

PPB

Capsule Batch

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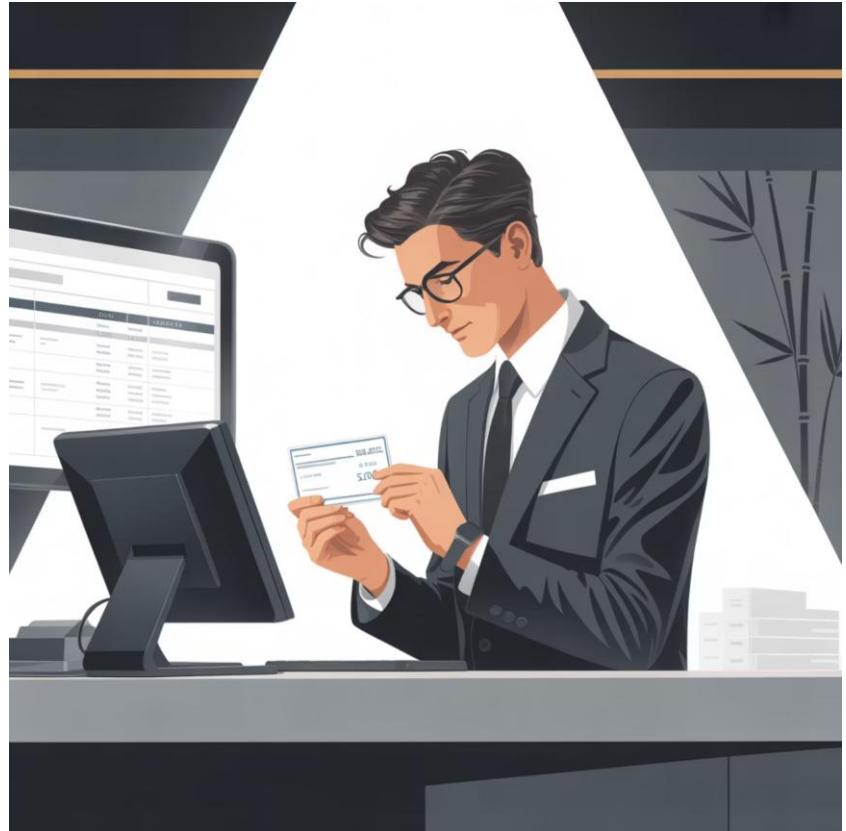
Payment and Collection of Cheques and Other Negotiable Instruments

Introduction to Banker's Statutory Obligations

A banker is under a **statutory obligation** to make payment of a cheque drawn by its customer when:

- Sufficient funds are available in the account
- The funds are properly applicable for making the payment
- The cheque is properly drawn fulfilling legal requirements

The Negotiable Instruments Act of 1881 provides the legal framework that governs these obligations and protects all parties involved in the transaction.



The Negotiable Instruments Act 1881: Key Definitions

1 6

Cheque

"A cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand and it includes the electronic image of a truncated cheque and a cheque in the electronic form." (Sec. 6) ✓

Contains written instructions from the account holder to the bank for making payment from their account.

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Promissory Note

"An instrument in writing (not being a bank-note or a currency-note) containing an unconditional undertaking, signed by the maker, to pay a certain sum of money only to, or to the order of a certain person, or to the bearer of the instrument." (Sec. 4)

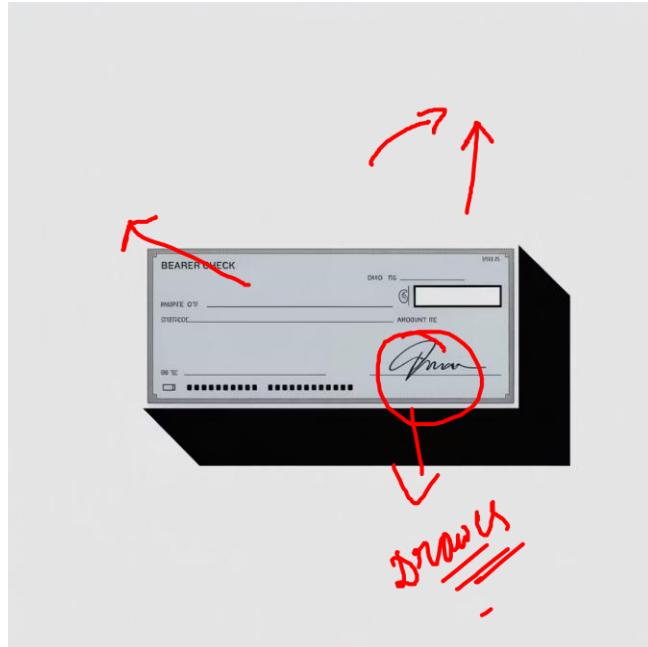
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Bill of Exchange

"An instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay certain sum of money only to or to the order of a certain person or to the bearer of the instrument." (Sec. 5)

Types of Cheques and Key Parties



Physical vs. Electronic Cheques

Regular Cheque: Traditional paper instrument with written instructions

Truncated Cheque: Converted to electronic image during clearing cycle

Electronic Cheque: Drawn in electronic form using computer resources with digital/electronic signature

Key Parties in Cheque Transactions

Drawer: The person who writes the cheque (account holder)

Drawee: The bank directed to pay the amount

Holder: Person entitled to possession and to receive payment

Holder in Due Course: Person who obtained the instrument for consideration in good faith

Bank's Duty: Pre-Payment Verification

46 days



Branch Verification

Confirm the cheque is presented at the correct branch or within the bank's anywhere banking network



Date Verification

Check if the cheque is current, post-dated, or stale (older than three months)



Payee Verification

Confirm payment instructions for single/joint/alternative payees or "cash" instructions



Drawer's Signature

Verify against specimen signature on record

Banks must verify each aspect diligently as these checks form the foundation of the bank's legal protection when making payments.

Critical Verification Points for Cheque Payment

Order vs. Bearer Cheque

For **order cheques**, verify the identity of the presenter and all endorsements.

For **bearer cheques**, payment can be made to anyone who presents it without verifying endorsements.

Amount Verification

Ensure amounts in words and figures match. If they differ, Sec. 18 says the amount in words prevails, but in practice, such cheques are returned unpaid.



Alterations & Mutilations

Any material alteration must be authenticated with the drawer's full signature.

Accidental tears/mutilations must be confirmed by the drawer or guaranteed by the collecting banker.

Other Critical Checks

Verify sufficient account balance, absence of stop-payment instructions, and no legal restraints (garnishee orders, attachment orders, etc.).

Check for notices of drawer's death, insolvency, or insanity.





Payment in Due Course - Section 10

"Payment in due course means payment in accordance with the apparent tenor of the instrument in good faith and without negligence to any person in possession thereof under circumstances which do not afford a reasonable ground for believing that he is not entitled to receive payment of the amount there in mentioned."

This concept is crucial as the paying banker receives protection under various sections of the Act only if the payment is made "in due course." This requires:

Apparent Tenor

Following the instructions apparent on the face of the cheque

Good Faith

Acting honestly and without negligence

Proper Possession

Paying to a person who appears to be the legitimate holder

Liability of the Paying Bank - Section 31

The drawee bank is under a statutory liability to honor a cheque when sufficient balance is available. Failure to do so can result in liability for any loss or damage caused to the drawer.

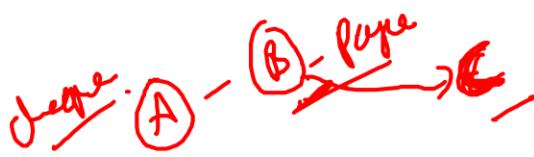
When Funds Are Not "Properly Applicable"

Even with sufficient funds, payment may be refused when:

- Payment has been stopped by the drawer
- Drawer is deceased and bank has been notified
- Funds are subject to garnishee/attachment orders
- Funds are earmarked for specific purposes
- Bank has exercised right of set-off
- Balance is not a clear balance (uncleared funds)

Balance





Protection Available to Paying Bankers

Protection for Forged Endorsements - Order Cheques (Sec. 85)

Bank is discharged by payment to the endorsee if endorsement appears regular, even if the endorsement was forged.

Protection for Bearer Cheques (Sec. 85)

Bank is discharged by payment to the bearer in due course, regardless of any endorsements on the instrument.

Protection for Bank Drafts (Sec. 85A)

Bank is discharged if draft appears properly endorsed and payment is made in due course.

Protection for Material Alterations (Sec. 89)

Payment according to apparent tenor discharges the bank if alterations are not apparent at time of payment.

Protection for Crossed Cheques (Sec. 128)

Bank is protected when paying crossed cheques in due course to the appropriate banker.

Note: No protection is available if the drawer's signature is forged, as such an instrument does not qualify as a cheque.

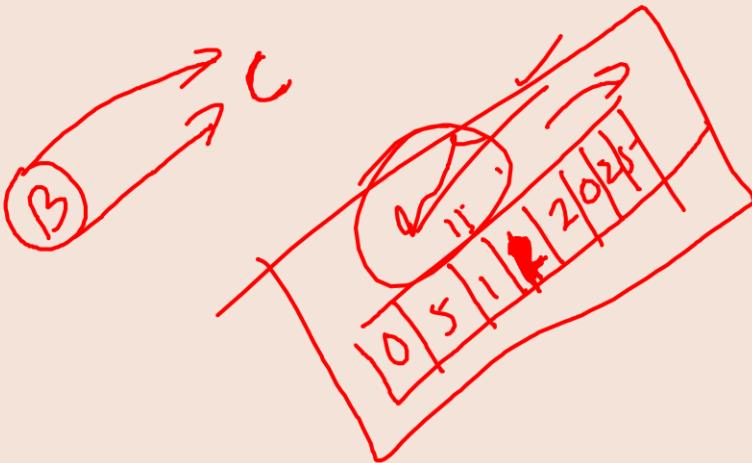
Duties of a Collecting Bank

A collecting bank handles the collection of payment for negotiable instruments on behalf of customers. Without proper diligence, it may be liable to the true owner for wrongful conversion.

Protection Under Section 131

The collecting banker is protected if:

- The cheque is collected for a customer (with proper KYC verification)
- The cheque was crossed before it was received by the banker
- The banker acted in good faith and without negligence



Key Case Law

In *Syndicate Bank vs Jaishree Industries* (AIR 1994 Karnataka 315), the court established that collecting banks must exercise reasonable care and verify the identity of customers presenting cheques for collection.



Endorsement of Cheques

Endorsement occurs when the maker or holder signs a negotiable instrument for the purpose of negotiation, typically on the back or on an attached slip of paper (allonge).



Blank Endorsement

Mere signature without naming any specific person, effectively making the cheque payable to bearer



Full Endorsement

Directs payment to a specific person or to their order, confirming transfer of rights



Conditional Endorsement

Excludes endorser's liability ("sans recourse") or makes payment dependent on a specified event



Restrictive Endorsement

Limits negotiability or specifies use of proceeds (e.g., "Pay to X only")



Facultative Endorsement

Waives the endorser's right to notice of dishonor while remaining liable for non-payment

*B — C — endorsee
coda endorsement*

Crossing of Cheques

Crossing enhances the security of a cheque by directing the paying banker to pay only through a bank account, creating an audit trail of payment.

