights

Customers will be informed of avenues to escalate complaints within the organization and their rights to alternative remedies.

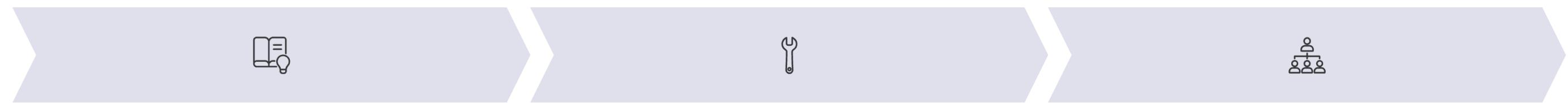
Efficient Handling

Banks will treat all complaints efficiently and fairly, with employees working in good faith without prejudice to customer interests.

This policy must be available at all branches and all employees should be aware of the complaint handling process to ensure better customer service.

Internal Machinery for Complaint Handling

Banks need a systematic and efficient internal mechanism for handling customer grievances. Professional and empathetic handling helps convert dissatisfied customers into happy ones, enhancing the bank's image and avoiding escalation to external forums.



Customer Awareness

Banks must inform customers about where and how to complain, expected response time, and escalation options.

Complaint Infrastructure

Complaint boxes, registers, forms, and online systems must be available at all branches and on websites.

Escalation Process

Clear escalation path from branch to Regional/Zonal Office to Head Office with defined timelines.

Complaint Redressal Mechanism in Banks



The counter staff is typically the first point of contact for customer complaints. If unresolved, the Branch Manager must analyze the complaint and contact the complainant personally if needed. Complaints unresolved at the branch level must be referred to Regional/Zonal Office within 7 days, and if still unresolved, to the Head Office.

All communications to customers must mention their right to approach the Ombudsman within one year if not satisfied with the bank's response.



Online Dispute Resolution (ODR) System

RBI's Payment System Vision-2021 emphasizes technology-driven, rule-based, customer-friendly dispute resolution systems. In August 2020, RBI mandated Payment System Operators to implement Online Dispute Resolution (ODR) systems for failed transactions.

Multiple Access Channels

Web-based forms, mobile apps, IVR, call centers, SMS, branches

Tracking Capability ✓

Customers can track grievance status throughout resolution process

Data Security

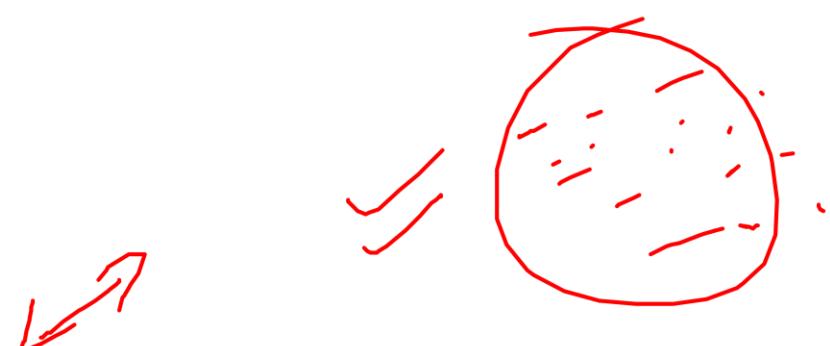
System ensures confidentiality while automatically fetching transaction details

Handling Unauthorized Electronic Transactions

✓ Banks must provide immediate response options in SMS and email alerts for customers to report unauthorized transactions. Website homepages must include direct links for lodging such complaints.

✓ Key requirements:

- Auto-acknowledgment with reference number
- Recording of time/date of messages for liability determination
- Resolution within 90 days maximum
- Compensation per RBI norms if not resolved within 90 days ✓
- No loss of interest for customers in savings/current accounts
- No additional interest burden for credit card/overdraft accounts



Strengthening Grievance Redressal (2021 Framework)

In January 2021, RBI established a comprehensive framework to improve the efficacy of banks' grievance redressal mechanisms:



Enhanced Disclosures

Banks must provide granular disclosures on complaints in annual reports, including volume, nature, and turnaround time.



Cost Recovery

RBI recovers cost of redress from banks whose maintainable complaints exceed peer group averages.



Intensive Reviews

Banks with persistent issues undergo intensive review to identify systemic problems and implement corrective measures.

3 - Consultation Schemes

1

Key Roles in Grievance Redressal

Principal Nodal Officer

- Not below General Manager rank
- Contact details must be prominently displayed
- Appointed at Head Office level

Internal Ombudsman/CCSO

- Required for scheduled banks with >10 banking outlets
- Must not have worked in the same bank previously.
- Examines partially/wholly rejected complaints
- All complaints must be escalated to IO before final decision

Banks identified with persisting issues in grievance redress undergo intensive review to identify underlying systemic issues and implement corrective measures under RBI supervision.



RBI-Integrated Ombudsman Scheme 2021



Omnibus Scheme

Integrates three previous schemes (Banking, NBFC, Digital Transactions) into one comprehensive framework



One Nation One Ombudsman

Centralized complaint receipt at CRPC Chandigarh with 22 Ombudsmen offices nationwide

2022



Cost-Free Redress

Covers all RBI-regulated entities, including non-scheduled primary co-operative banks with deposits ≥ ₹50 crore

The Scheme provides cost-free redress for complaints involving deficiency in services if not resolved by the regulated entity within 30 days. Ombudsmen are senior RBI officials appointed for maximum three-year terms.