General Crossing (Sec. 123)

Two parallel transverse lines across the face of the cheque, sometimes with words like "& company" or "not negotiable" between the lines

Payable only through a bank account

Special Crossing (Sec. 124)

Name of a specific banker added to the crossing

Payable only to the specified banker or their agent

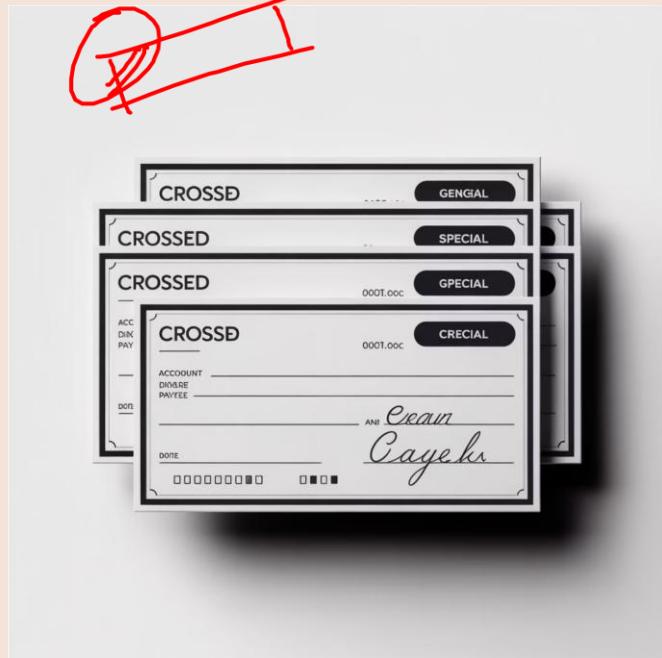
"Not Negotiable" Crossing (Sec. 130)

Removes negotiable character - transferee cannot have better title than transferor

"Account Payee" Crossing

Direction to collect proceeds only for the named payee's account

Not specified in NI Act but widely adopted practice



Forged Instruments and Dishonor of Cheques

Forged Instruments

Forgery can involve the drawer's signature, endorser's signature, payee's name, or amount. No legal protection exists for such forgeries.

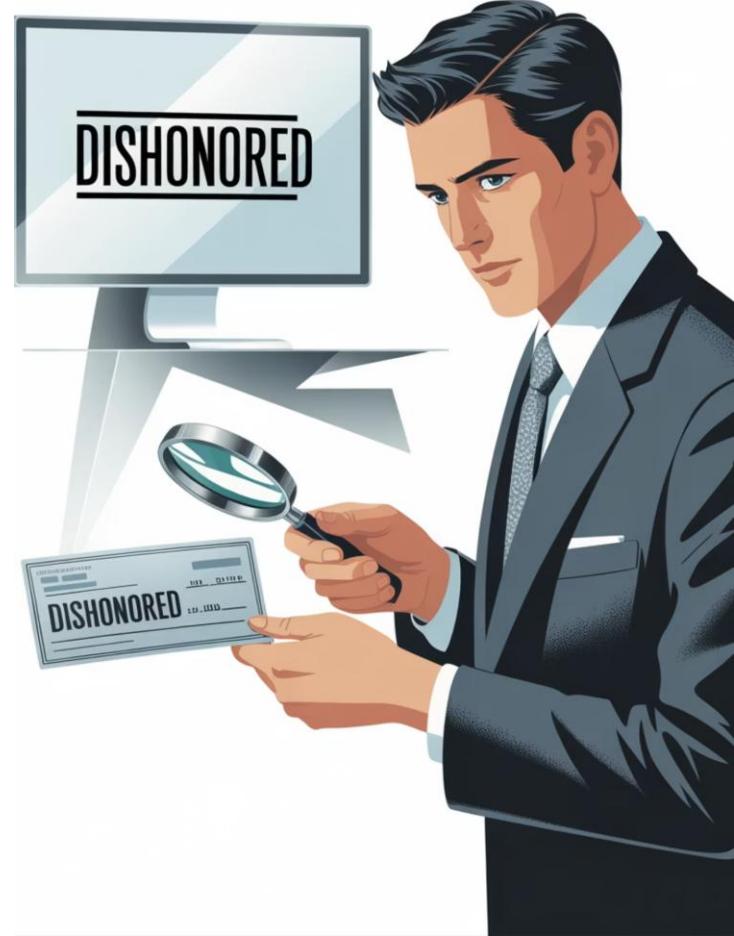
- A forged instrument gives no title to the holder
- The true owner can sue for recovery
- Payment made inadvertently can be reclaimed from the drawee

Dishonor of Cheques

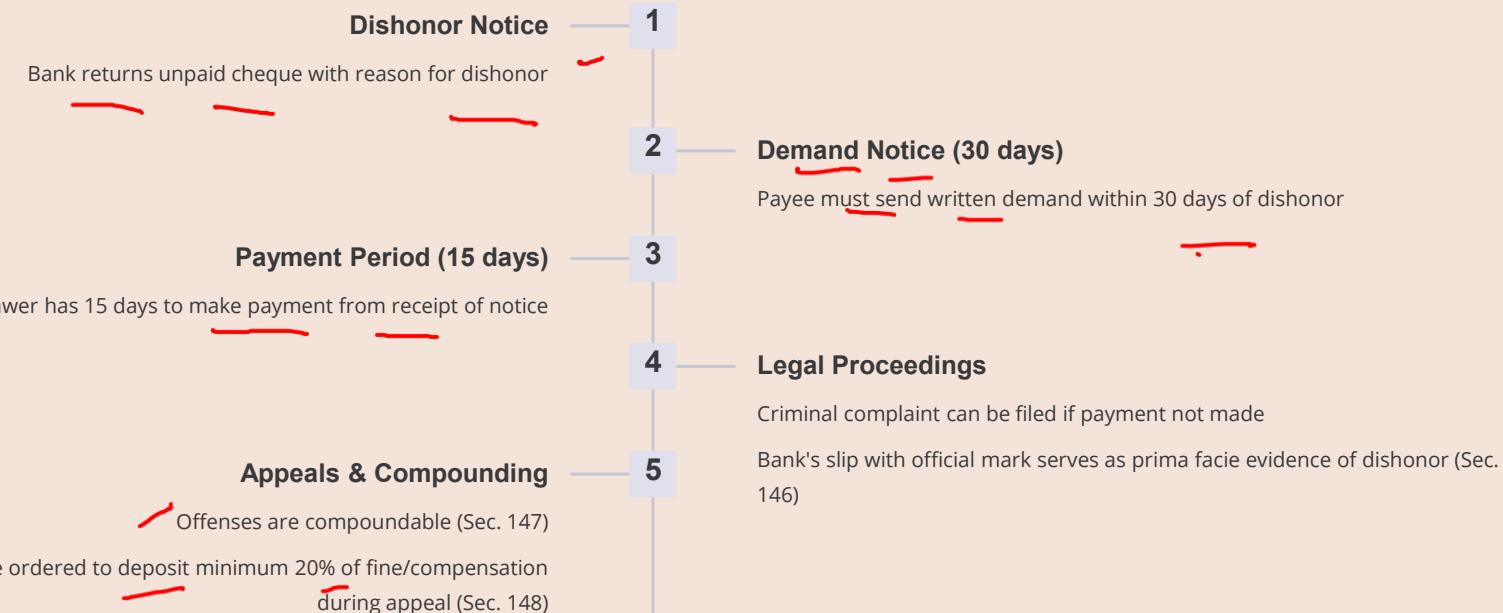
Common reasons for dishonor include:

- Insufficient funds or exceeded arrangement
- Payment stopped by drawer
- Account closure
- Technical issues (CTS-related)
- Alterations in instrument

Section 138: Dishonor due to insufficient funds is punishable with imprisonment up to two years or fine up to twice the cheque amount.



Legal Consequences of Cheque Dishonor



Note: Dishonor due to insufficient funds is a criminal offense under Section 138, not merely a civil matter.

Responsibility of Paying Bank

Banker's Duty to Honor Customer's Mandate

This presentation explores the legal framework governing a banker's obligation to honor customer payment instructions, with specific focus on the protections provided to paying banks under the Negotiable Instruments Act. We'll examine key provisions, landmark court cases, and practical implications for banking operations.



Section 31: The Foundation of Banker's Duty

Legal Obligation

"The drawee of a cheque having sufficient funds of the drawer in his hands properly applicable to the payment of such cheque must pay the cheque when duly required to do so..."

Compensation Requirement

"...and, in default of such payment, must compensate the drawer for any loss or damage caused by such default."

Section 31 establishes the fundamental duty of a banker to honor properly drawn cheques when sufficient funds are available, creating liability for wrongful dishonor.

Key Elements of Section 31

1 Applies Only to Bankers

As per Section 6, a "cheque" is a bill of exchange drawn specifically on a banker.

2 Sufficient Funds Requirement

The banker must have sufficient funds of the drawer available in the account.

3 Properly Available Funds

The funds must be properly available for payment of the cheque.

4 Properly Drawn Cheque

The cheque must be properly drawn and signed by the drawer when presented.

Liability for Wrongful Dishonor

Compensation to Drawer

If a banker refuses payment wrongfully, they are liable only to the drawer of the cheque, not to any endorsee or holder.

Exceptions exist when:

- The bank is wound up (holder becomes a creditor)
- Cheque is paid disregarding crossing (true owner can hold banker)



Forged Signatures: No Mandate to Pay

Canara Bank vs. Canara Sales Corporation (1987)

When a customer's signature on a cheque is forged, there is no mandate to the bank to pay. The bank cannot debit the customer's account for such forged cheques.

Company's accountant forged Managing Director's signature on 42 cheques totaling ₹3,26,047.92. Supreme Court ruled against the bank.

Bihta Co-operative vs Bank of Bihar (1967)

In a joint account, if one of the signatures is forged, there is no mandate and the banker cannot make payment.

Supreme Court: "There never was any mandate by the customer at all to the banker."



Payment Must Be "In Due Course"

Section 10 Definition

- Payment in due course means payment:
- In accordance with the apparent tenor of the instrument
- In good faith and without negligence
- To any person in possession under circumstances which do not afford reasonable ground for believing they are not entitled to receive payment

Bank of Bihar vs Mahabir Lal (1964)

Supreme Court: A banker can seek protection under Sec. 85 only where payment has been made to the holder, his servant or agent.

Payment to a bank employee who absconded with funds was not payment to the firm, so bank could not claim protection.



Bhutoria Trading Company Case

Case Facts

BTC sold jute to WFD, who issued an uncrossed cheque payable to BTC. A BTC official endorsed the cheque as manager using company seal and encashed it. BTC sued the bank.