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Filing and Processing Complaints

Filing Methods

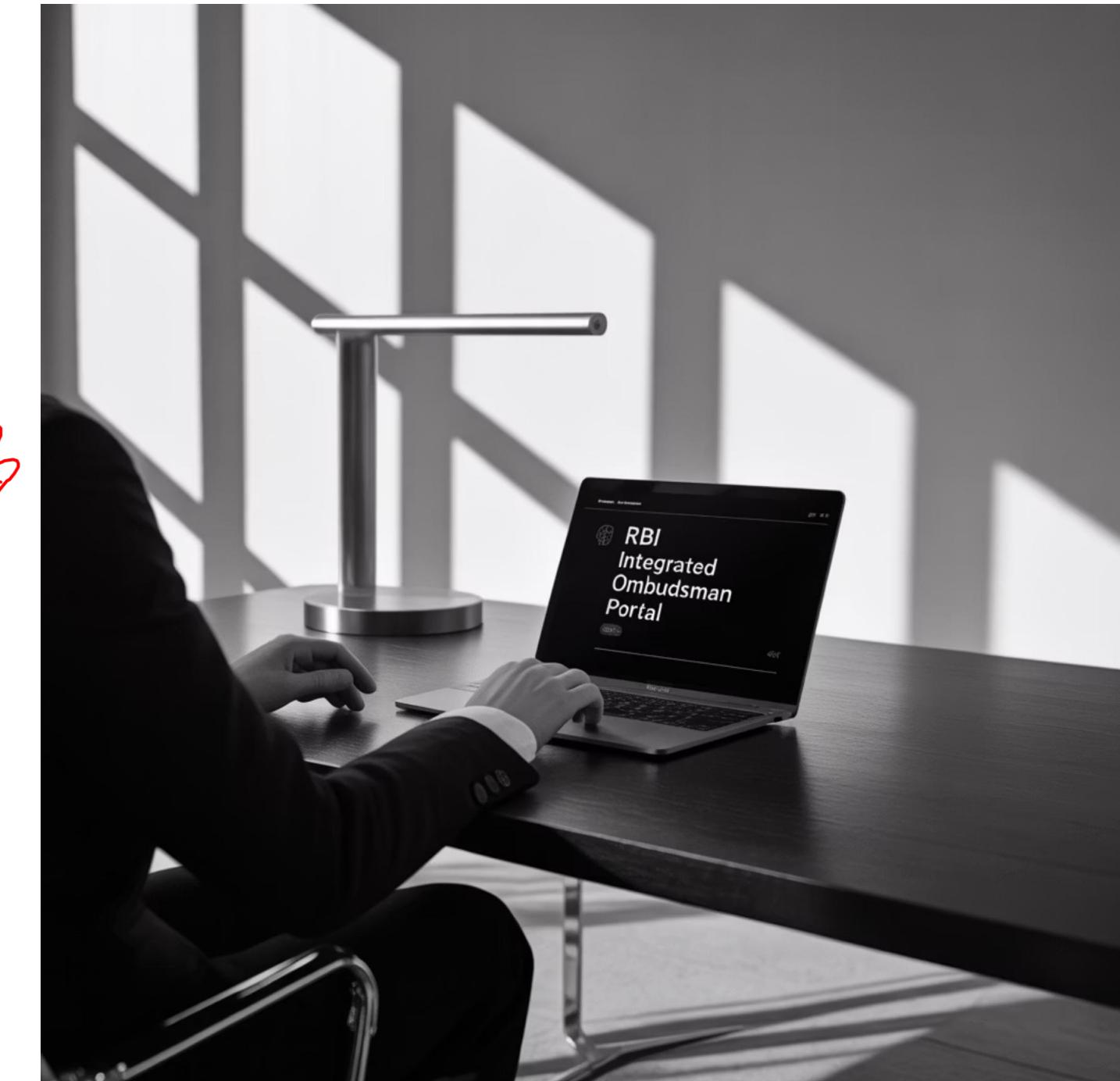
- Online portal (cms.rbi.org.in) ✓
- Electronic mode (email) ✓
- Physical mode (post/courier/hand delivery)

Processing at CRPC

- Preliminary scrutiny to determine validity ✓
- Valid complaints assigned to concerned Ombudsman ✓
- Regulated entities directed to submit written responses within 15 days ✓

Resolution Hierarchy

1. Agreement through facilitation ✓
2. Agreement through mediation and conciliation ✓
3. Passing an Award (if no agreement possible) ✓



Awards and Appeals

Award Criteria

Ombudsman passes reasoned awards based on:

- Banking law and practice principles
- RBI directions, instructions, and guidelines
- Other relevant factors