Court Ruling

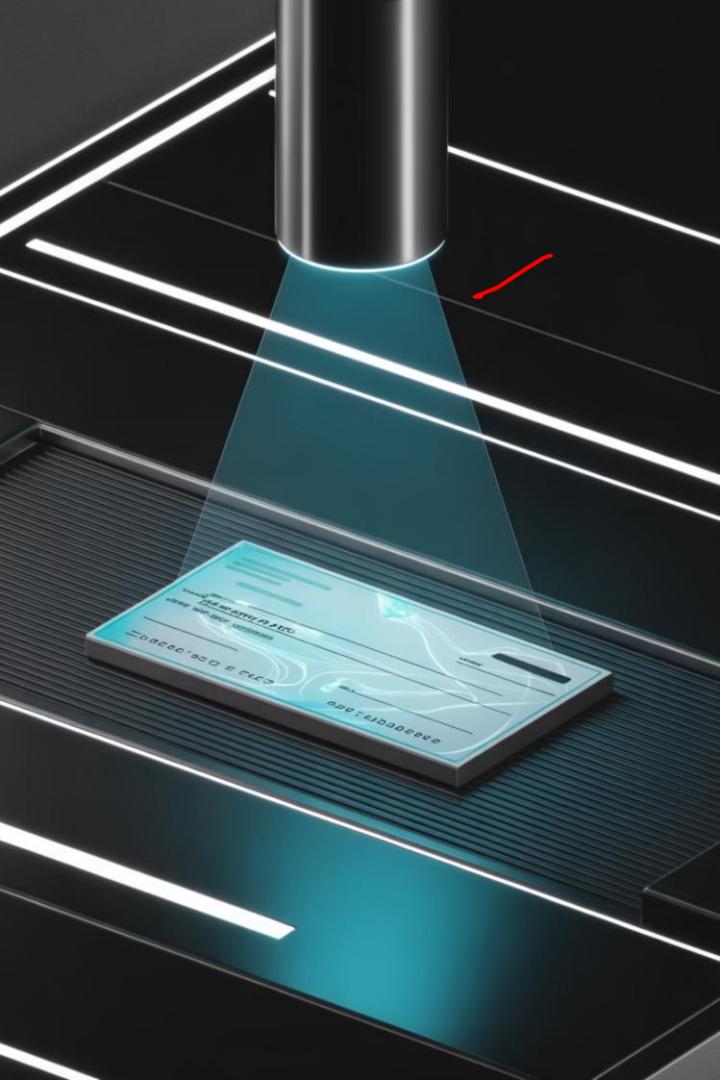
Payment was made in accordance with apparent tenor, in good faith, and without negligence. Bank took reasonable precautions by requiring identification.

Key Finding

"Payment in due course necessarily means payment made in the ordinary course."

The Calcutta High Court ruled that the bank had made payment in due course and was entitled to protection.





Altered Instruments: Bank of Maharashtra Case



Case Facts

Cheque for ₹95.98 was chemically altered to ₹6,500 with changed payee name. Bank paid without UV lamp examination.



Bank's Defense

Bank verified serial number and signature. No visual signs of forgery detected. Sufficient funds available.



Supreme Court Ruling

Section 89 protects banks when alteration isn't apparent. Lack of UV lamp doesn't constitute negligence if visual inspection was thorough.

Protection Under **Section 89**

Brahma Shumshere Case (1956)

Cheque intercepted and amount raised from ₹256 to ₹2,34,081. Court held:

- No alteration was visible at time of payment
- Payment was according to apparent tenor
- "Liable to pay" includes overdraft agreements

Tanjore Permanent Bank Case (1959)

Blank signed cheques were altered with visible changes. Court held bank cannot claim Section 89 protection when alterations are apparent.

89 ✓



Section 89 protects banks paying materially altered cheques only when alterations are not apparent at the time of payment.

Payment Under Mistake



United Bank of India Case (1978)

Perfectly forged cheque for ₹5,000 was paid. Bank sued collecting bank and payee after discovering forgery.



Court Ruling

High Court held that paying bank could not recover from collecting bank or payee who acted in good faith and changed position by delivering goods.



Legal Principle

"Equity disfavours unjust enrichment. When there is no question of unjust enrichment of the payee... he should not be made to suffer."

When all parties act in good faith, the paying bank generally bears the loss for payments made under mistake.

Key Takeaways

Duty to Pay

Section 31 requires banks to pay properly drawn cheques when sufficient funds are available.

Altered Instruments

Protection available for altered cheques only when alterations are not apparent at time of payment.



Protection

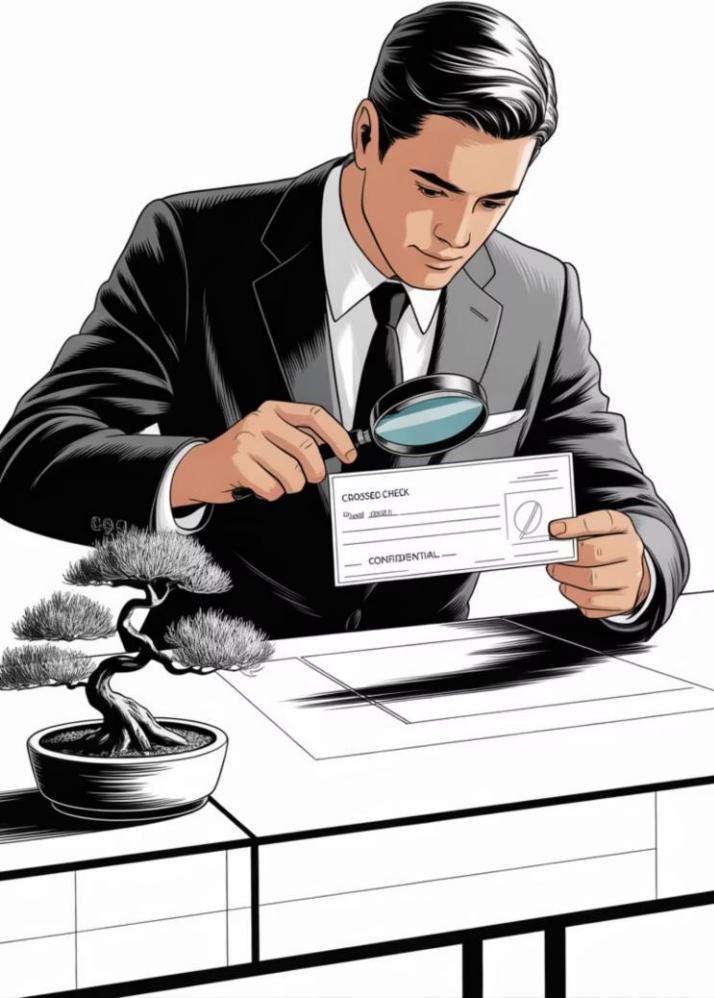
Sections 10, 85, 89, and 128 provide protection to banks making payment in due course.

No Protection for Forgery

Banks get no protection when drawer's signature is forged - there is no mandate to pay.

The Negotiable Instruments Act balances the bank's duty to honor valid payment instructions against protections for payments made in good faith and without negligence.

Responsibility of Collecting Banker



Duties and Protections of a Collecting Banker

This presentation explores the legal duties of collecting bankers and the statutory protections available to them. We'll examine key case laws that have shaped banking practices and the critical responsibilities banks must fulfill to avoid liability.

Agenda

Statutory Protection

Section 131 protection and conditions

Key Duties

Account opening, KYC norms, instrument verification

Case Studies

Landmark legal decisions establishing banker liability

Best Practices

Practical guidelines to avoid negligence claims

We'll examine how these elements work together to define a collecting banker's responsibilities in modern banking.

Statutory Protection Under Section 131

Section 131 provides crucial protection to collecting bankers for both cheques and drafts, but only when specific conditions are met:

Good Faith

The collecting banker must act in good faith throughout the transaction

Without Negligence

The bank must demonstrate it wasn't negligent in its duties

Customer Relationship

Payment must be received for a customer, with the bank acting as agent

Crossed Cheque

The cheque must be crossed generally or specially to the collecting bank

Due Diligence

Verification of prima facie genuineness and checking for fraud, forgery or tampering



Duty to Open Accounts Properly

Key Requirements

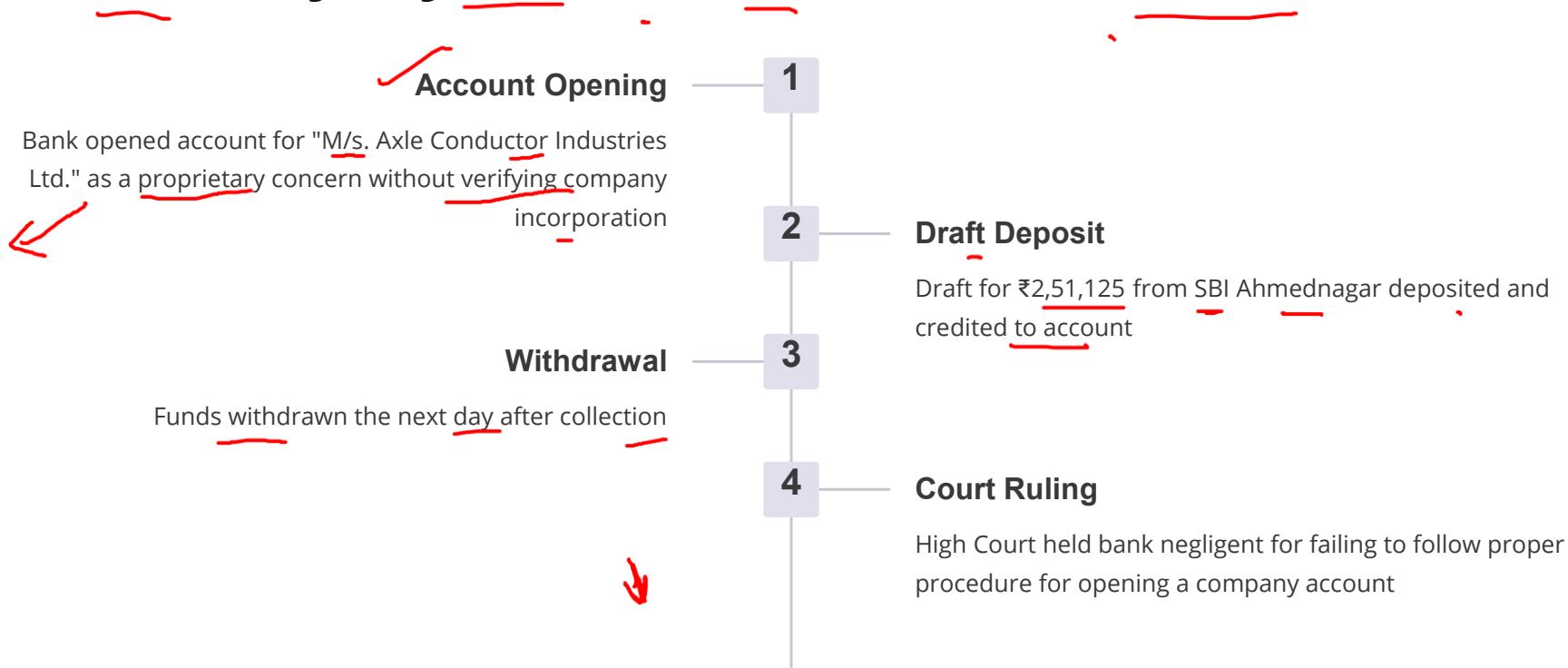
- Proper references and documentary proof
- Verification of identity, constitution and address
- Compliance with KYC norms
- Thorough background checks

Case: Ladbroke vs Todd (1914)

A thief stole a cheque, opened an account without references, forged the payee's signature, and withdrew the funds.

Ruling: Bank was liable for negligently opening an account without obtaining references.

Case Study: Syndicate Bank vs Jaishree Industries



The bank lost protection under Section 131 due to failure to verify the company's existence and improper account opening procedures.