Compensation Limits

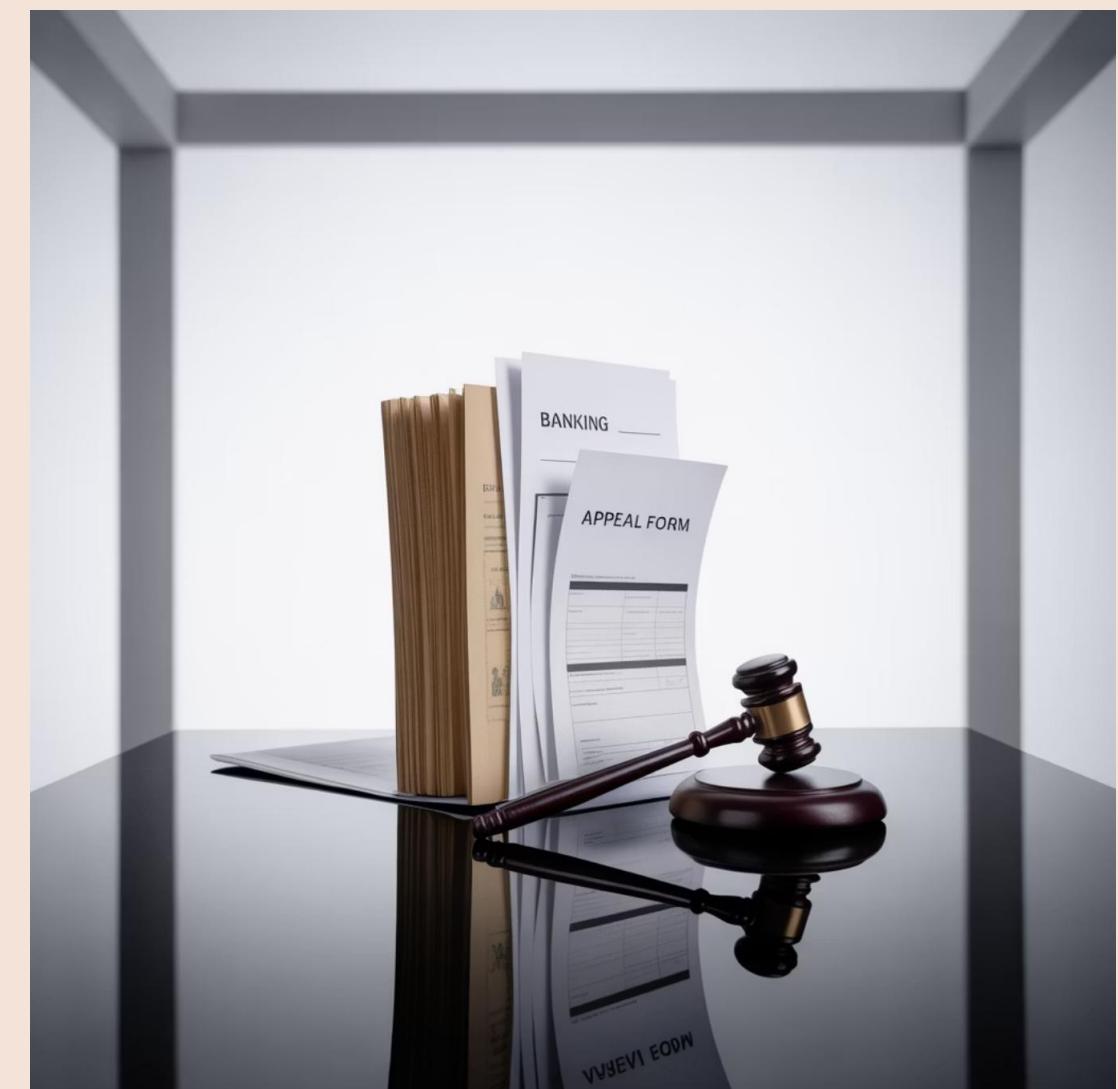
- Actual amount involved: No ceiling
- Consequential loss: Up to ₹20 lakh
- Time loss/expenses/harassment: Up to ₹1 lakh

Appeal Process

Appeals can be made to the Appellate Authority (Executive Director of RBI) by either party against awards or rejection orders.

Regulated entities need prior sanction from Chairman/MD/CEO to appeal, and cannot appeal awards issued for non-furnishing of documents.

(Actual receipts & Proving letter)



The Consumer Protection Act, 2019–Preamble, Extent and Definitions

Evolution of Consumer Protection in India

Pre-Consumer Protection Era

Consumers faced significant challenges in resolving product and service issues, with traditional legal remedies through civil courts proving inadequate due to complex procedures, high costs, and time requirements.

Post-Liberalization Changes

Multiple amendments to address changes from liberalization, globalization, and digitalization of commerce, but still found inadequate for new market realities.



Purpose and Scope of CPA 2019

Purpose

The Act was enacted "for better protection of the interests of consumers" providing a self-contained quasi-judicial machinery for speedy and simple redressal of consumer disputes.

Extent

Extends to the whole of India including the Union Territory of Jammu & Kashmir, applying to all goods and services with specific exclusions.

Key Exclusions

- Goods purchased for resale
- Goods bought for commercial purposes
- Services rendered free of charge
- Services under a contract for personal service

The Act provides additional remedies and does not override any other law. If a remedy is barred under another Act, Consumer Forums cannot grant such remedy.