Case Study: Indian Bank vs Catholic Syrian Bank

Facts

- ✓ Account opened with improper introduction
- Demand draft for ₹20 altered to ₹29,000
- Draft collected and credited to account
- Funds withdrawn before fraud discovered

Court's Findings

The collecting banker was negligent because:

- Relied on introduction from non-credible customer
- Failed to verify business and creditworthiness
- Did not verify permanent address at Indore
- Lacked proper alertness for new account holder



Duty to Verify References

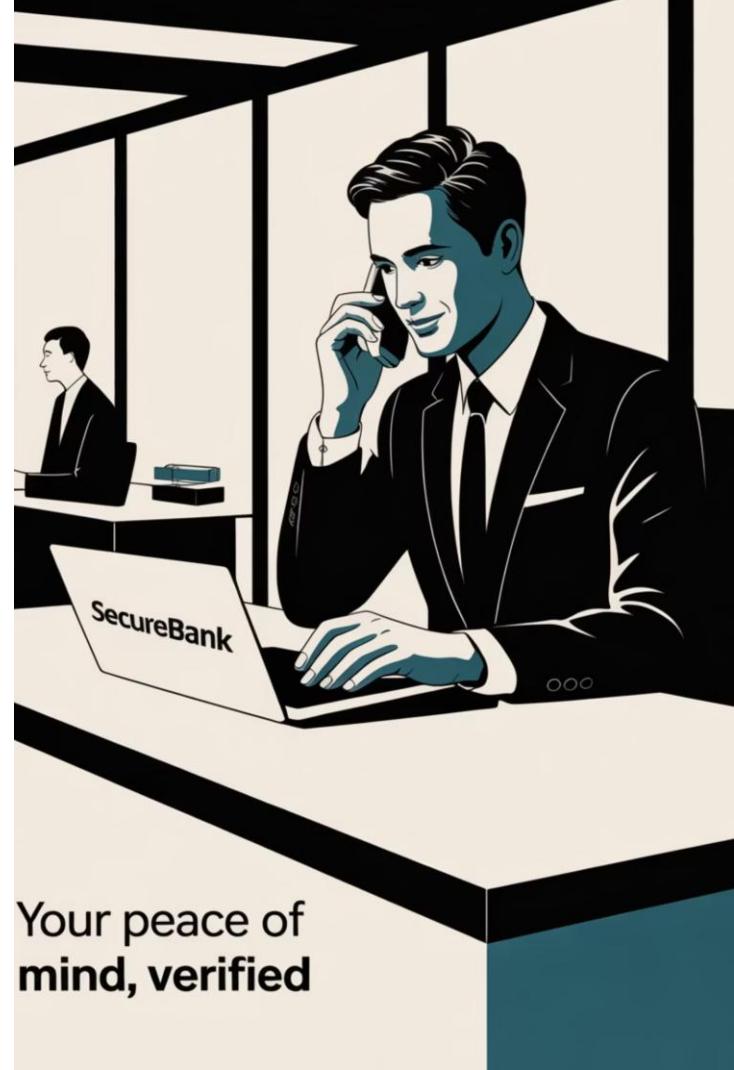
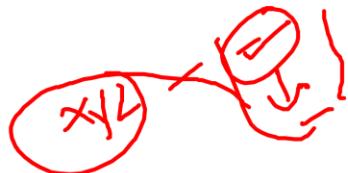
Key Responsibilities

- Confirm references where referee is not known
- Verify references given in absentia
- ✓ Make direct inquiries with employers when necessary
- Validate authorization for handling third-party cheques

Case: Harding vs London Joint Stock Bank (1914)

Account opened with third-party cheque instead of cash. Customer produced forged employer letter authorizing him to deal with the stolen cheque.

Ruling: Bank held negligent for failing to verify authorization directly with the employer.



KYC Norms and Crossing Requirements

KYC Requirements

- ✓ Verify identity with Official Valid Document (OVD)
- Obtain PAN number
- Verify address with utility bills
- ✗ "Introduction" requirement now redundant



Crossing Verification

- Ensure cheque is crossed specifically to collecting bank
- Refuse collection if crossed to another bank
- Verify account-specific crossings
- "Non-negotiable" crossing requires additional scrutiny

In Crumpling vs London Joint Stock Bank Ltd., the court held that a non-negotiable crossing is only one factor to consider in determining negligence.



Duty to Verify Instruments for Defects

Bankers must be alert to warning signs that might indicate breach of trust or misappropriation. Failure to heed such warnings can result in liability for negligence.



Red flags include company cheques deposited to personal accounts, agent/employee handling principal's funds, and unusual transaction patterns.

Key Cases

- **Underwood Ltd. vs Bank of Liverpool (1924)**: Managing Director deposited company cheques into private account
- **Savory Company vs Llyods Bank (1932)**: Employees stole bearer cheques and collected in personal accounts
- **Morrison vs London County Bank (1914)**: Manager drew cheques to himself using agency authority

Duty to Monitor Account Activity

Account Monitoring Requirements

Banks must consider customer status, transaction patterns, and lifestyle consistency with account activity.

Case: Nu-Stilo Footwear Ltd. vs Lloyds Bank (1956)

Secretary defrauded employer by converting nine cheques totaling £4,855 into his account opened under false name.

Court Ruling

Bank held negligent for failing to question deposits inconsistent with the account holder's purported business and background.

Banks must be particularly vigilant when transaction amounts seem inconsistent with the customer's known occupation or business activities.

Financial Inclusion and Financial Literacy

3-4 marks



Financial Inclusion: Bridging the Gap

Financial inclusion means providing affordable basic financial services to disadvantaged and low-income segments of society who would otherwise be excluded. These services include payments, remittances, savings, loans, and insurance products delivered through the formal financial system.

The growth of NGOs and Self-Help Groups has significantly facilitated financial particularly enabling social and economic inclusion of women. Financial recognize the huge business potential in meeting the unmet demand for financial from the excluded population.

The Expanding Microfinance Ecosystem

The microfinance sector has evolved significantly, expanding from basic credit and thrift products to include:



Micro Insurance

Affordable insurance products for low-income populations with limited coverage amounts but critical



Micro Pension

Small-scale retirement savings schemes enabling the underprivileged to build term financial security.



Digital Payments

Low-cost electronic payment solutions providing secure alternatives to cash transactions for the unbanked.

This expansion presents an opportunity to extend the benefits of financial development to those at the bottom of the underprivileged.



Business Facilitator Model

Under the Business Facilitator (BF) model, banks can use various intermediaries to provide facilitation services without conducting actual banking business:

Eligible Entities

- NGOs and Self-Help Groups
- Farmers' Clubs and Cooperatives
- Community-based organizations
- IT-enabled rural outlets
- Post offices and Insurance agents
- Well-functioning Panchayats
- Krishi Vigyan Kendras
- KVIC/KVIB units

Scope of Activities

- Identifying borrowers and activities
- Processing loan applications
- Creating awareness about savings
- Providing money management advice
- Promoting self-help groups
- Post-sanction monitoring
- Follow-up for recovery

No RBI approval is required for banks to use these intermediaries for the facilitation services listed above.

Business Correspondent Model

The Business Correspondent (BC) model allows scheduled commercial banks including RRBs and LABs to engage BCs to extend subject to specific guidelines:

Bank Requirements

- Board-approved policy for engaging BCs
- Due diligence of individuals/entities prior to engagement
- Assessment of reputation, financial soundness, and governance
- Evaluation of cash handling ability and technology implementation capability

Eligible BC Entities

- Individuals (retired employees, shop owners, PCO operators, operators, etc.)
- NGOs and Micro-Finance Institutions
- Cooperative societies and Post Offices
- Companies with large retail outlets
- Non-deposit taking NBFCs (for commercial banks)

The BC model carries significant reputational, legal, and operational risks. Banks must adopt technology-based solutions for while increasing outreach in a cost-effective manner.



Scope of Activities for Business Correspondents

Business Correspondents can perform a wide range of activities to extend banking services to underserved areas:

Customer Acquisition

- Identifying borrowers
- Preliminary processing of loan applications
- Creating awareness about financial products
- Providing financial education

Transaction Services

- Disbursing small value credit
- Collecting small value deposits
- Handling small value remittances
- Distributing banknotes and coins

Product Distribution

- Selling micro insurance products
- Offering mutual fund products
- Providing pension products
- Distributing other third-party products

Banks may also use BCs for preliminary work relating to account opening formalities, expanding their reach into previously unbanked areas.

Risk Mitigation in BC Operations

The arrangements with Business Correspondents must specify several risk mitigation measures to protect both customers and banks:



Cash Management

Set suitable limits on cash holding, individual customer payments and receipts, with receipts, with proper receipts for all transactions.

Customer Protection

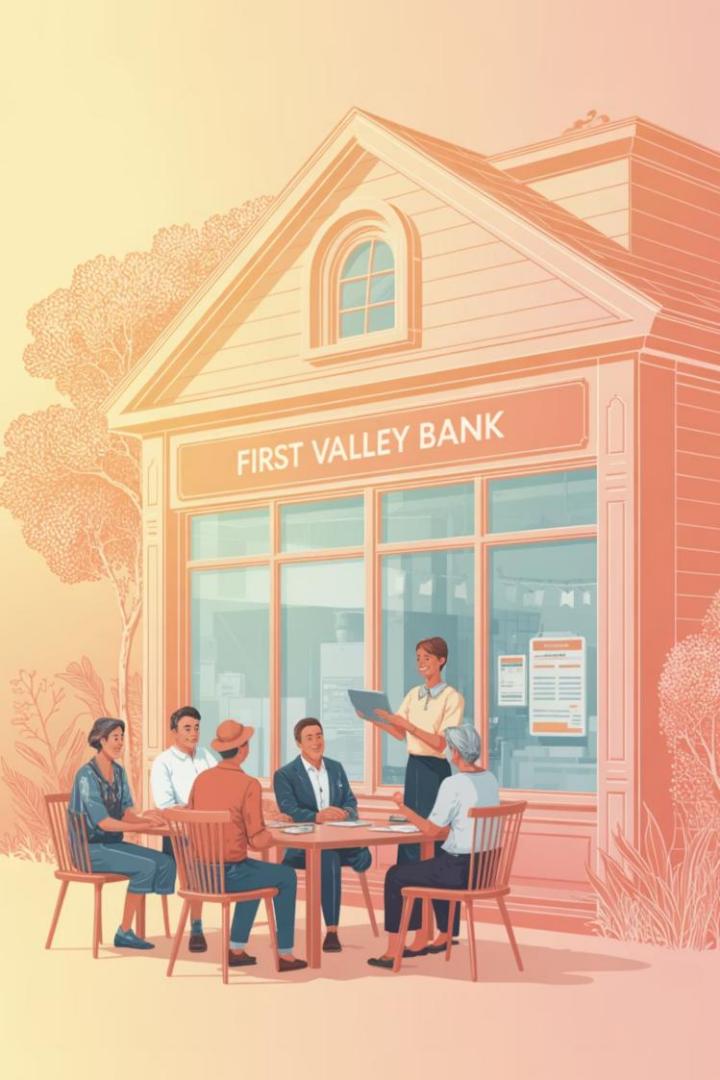
All agreements must clearly specify the responsible to the customer, ensuring preservation of customer information confidentiality.

Continuity Planning

Implement Business Continuity Plans to ensure uninterrupted service if arrangements with BCs are terminated.



For grievance redressal, banks must establish a dedicated mechanism with designated officers whose contact information is widely publicized. resolved within 60 days, customers can approach the Banking Ombudsman.



Ultra Small Branches & Payment Banks

Ultra Small Branches (USBs)

RBI permits banks to establish low-cost brick and mortar structures in rural centers from which BCs may operate:

- Each USB supports 8-10 BC units within kilometers
- Equipped with CBS terminal, passbook printer, and cash safe
- Managed by full-time bank officers/employees
- Treated as independent "Banking Part-time Banking Outlets"

Payment Banks (PBs)

Established to further financial inclusion by providing:

- Small savings accounts (max balance per customer)
- Payment/remittance services for migrants and low-income households
- ATM/debit cards and internet banking
- Distribution of simple financial products
- Utility bill payment services

PBs must have at least 25% of physical points in rural centers.