Key Innovations in CPA 2019

1

Expanded Definition of "Consumer"

Includes customers of both offline and online transactions made through electronic means, teleshopping, multi-level marketing, or direct selling.

2

Specific Consumer Rights

Clearly defines six consumer rights, including protection against hazardous products, right to information, access to variety of goods at competitive prices, right to be heard, right to seek redressal, and right to consumer awareness.

3

E-Commerce Inclusion

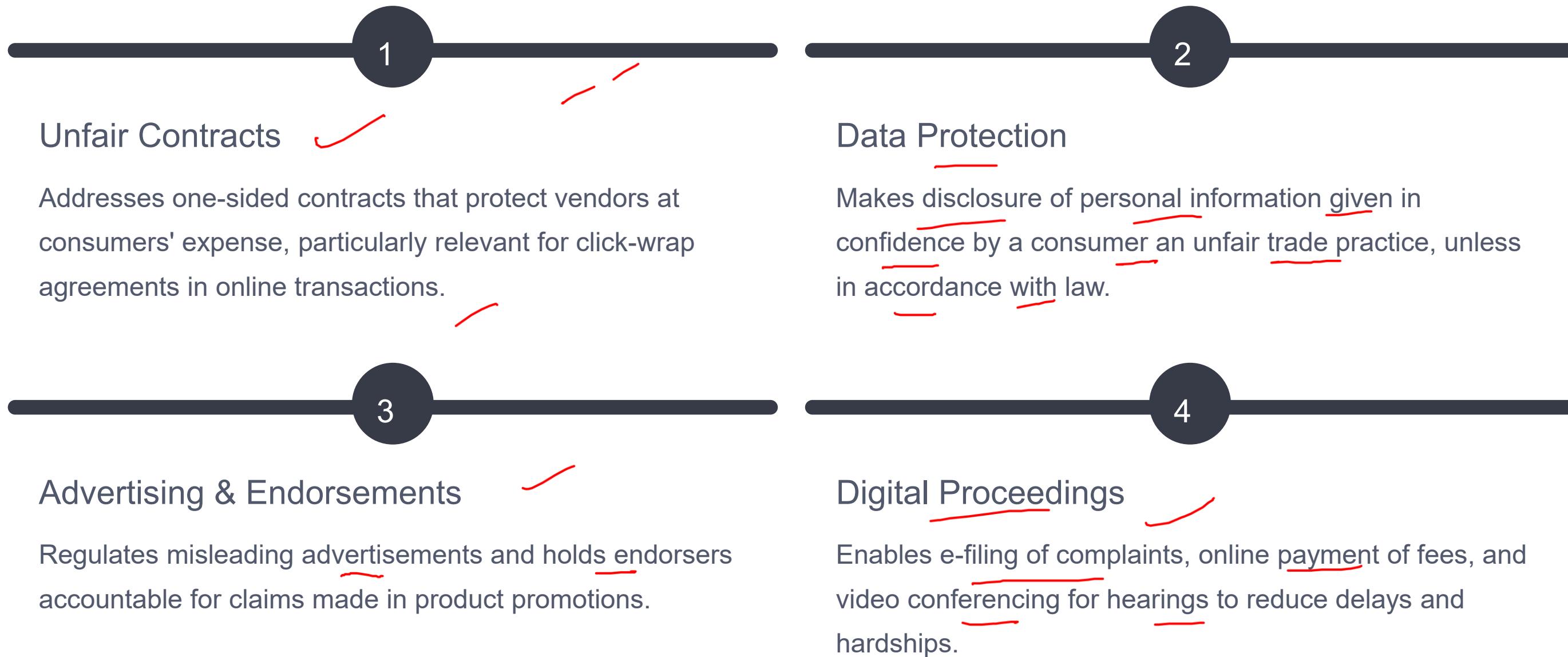
Expressly includes e-commerce sites, online marketplaces, and auction sites under its scope, rejecting the defense that they are merely "platforms" or "aggregators".

4

Product Liability

Introduces product liability action against manufacturers, service providers, and sellers for compensation for harm caused by defective products.

More Innovative Features of CPA 2019





Who is a Consumer?

Under CPA 2019, a "consumer" is any person who, for consideration paid or promised:

- Has bought goods for purposes other than resale or commercial use
- Has hired or availed any service for non-commercial purposes
- Has used goods or benefited from services with approval of the buyer

(D) The definition specifically includes both offline and online transactions through electronic means, teleshopping, direct selling, or multi-level marketing.

Exception: "Commercial purpose" does not include goods bought and used exclusively for earning livelihood through self-employment.

Consumer Rights Under CPA 2019

Right to Safety

Protection against marketing of goods, products or services hazardous to life and property

Right to Choice

Access to variety of goods and services at competitive prices wherever possible

Right to Redressal

Seeking redress against unfair trade practices, restrictive trade practices, or exploitation

Right to Information

To be informed about quality, quantity, potency, purity, standard and price of goods or services

Right to be Heard

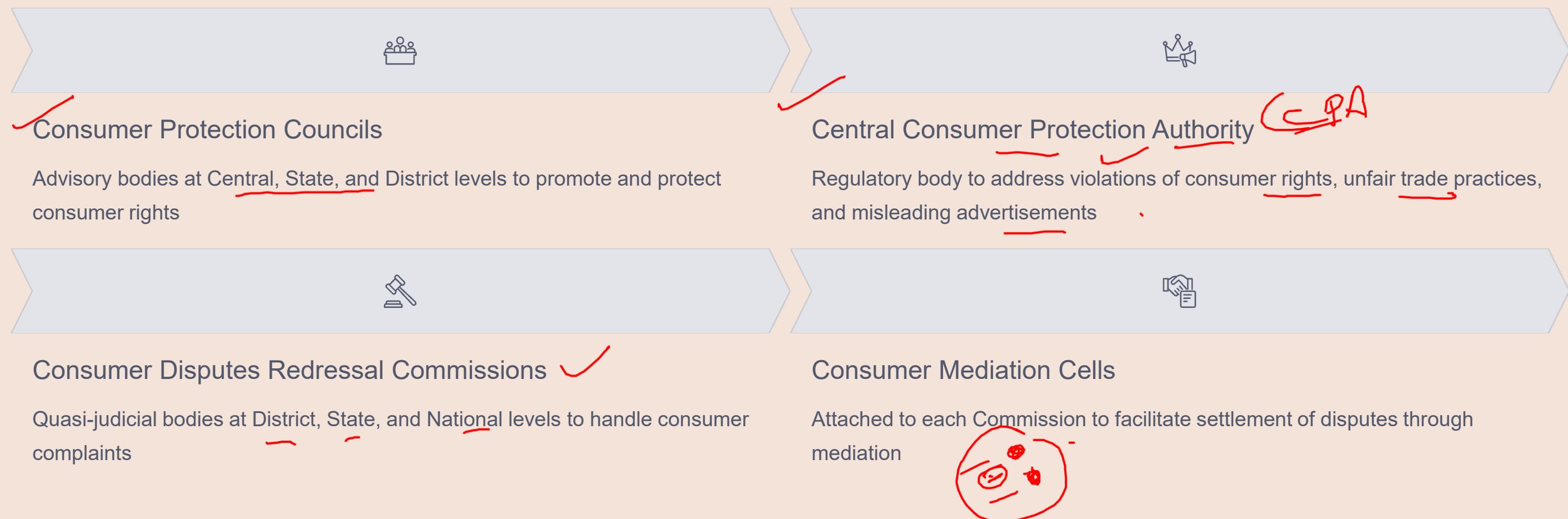
Assurance that consumer interests will receive due consideration at appropriate forums

Right to Awareness

Right to consumer education and information about rights and remedies



Consumer Protection Framework



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Central Consumer Protection Authority (CCPA)

Key Functions

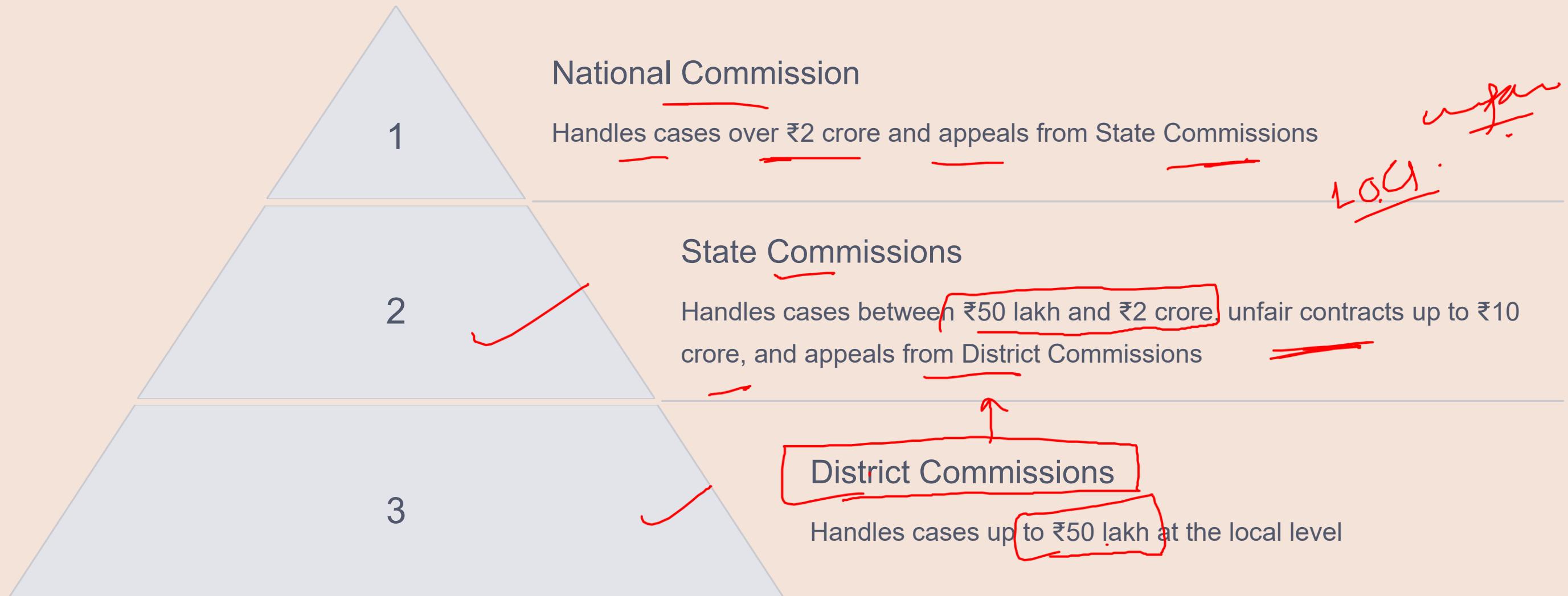
- Protect, promote and enforce consumer rights as a class
- Prevent violation of consumer rights
- Prevent unfair trade practices
- Ensure no false or misleading advertisements