SHG-Bank Linkage & Co-Lending Models

SHG-Bank Linkage

Self Help Groups have the potential to bring together formal banking structures and structures and the rural poor for mutual benefit:

- All scheduled commercial banks to meet entire credit requirements SHG members
- Promotes financial inclusion through through group-based approach
- Enables social and economic women
- Builds financial discipline through group group savings

Co-Lending Model (CLM)

In November 2020, RBI issued co-lending by banks and NBFCs to sectors:

- Improves synergy between banks and NBFCs
- Combines lower cost of funds from with greater reach of NBFCs
- Focuses on priority sector lending
- Enhances credit flow to underserved segments



Mobile Banking for Financial Inclusion

Mobile banking has become a powerful tool for financial inclusion, accelerated by low-cost smartphones, faster internet connections, and the COVID-19 pandemic:



Expanded Access

Provides banking services to unbanked areas and populations who would otherwise not have access to financial services.



Instant Remittances

Wage earners can send money instantly through banking at lower costs, without losing a day's banking transactions.



Comprehensive Services

All non-cash banking requirements can be carried out carried out using mobile phones, including payments, payments, transfers, and account management.

Banks use mobile phones/tablets to open Small Accounts/Basic Savings Bank Deposit Accounts in unbanked villages and offer banking services through Points of BC agents.



USSD & Digital Banking Innovations

USSD-Based Mobile Banking

In November 2012, NPCI launched a "Common USSD Platform" for all banks
all banks and telecom companies:

- Common USSD Code *99# for all telecom operators
- USSD 2.0 based on UPI launched in December 2016 with BHIM
- Makes UPI available for non-internet based mobile devices
- Works on both smartphones and basic feature phones

Digital lending is gaining significance in the financial ecosystem, with the RBI Working Group on Digital Lending making recommendations to
while weeding out unauthorized lenders without affecting legitimate ones.

Digital Onboarding Innovations

Two key areas in digital onboarding :

- Improving accessibility of financial platforms using FinTech
- Analyzing potential risks from FinTech adoption
- Effective utilization of Aadhaar ecosystem for DBT
- Video-based Customer Identification Process (V-CIP)
- Digital KYC Process frameworks by RBI/Government

(X)

Rural Self Employment Training Institutes (RSETIs)

RSETIs are initiatives of the Ministry of Rural Development to provide dedicated infrastructure in each district for training and skill upgradation of rural youth aimed at rural youth aimed at entrepreneurship development.

gives I unit

Identification

Rural BPL youth are identified for self-employment training based assessment

Training

Intensive short-term residential self-employment training programs with free food and accommodation

Credit Linkage

Hand-holding support provided for assured credit linkage with

Ongoing Support

Escort services provided for at least two years to ensure micro enterprises

Each RSETI offers 30-40 skill development programs annually, ranging from 1-6 weeks in duration, covering agricultural programs, product programs, process programs, programs, process programs, and general programs. These institutes are managed by banks with active cooperation from the Government of India and State and State Governments.

Ancillary Services

8-9-16
MCQs

55
50
65+

100+

Rental | Perini
Deposit
Warr & Advance

Introduction to Remittances

Definition

Transfer of funds from one branch of a bank to another branch of the same bank or a different bank.

Traditional Methods

Demand Drafts (DD), Mail Transfer (MT), Telegraphic Transfers (TT), Banker's Cheques (BC)

Modern Methods

National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS)

Core banking services, Fintech innovations, and digital payments have made traditional methods like MT and TT nearly extinct.

Traditional Remittance Instruments

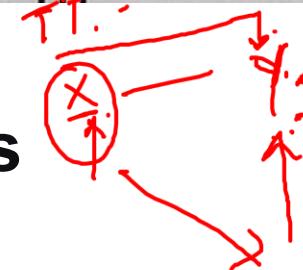
Demand Drafts (DD)

- Negotiable instrument drawn by one branch instructing another to pay
- Cannot be payable to bearer (violation of RBI Act 1934)
- Valid for three months, revalidated only once within one year
- Purchaser cannot countermand payment after delivery to payee

Banker's Cheques (BC)

- Issued for local payments, including on behalf of customers
- Used for client requests, deceased account payments, bill payments
- Valid for three months, can be revalidated by issuing branches
- Purchaser's name must appear on face of BC since Sept 15, 2018

For DD/BC of ₹50,000 and above, issuance must be through banking channels, not cash. Payment of DD/BC of ₹20,000 should be through bank account credit only.



Duplicate DD/BC and Traditional Transfers

Issue of Duplicate DD/BC

- Issued if original is lost, subject to payment not already made
- Requires indemnity from purchaser/payee
- Must be issued within a fortnight per RBI guidelines
- Interest payable for delays beyond this period

15 days
16

Mail & Telegraphic Transfers

- Both MT and TT have become obsolete with modern banking:
- MT: Amount credited to beneficiary at another branch via post
 - TT: Similar to MT but advised by telegram, telex or fax
 - Credit timing: MT (7 days), TT (2 days)

~~150 - 2022 DNS 48 Paths~~

National Electronic Funds Transfer (NEFT)



Key Features

- Nation-wide secure electronic funds transfer system (since 2005)
- Operates on deferred net settlement (DNS) basis
- No upper limit on transaction amount
- Each branch has unique Indian Financial System Code (IFSC)



Benefits

- Easy processing through automation
- Secured transfer with payment confirmation
- No waiting time or courier costs
- Lower bank charges
- Efficient funds transfer within hours

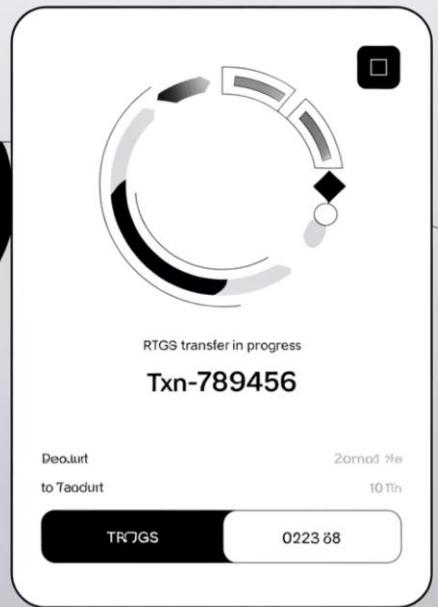


Special Feature

Facilitates one-way funds transfer from India to Nepal through the Indo-Nepal Remittance Facility Scheme

~~upto 2200~~

RTGS transfer in progress



256-2022

Real Time Gross Settlement (RTGS)

System Overview

- Electronic payment processed on 'Real Time' basis
- Settled on 'Gross' basis without netting debits against credits
- Available 24x7x365
- Minimum amount: ₹2 lakh (no upper ceiling)
- Beneficiary account credited within 30 minutes

Required Information

- Amount of remittance
- Account number to be debited
- Beneficiary bank and branch with IFSC
- Beneficiary name and account number
- Sender to Receiver Information (purpose)

Credit is based solely on beneficiary's account number

| Transaction Value | Maximum Charges |
|-------------------------------|------------------------------|
| RTGS Transactions | |
| ₹ 2 lakh to ₹ 5 lakh | ₹ 24.50 + (+ applicable GST) |
| Above ₹ 5 lakh | ₹ 49.50 + (+ applicable GST) |
| NEFT Transactions | |
| Up to ₹ 10,000/- | ₹ 2.50/- (+ applicable GST) |
| From ₹ 10,001/- to ₹ 1 lakh | ₹ 5/- (+ applicable GST) |
| Above ₹ 1 lakh up to ₹ 2 lakh | ₹ 15/- (+ applicable GST) |
| Above ₹ 2 lakh | ₹ 25/- (+ applicable GST) |

No charges must be levied on inward RTGS/ NEFT transactions.

RTGS/NEFT Service Charges

RBI has prescribed ceiling for charges that banks can levy on customers for RTGS and NEFT transactions. These charges are based on transaction value and are regularly reviewed.

Banks must ensure that service charges are reasonable and not out of line with the average cost of providing these services. Customers with low volume of activities should not be penalized.



Electronic Benefit Transfer (EBT) Scheme

Purpose

Facilitates direct credit of welfare payments to beneficiaries' bank accounts, ensuring timely disbursal without leakages

Implementation

Commenced under "One District One Bank" Model called 'Direct Benefit Transfer' (DBT) for seven schemes

→ lead bank
5.

Function

Operates on "one district-many banks-one leader bank model" with a designated leader bank coordinating with other banks

Benefits

Provides banking services including deposit schemes, remittance, and entrepreneurial credit products

2

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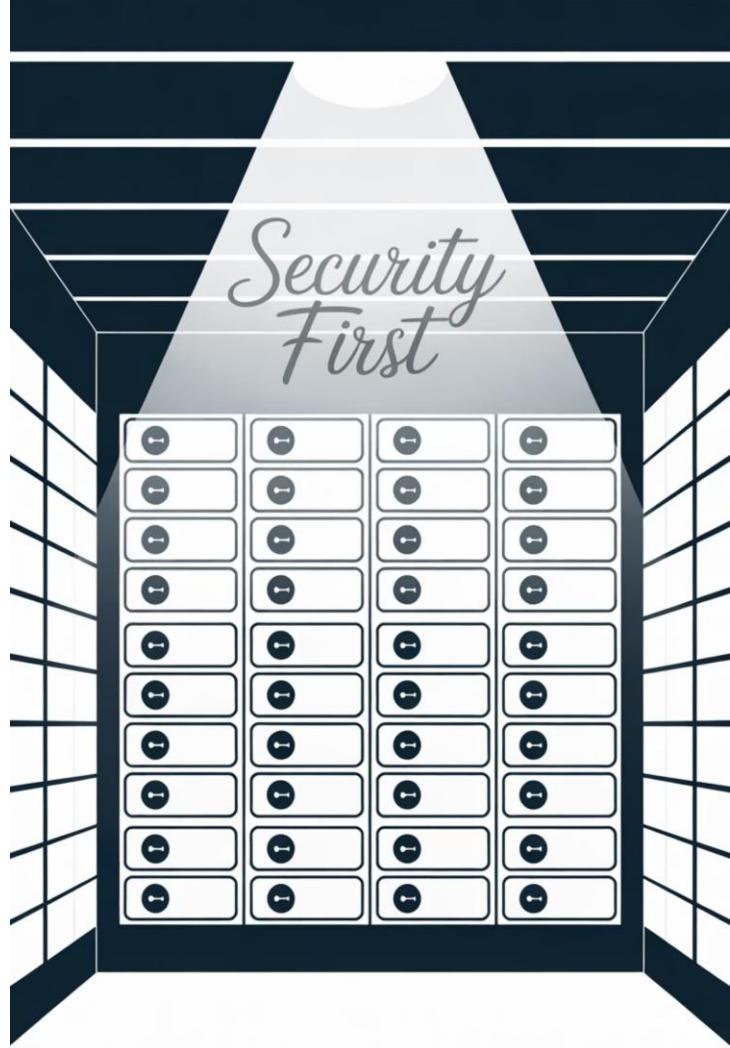
Safe Deposit Lockers: Overview

Basic Concept

- Facility for customers to keep valuables/documents in specially designed lockers
- ✓ Relationship is that of "Lessor and Lessee" or "Bailor and Bailee"
- ✓ Dual control: requires two keys (customer's key and bank's master key)
- ✓ Rented to individuals (single/joint), firms, companies, associations, trusts (not minors)

Revised Guidelines (August 2021)

- Complete KYC/CDD before hiring out a locker
- Transparent allotment with branch-wise waitlist
- Model locker agreement as per IBA and Supreme Court guidelines
- Term deposit as security (covering 3 years' rent)



Safe Deposit Lockers: Security & Operations

Infrastructure Requirements

- Single entry/exit point with CCTV coverage (recordings preserved 180 days)
- Protection from water, flood, and fire
- Lockers must meet BIS safety standards
- Bank's identification code embossed on all locker keys

Access Controls

- Only locker hirer or authorized person allowed access after verification
- Access Register maintained with date, check-in/out time
- Privacy ensured - bank staff cannot remain inside during operation
- Email/SMS alerts sent for each locker operation

Bank Liability

- Banks liable for loss due to theft, burglary, robbery
- Compensation: 100 times the annual locker rent
- Also applies to fire, building collapse, or fraud
- Not liable for natural calamities or Acts of God

Safe Deposit Lockers: Claims & Closure

Claims Settlement on Death

- Settlement within 15 days of claim receipt
- Death of sole hirer: Nominee allowed access after verification
- Death of joint hirer: Follows survivorship clause or nomination
- Without nominee/survivorship: Access to legal heirs with documentation

Locker Break-Open Scenarios

- Lost key: Opened after proper identification and authorization
- Law enforcement orders: Bank cooperates after verification
- Non-payment of rent for 3 years: After due notice
- Inoperative for 7 years: Contents transferred to nominees/legal heirs

For break-open procedures, banks must record video of the process and inventory assessment, preserve it as evidence, and keep contents in sealed envelopes in fireproof safes.