Powers

- Conduct inquiries into violations
- Order recall of dangerous goods or withdrawal of services
- Order discontinuation of misleading advertisements
- Impose penalties on endorsers of false advertisements
- Search and seizure powers through Director General

Non-compliance with CCPA directions can result in imprisonment up to six months or fine up to ₹20 lakh, or both. False or misleading advertisements can lead to imprisonment up to two years and fine up to ₹10 lakh for first offense.

Consumer Disputes Redressal Commissions



Each Commission consists of a President and members, with at least one woman member or President. Members serve for a term of four years or up to age 65, whichever is earlier.

Filing and Processing Complaints

Filing a Complaint

Eligible complainants include consumers, recognized consumer associations, groups of consumers with same interest, government bodies, and legal heirs/representatives of deceased consumers.

Proceedings

Copy of complaint sent to opposite party for response. For goods requiring testing, samples may be sent to appropriate laboratory. Commission has powers of a civil court during proceedings.

Admission and Mediation

Commission decides on admissibility within 21 days. If suitable for settlement, matter may be referred for mediation with parties' consent.

Order and Enforcement

Commission issues appropriate orders if complaint is proven. Orders are enforced like court decrees. Non-compliance can result in imprisonment (1-3 months) and fines (₹25,000-1 lakh).



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Mediation Process

Mediation Cells

Established at all three levels of Commissions with empanelled mediators who meet specific eligibility criteria including retired judges, advocates, and experienced professionals.

Mediators serve for five years and are eligible for re-empanelment.

Mediation Proceedings

Conducted in presence of parties or representatives, guided by principles of natural justice but not bound by Civil Procedure Code or Evidence Act.

Proceedings are confidential with no audio/video recording permitted.

Mediators facilitate voluntary resolution without imposing terms.

If agreement is reached, it's recorded and submitted to the Commission. If not settled within three months, mediation terminates.



Product Liability and Unfair Contracts

Product Liability

Allows claims for compensation for harm caused by defective products against:

- Product manufacturers
 - Product service providers
 - Product sellers (including e-commerce platforms)
- "Harm" includes property damage, personal injury, illness, death, mental agony, or emotional distress.

Unfair Contracts

Addresses one-sided contracts with terms that cause significant change in consumer rights, including:

- Excessive security deposits
- Disproportionate penalties
- Refusal to accept early repayment
- Unilateral termination without cause
- Detrimental assignment without consent
- Unreasonable charges or conditions

Banking Services Under CPA 2019

Common Deficiencies

- Delay in refund of deposits ✓
- Wrongful dishonor of cheques or drafts
- Non-credit of cheques tendered
- Default by business correspondents
- Not issuing receipts or crediting amounts

Bank's Discretion

- Certain matters remain within bank's commercial discretion:
- Interest rates within regulatory framework
 - Service charges
 - Types of deposit and loan products
 - Quantum of loan and security requirements

Case Example

In a 2016 case, a bank was found guilty of deficiency in service and unfair trade practice for arbitrarily changing interest rates on a home loan without proper justification, resulting in ₹4 lakh compensation to the complainants.

RTI act

Introduction & Purpose



Intent

To provide a practical regime for citizens to access information under the control of public authorities

Aims

To contain corruption and hold governments and their instrumentalities accountable to the governed

Scope

Applies to public authorities including all public sector banks and institutions owned/controlled by owned/controlled by the government

The Act replaced the Freedom of Information Act, 2002 and extends to the whole of India.

RTI Act 2005

Key Definitions

Information

Any material in any form including records, documents, memos, emails, opinions, advices, press releases, circulars, orders, logbooks, contracts, reports, papers, samples, models, and data in electronic form.

Public Authority

Any authority established by the Constitution, Parliament, State Legislature, or government notification, including bodies owned, controlled, or substantially financed by the government.

Right to Information

- Inspection of work, documents, records
- Taking notes, extracts or certified copies
- Taking certified samples of material
- Obtaining information in electronic form

Third Party

A person other than the citizen making the request, including a public authority.

Exemptions from Disclosure

- Information that would prejudicially affect India's sovereignty and integrity
- Disclosure expressly forbidden by law or constituting contempt of court
- Information that would breach privilege of Parliament or State Legislature
- Commercial confidence, trade secrets, intellectual property
- Information available in fiduciary relationship or received from foreign governments
- Information endangering life/safety or impeding investigation/prosecution
- Cabinet papers including records of deliberations

Obligations of Public Authorities

Record Management ✓

Maintain all records duly catalogued and indexed; computerize appropriate records within reasonable time

Proactive Disclosure ✓

Publish and annually update information about organization, functions, decision-making procedures, norms, rules, budgets, and more

Policy Transparency ✓

Publish relevant facts while formulating important policies and provide reasons for administrative or quasi-judicial decisions

Information must be widely disseminated in a cost-effective manner, in local language, and preferably in electronic format.



Public Information Officers



Designation Requirements

- Public Information Officers (PIOs) in all administrative units ✓
- Assistant PIOs at sub-divisional/sub-district levels
- . PIOs may seek assistance from other officers as necessary

Any officer whose assistance is sought by the PIO shall render all all assistance and be treated as a PIO for contraventions.

Procedure for Obtaining Information

Submit Request ✓

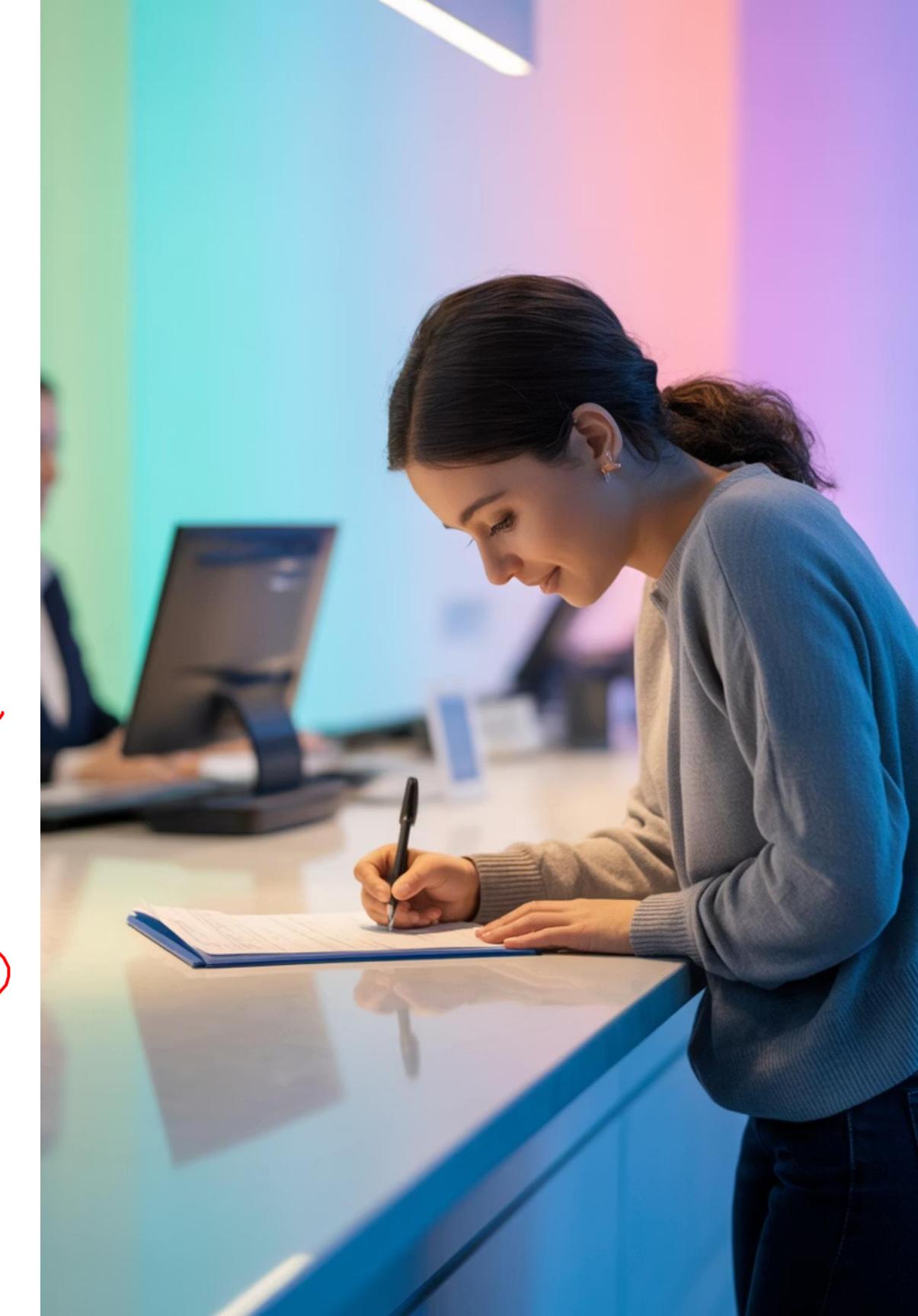
Make a written request or through electronic means in English/Hindi/official English/Hindi/official language of the area