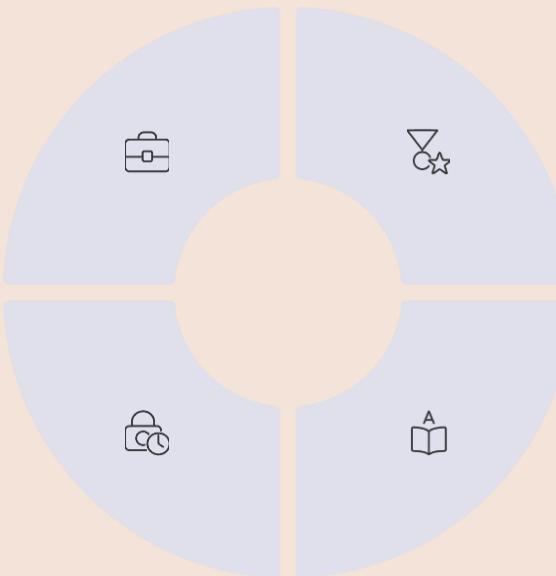
Portfolio Management Services

Definition

A basket of investments with mix of debt and equity securities managed to optimize risk, return, and liquidity

Deployment Restrictions

- Allowed in capital market instruments
- Not in call money/bill market or corporate loans
- CRR/SLR maintained on undeployed funds



Basic Principles

- The portfolio as a whole matters, not individual securities
- Higher returns require higher risk
- Diversification reduces portfolio risk
- Each portfolio should be tailored to owner's needs

RBI Guidelines

- Services at customer's risk, no guaranteed returns
- Minimum period of one year
- Transactions at market rates only
- Definite fee independent of return to client

Merchant Banking & Government Business

Merchant Banking

"Management and Underwriting of new issues, syndication of credit and provision of advisory services to corporate clients on fund raising and other financial aspects."

- Requires SEBI registration as Category I Merchant Banker
- Banks can engage in loan syndication, payment of interest/dividend warrants
- Can extend bridge loans against equity issues

Government Business

Banks require approval from:

- Controller General of Accounts (for Central Government)
- Finance Department (for State Government)
- Department of Government and Bank Accounts, RBI

All public sector banks and 19 private banks (as of December 2021) are eligible to conduct Government business as agents of RBI.





Government Services Handled by Banks

Tax Collection

- Central Excise and Customs
- Direct Taxes (Income, Wealth, Capital Gains)
- Goods and Services Tax
- Professional Tax

Account Services

- Treasury Accounts
- Railway Station Revenue Accounts
- Post Office Receipts and Payments
- Public Provident Fund Accounts

Special Schemes

- Deposit Scheme for Retired Government Employees
- Deposit Scheme for Retired PSU Employees
- Relief/Savings Bonds applications
- Central and State Government Pension payments



Customer service Guidelines

Agenda

01

Introduction to Customer Service in Banking

Definition, importance, and RBI's role in customer service standards

02

Organizational Framework

Required committees and structures for effective customer service

03

Board-Approved Policies

Essential policies that guide customer interactions and rights

04

ATM Operations

Guidelines for effective service at ATMs

05

Branch Management & Special Arrangements

Creating inclusive banking environments for all customers

Today's session will equip you with the knowledge and tools necessary to provide exceptional customer service in line with RBI guidelines and industry best practices.

Introduction to Customer Service in Banking

Customer service in banking is the act of taking care of customers' needs by providing and delivering services in a **professional, prompt, and polite manner**. It encompasses the entire customer journey:

Before Relationship



Information provision, guidance on products and services

During Relationship



Transaction handling, query resolution, regular interactions

After Relationship



Follow-ups, continued support, complaint resolution

"Good customer service is the best brand ambassador for any bank."





RBI's Commitment to Customer Service

The Reserve Bank of India has been consistently working to improve customer service standards in the banking sector. In May 2022, RBI established a six-member committee headed by former Deputy Governor B.P. Kanungo to:

Evaluate Existing Standards

Review the efficacy, adequacy, and quality of customer service in regulated entities against existing RBI guidelines

Identify Gaps

Determine areas where customer service standards are lacking and require improvement

Review Digital Landscape

Assess evolving customer service needs in the context of digital/electronic financial products and distribution

Suggest Measures

Recommend appropriate regulatory measures to enhance customer service across the banking sector

This initiative demonstrates RBI's ongoing commitment to ensuring that banks prioritize customer service excellence.

Organizational Framework for Customer Service

RBI mandates that banks establish a comprehensive organizational structure dedicated to customer service. This ensures that service quality is monitored and improved at all levels of the organization.

Customer Service Committee of the Board

Includes experts and customer representatives to formulate policies, assess compliance, and drive improvements in service quality. Plays a proactive role in addressing complaints handled by Banking Ombudsmen.

Standing Committee on Customer Service

A cross-departmental executive committee that serves as the focal point for implementing service initiatives and providing relevant feedback to the Board Committee.

Branch Level Customer Service Committees

Meet monthly to study complaints, address delays, and improve local service. Must include at least one senior citizen and submit quarterly reports to the Standing Committee.

Nodal Department/Official

Designated point of contact at Head Office and controlling offices for customer grievances, and for liaison with the Banking Ombudsman and RBI.

Board-Approved Policies on Customer Service

Banks must have specific Board-approved policies related to customer service. These policies must be:

- ✓ Prominently displayed on the bank's website
- ✓ Posted on notice boards at branches
- ✓ Communicated to customers when establishing relationships
- ✓ Updated with any changes

These policies provide transparency and ensure customers are aware of their rights and the bank's obligations.

✓ Comprehensive Deposit Policy

Covers rights of depositors, operational aspects of accounts, charges, and confidentiality provisions

✓ Cheque Collection Policy

Details immediate credit provisions, timeframes for collection, and interest payment for delayed collection

✓ Customer Compensation Policy

Addresses erroneous debits, interest for delays, and unauthorized actions causing financial loss

✓ Customer Grievance Redressal Policy

Outlines procedures for handling complaints and ensuring timely resolution



Policy for General Management of Branches

Banks must have a Board-approved policy for the general management of branches, ensuring comfortable and efficient customer service environments. This policy should address:



Infrastructure

Adequate space, proper furniture, drinking water facilities, and provisions for pensioners, senior citizens, and disabled persons. Clean environment with appropriate temperature control.



Service Desks

Dedicated enquiry counters at larger branches in addition to reception counters. "May I Help You" desks should be available for customer guidance.



Communication

Multi-lingual indicator boards at all counters and multilingual booklets on services and facilities to assist customers of various backgrounds.



Staff Support

Roving officials to ensure employee responsiveness and assist customers with their transactions. Complaint boxes and online systems for feedback.



ATM Operations: Key Guidelines

Free Transactions

Security Measures

- PIN validation required for every transaction
- Time-out sessions enabled for all screens
- Mobile alerts for all transactions

Complaint Resolution

For failed transactions:

- Resolution within T+5 working days
- Automatic compensation of ₹100 per day for delays
- Disputes settled through ATM System Provider only
- No bilateral settlement arrangements permitted

ATM Maintenance

Cash-out at any ATM exceeding 10 hours in a month attracts a flat penalty of ₹10,000 per ATM

Free Transaction Limits

The number of free transactions allowed depends on whether you use your own bank's ATM or another bank's ATM, and the location of the ATM. Both financial (e.g., cash withdrawal) and non-financial (e.g., balance enquiry, PIN change) transactions are counted towards this limit at other bank ATMs. [↗](#)

| ATM Type ↗ | Location | Number of Free Transactions per Month |
|----------------------------|--------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Own Bank ATM | Any location | 5 free transactions (only financial transactions are counted; non-financial are unlimited/free) |
| Other Bank ATM | Metro cities (Bengaluru, Chennai, Hyderabad, Kolkata, Mumbai, New Delhi) | 3 free transactions (financial + non-financial) |
| Other Bank ATM | Non-metro cities | 5 free transactions (financial + non-financial) |

All ATMs must display contact information and complaint forms for customer assistance

Security Issues and Risk Mitigation Measures

With increasing usage of electronic delivery channels, the risks of cyber frauds have increased significantly. Banks must implement robust security measures to protect customers:

Card Security

- Immediate blocking of lost/stolen cards upon notification
- Clear procedures for reporting loss, theft, or unauthorized use
- Multiple 24x7 channels for reporting unauthorized transactions

Online Transaction Protection

- Additional factor authentication for Card Not Present (CNP) transactions
- Mandatory issuer reimbursement for unauthorized MOTO and Standing Instructions transactions
- Secure encryption for all digital channels

Customer Education

- Regular updates on emerging threats
- Clear instructions on safe banking practices
- Notifications about suspicious activities

Banks must be especially vigilant in educating customers who may not be tech-savvy about potential cyber risks and protective measures.

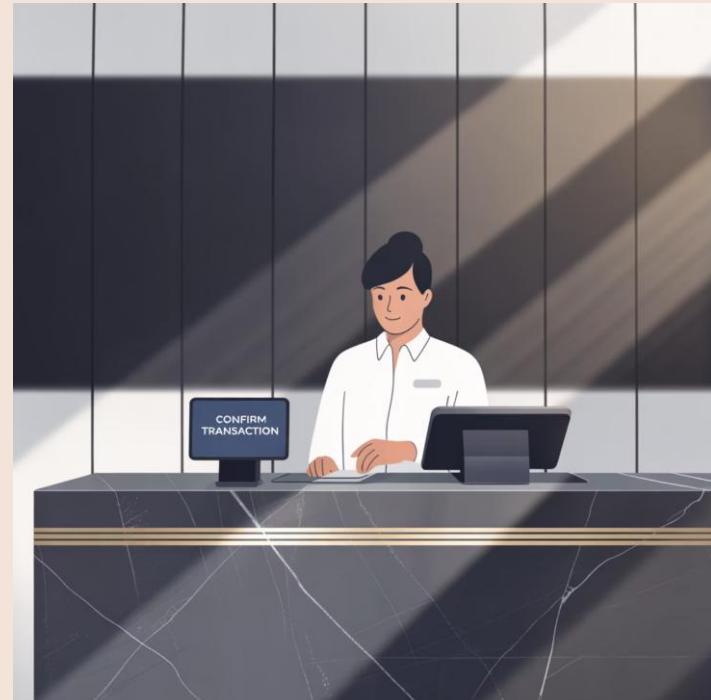
Service at the Counters

Business and Working Hours

Effective counter service begins with proper time management:

- Staff should be at seats 15 minutes before business hours start, especially in urban centers
- Branches must function for public at least 4 hours on weekdays and working Saturdays
- No counter should remain unattended during business hours
- Banks may fix business hours at their discretion, considering local needs

Rural branches can adjust business hours and weekly holidays to accommodate local requirements, while complying with relevant local laws.