Specify Details ✓

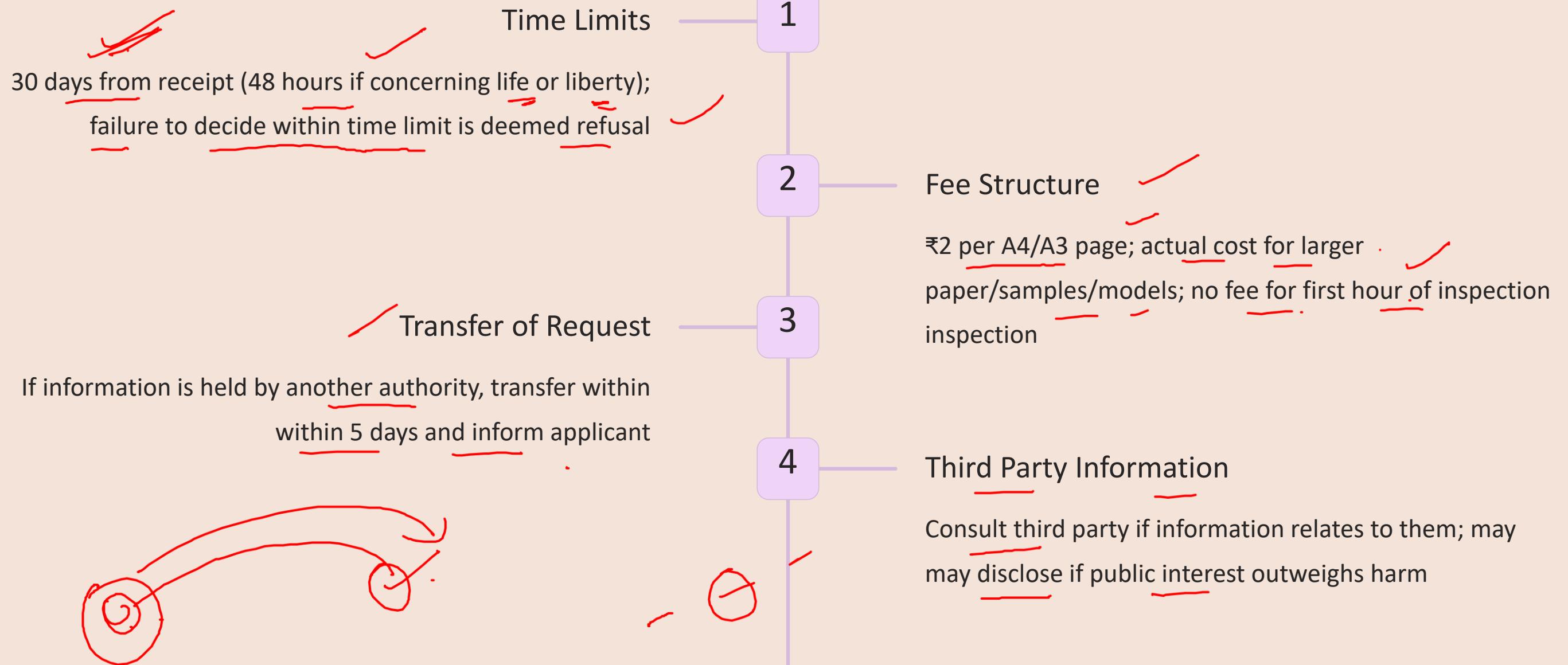
Include particulars of information sought and pay the prescribed fee (₹10) ✓

No Justification Needed ✓

No reason or personal details required to be given for requesting information



Disposal of Requests



31/2/2021

Information Commissions

Central Information Commission

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- Chief Information Commissioner and up to 10 Commissioners
- Appointed by President on recommendation of committee committee (PM, Leader of Opposition, Cabinet Minister)
- Minister) Headquarters in Delhi with possible offices elsewhere
- 3-year term or until age 65, whichever is earlier

Commissioners must be persons of eminence with knowledge in law, science, technology, social service, management, journalism, media, administration, or governance.

State Information Commission

- State Chief Information Commissioner and up to 10 Commissioners
- Appointed by Governor on recommendation of committee committee (CM, Leader of Opposition, Cabinet Minister)
- Minister) Same eligibility criteria and term limits as Central Commission



Appeal Process



Powers of Information Commission



Compliance Orders

Require public authorities to take necessary steps for compliance with the Act, including providing access to information or appointing PIOs



Compensation

Require public authority to compensate complainant for any loss or detriment suffered



Penalties

Impose penalties provided under the Act



Rejection

Reject the appeal

Penalties and Enforcement

Financial Penalties

The Commission may impose a penalty of ₹250 for each day
day until information is furnished, up to a maximum of ₹25,000.
₹25,000.

Disciplinary Action

May recommend disciplinary action against PIOs who
persistently fail to receive applications, don't furnish information
information on time, maliciously deny requests, provide
incorrect information, destroy information, or obstruct
information provision.

Overriding Effect and Exceptions



Overriding Effect

Provisions override anything inconsistent in the Official Secrets Act, 1923, or any other law.



Security Exceptions

Does not apply to intelligence and security organizations specified in Second Schedule



Important Caveat

Information on corruption and human rights violations cannot be excluded, even from exempt organizations

No court shall entertain any suit regarding orders made under this Act - challenges must follow the appeal process defined in the Act.



Thank You



Comment Your Feedback