Enhanced Counter Services

Evening Counters

Extended hours at urban/metropolitan centers to improve customer convenience

Guidance Services

"May I help you" counters to assist customers with navigating services

Advisory Services

Assistance in making proper decisions for investments in various deposit schemes

Feedback Mechanisms

Complaint cum Suggestion Box and online complaint management systems

Information Display Requirements

Proper information display is a critical component of financial education, helping customers make informed decisions about banking products and services.

Comprehensive Notice Board Standards

Physical Requirements

Minimum size of 2 feet by 2 feet to facilitate comfortable viewing by all customers

Content Categories

Information must be organized into four sections: Customer Service Information, Service Charges, Grievance Redressal, and Others

Display Principles

- Updated periodically with date indicated
- Simple and easily readable format
- Bilingual or trilingual presentation
- Recent changes clearly marked

This transparency builds trust and reduces confusion about bank policies and procedures.



All displayed information should be regularly reviewed and updated to ensure accuracy. Detailed information should also be available in booklet form for customers who need more comprehensive explanations.

Special Arrangements for Inclusive Banking

Banks must ensure accessibility and accommodation for all customers, including those with special needs:

Physical Accessibility

Ramps at branches and ATMs for wheelchair users and persons with disabilities. Magnifying glasses should be available at all branches for persons with low vision.

Assistive Technology

Talking ATMs with Braille keypads to assist visually impaired customers. These technologies should be regularly maintained and updated.

Special Accommodation

Facilities for sick/old/incapacitated account holders who cannot be physically present, including alternative signature methods like thumb impressions or toe impressions.

Support for Persons with Disabilities

Banking facilities for persons with autism, cerebral palsy, mental retardation, mental illness, and other disabilities, guided by certificates issued by competent authorities.



Banking Services for Visually Impaired Persons

Banks must offer comprehensive services to visually impaired customers without discrimination, as they are legally competent to contract.

Mandatory Services Include:

Cheque Book Facility

Including third-party cheques with appropriate safeguards and verification procedures

ATM & Digital Banking

Accessible ATM facility with voice guidance and accessible net banking platforms with screen reader compatibility

Financial Products

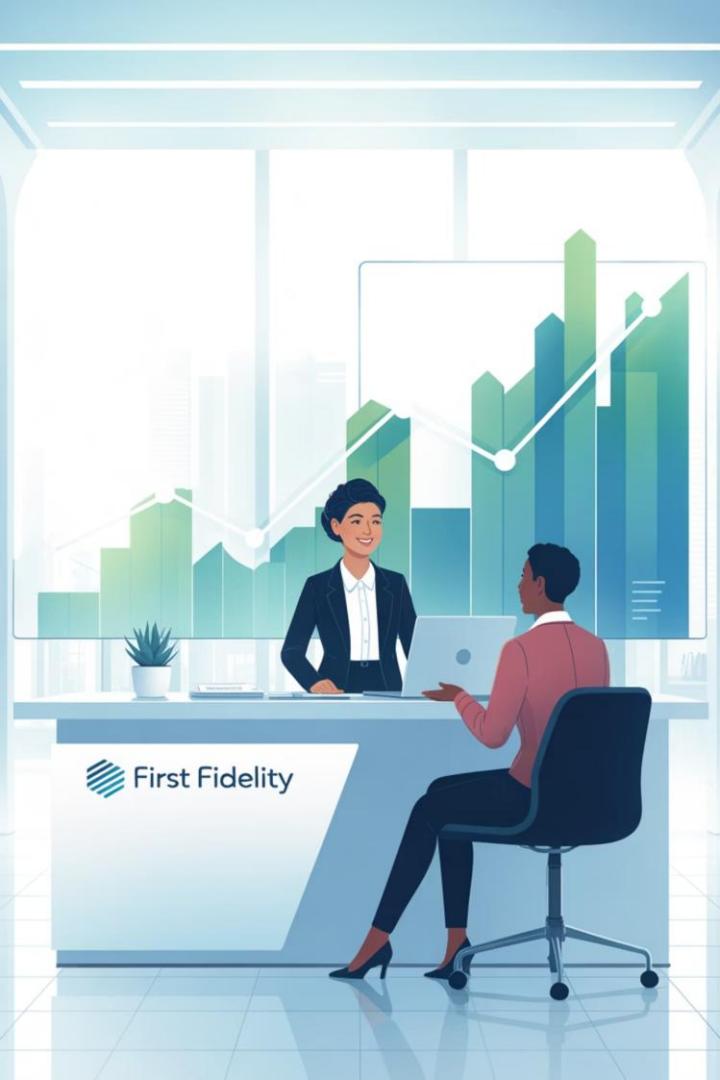
Equal access to locker facilities, retail loans, credit cards, and other banking products with appropriate assistance

This directive follows the orders of the Honourable Court of Chief Commissioner for Persons with Disabilities to ensure inclusive banking.

- Staff Responsibilities:** Branch staff must be trained to provide sensitive and appropriate assistance to visually impaired customers, including reading out documents when necessary and guiding customers through transaction processes.

Banks should regularly review and enhance their accessibility features based on customer feedback and technological advancements.





Benefits of Excellent Customer Service

87%

Customer Retention

Percentage of customers who stay with banks that provide excellent service, compared to 52% for banks with poor service

65%

Referral Rate

Customers who refer friends and family to their bank based on positive service experiences

42%

Cross-Selling Success

Increased success rate in selling additional products to existing customers who have received excellent service

30%

Reduced Complaints

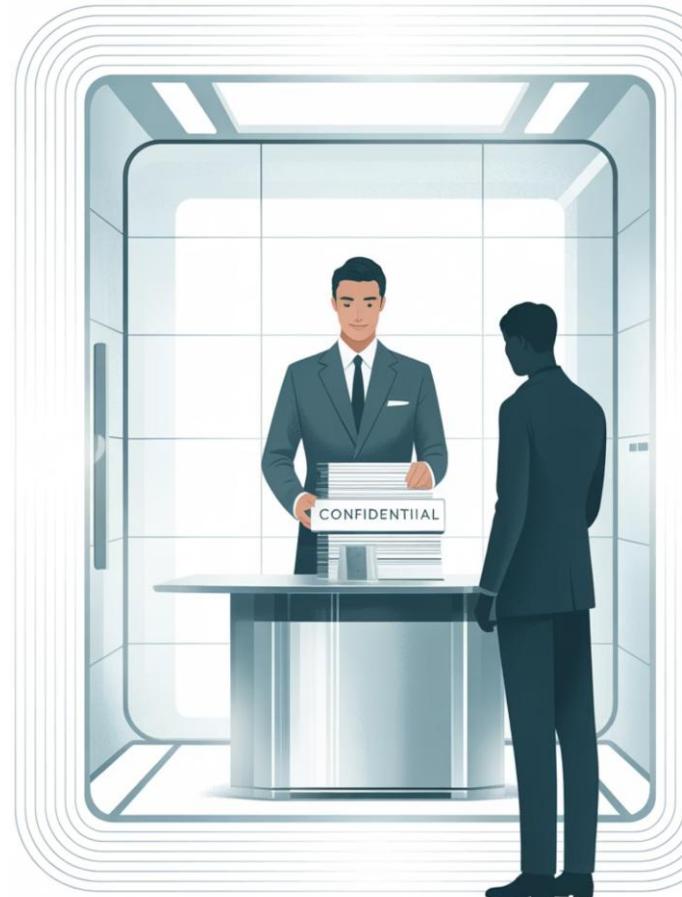
Decrease in formal complaints when staff are properly trained in customer service excellence

Implementing RBI's customer service guidelines creates a positive cycle: better service leads to higher customer satisfaction, which results in increased loyalty, more referrals, and ultimately, improved profitability for the bank.

Duties & Rights of a Banker and Customer Rights

Banking Secrecy Laws and Customer Relationships

The relationship between banks and customers is built on trust, confidentiality, and legal obligations. This presentation explores the scope of secrecy laws in banking, the rights and duties of both banks and customers, and the standards that govern these relationships in India.





The Scope of Banking Secrecy Law

The secrecy law in India follows common law principles based on implied debtor-creditor relationship between a bank and customer is special, with an obligation to keep customer account affairs secret and confidential.

Contractual Relationship

The duty of non-disclosure is both contractual and legal in nature.

Qualified Duty

The duty to secrecy is not absolute but qualified under specific

Legally Permissible Disclosures

A bank would be protected only if it discloses customer affairs under certain legally permissible circumstances:



Compulsion of Law

When disclosure is required by legal provisions



Public Duty

Where there is duty to the public to disclose



Bank's Interest

Where interest of bank requires disclosure



Customer Consent

With express or implied consent of the customer

Disclosure Under Compulsion of Law

Banks are bound by legal provisions to provide information about customers to customers to certain authorities:

- Banker's Books Evidence Act, 1891 (Sections 4 and 6)
- Summons by Civil/Criminal Courts
- Income Tax Act, 1961 (Section 133)
- Other Acts: Companies Act, 2013, RBI Act, 1934, FEMA, Gift Tax Act

Banks must comply with legal orders after verifying the authority of the requesting officer.
be confined to specific points requested, and no additional information should be volunteered.



Disclosure in Public Interest and Bank's Interest

Public Interest Disclosure

Disclosure may be justified if the customer is involved in:

- Terrorist activities
- Illegal drug trafficking
- Smuggling
- Serious anti-national activities

The concept of "public interest" must be carefully considered as it's legally vague.

Bank's Interest Disclosure

A bank is protected when sharing information:

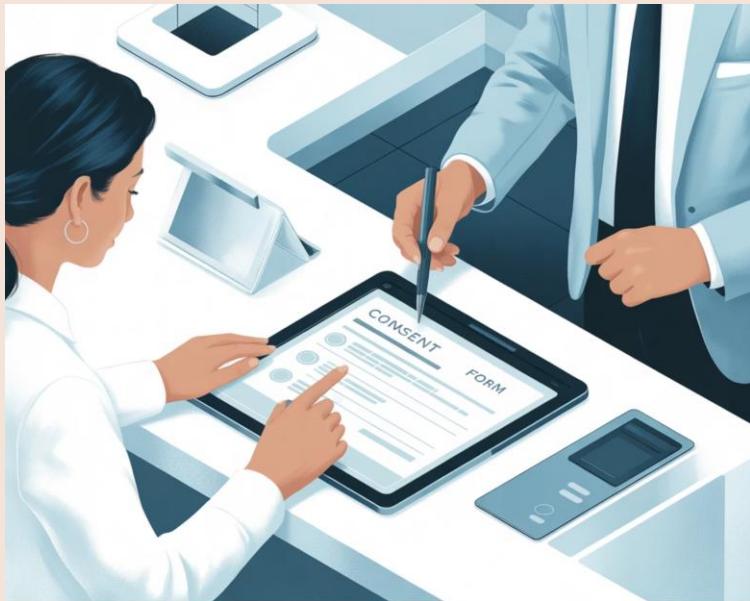
- With guarantors for recovering dues
- With other banks about loan accounts
- With Credit Information Companies (CICs)

Per Section 15(1) of Credit Information Companies (Regulation) Act, 2005, banks must be members of at least one CIC and provide required credit data.

Customer Consent and Duty of Reasonable Care

Disclosure with Customer Consent

Banks may disclose information at the explicit request or instruction of the customer.



Securebank

Your financial future, simplified

Duty of Reasonable Care

Banks have a duty to exercise reasonable care while acting as:

- Agent
- Bailee
- Trustee

If a customer suffers loss due to bank negligence, they may claim specific damages to recover the loss.



Termination of Bank-Customer Relationship

The contractual relationship between a bank and customer may be terminated voluntarily or by legal process.

Voluntary Termination

- Customer's right to close account (change of residence, residence, dissatisfaction)
- Bank's decision to close account (unsatisfactory undesirable customer)
- Bank must give reasonable notice before closing an account

Termination by Law

- Death of customer
- Bankruptcy/liquidation
- Garnishee Order
- Insanity of customer

Legal Termination Scenarios



Death of Customer

On receiving notice of death, the bank stops all debit transactions but permits credits. Balance is given to nominee or legal representative documentation, then account is closed.



Bankruptcy/Liquidation

When a customer is declared bankrupt or a company is wound up, no drawings are permitted. Balance is given to Receiver, Liquidator, or Official Assignee before Official Assignee before closing the account.



Garnishee Order

After receiving a garnishee order from court or attachment order from Income Tax Authority, the account can be closed after taking required



Insanity of Customer

A person of unsound mind is not competent to contract under section 11 of Indian Contract Act, 1872. Bank will close the account after confirmation through medical reports.

Customer Awareness and Banking Standards

Customer Education

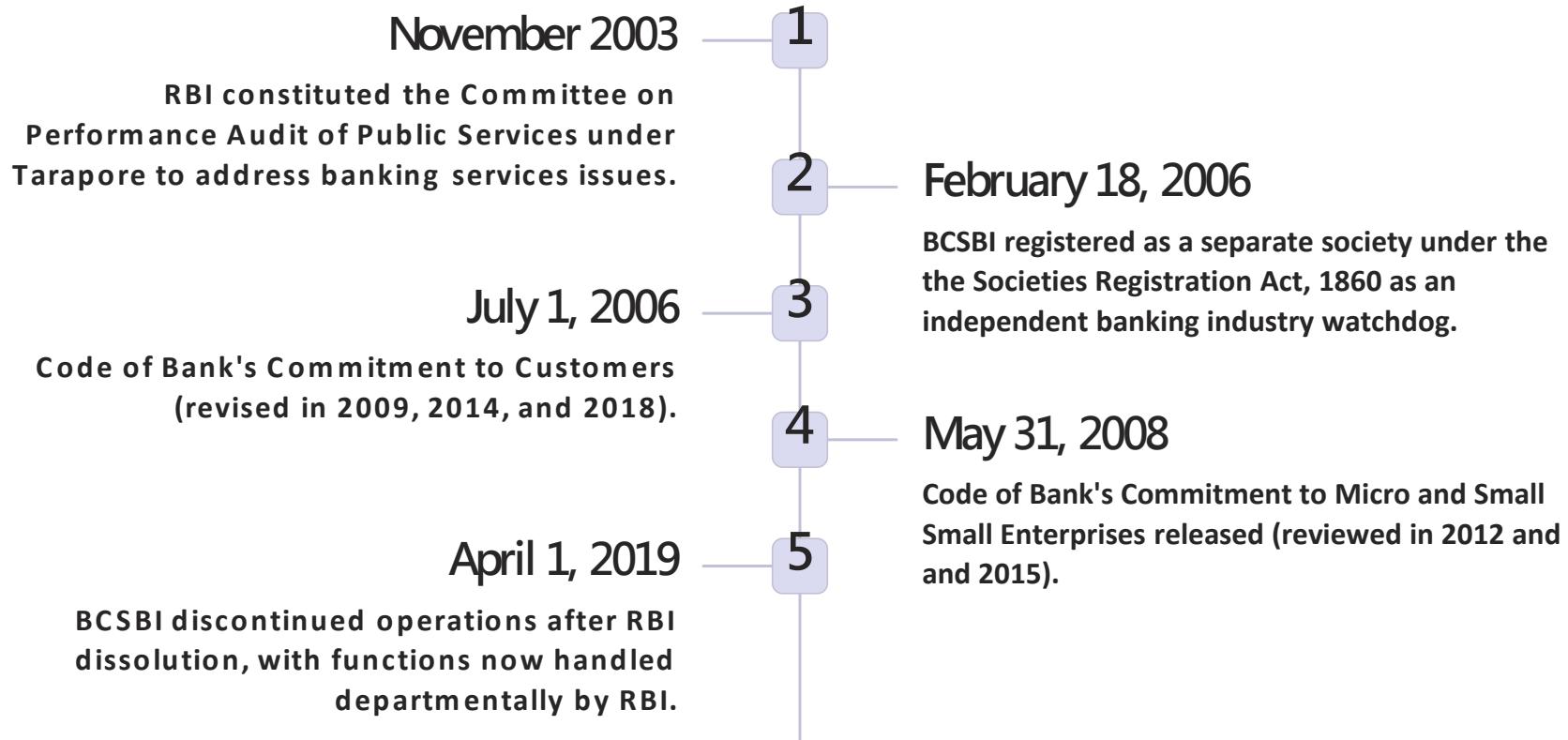
The contractual relationships, rights, and duties of bankers and implications on account conduct are not well known to all must educate customers by explaining terms and conditions

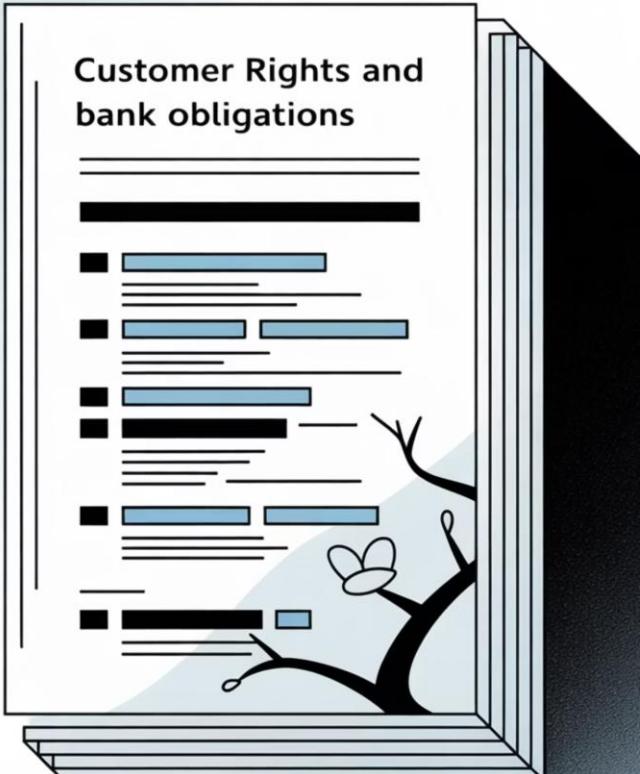


Banking Codes and Standards Board of India (BCSBI)

Established in 2006 as an independent banking industry watchdog consumers receive promised services. Though dissolved in 2019, issued continue to be applicable and are used by RBI in monitoring

History and Evolution of BCSBI





BCSBI Codes and Their Scope

Nature of BCSBI Codes

The codes set minimum standards for member banks when dealing with individual customers and micro/small enterprises. Their central objective is promoting good banking practices, setting minimum standards, increasing transparency, and fostering confidence in the banking system.

Products and Services Covered

- Deposit accounts
 - Safe deposit lockers
 - Settlement of deceased accounts
 - Foreign exchange services
 - Remittances within India
 - Loans, advances and guarantees
 - Credit cards
 - Internet banking

Key Commitments Under The Codes



Fair Treatment

To act fairly and reasonably in all dealings with customers



Education

To help customers understand how financial products and services work



Account Support

To help customers use their account or service effectively



Problem Resolution

To deal quickly and sympathetically with things that go wrong



Confidentiality

To treat all personal information as private and confidential



Transparency

To publicize the Code and practice non-discrimination

Banks must provide clear information about interest rates, tariff schedules, terms and conditions, and register 'Do not call' service when with customer starts.



Your peace of mind,
our priority.

Grievance Redressal Mechanism

Branch Help Desk

Every member bank must have a help desk/helpline at the branch level as the first point of contact for customer complaints.

Code Compliance Officer

Banks must have a code compliance officer controlling office above the branch level, name and contact information displayed at branches.

Banking Ombudsman

If issues remain unresolved, customers should approach the Banking Ombudsman, whose name and address must be displayed at branches.

Grievance Redressal & RBI Integrated Ombudsman Scheme 2021

1

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.

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



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.

Filing and Processing Complaints

Filing Methods

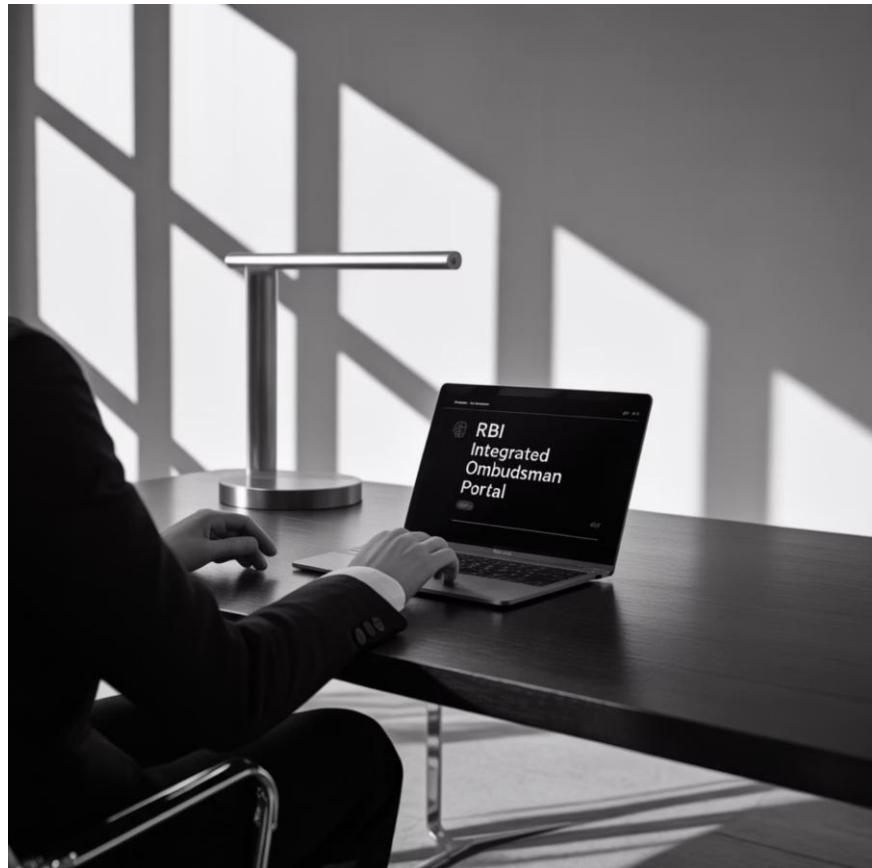
- Online portal (cms.rbi.org.in)
- Electronic mode (email)
- Physical mode (post/courier/hand delivery)

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

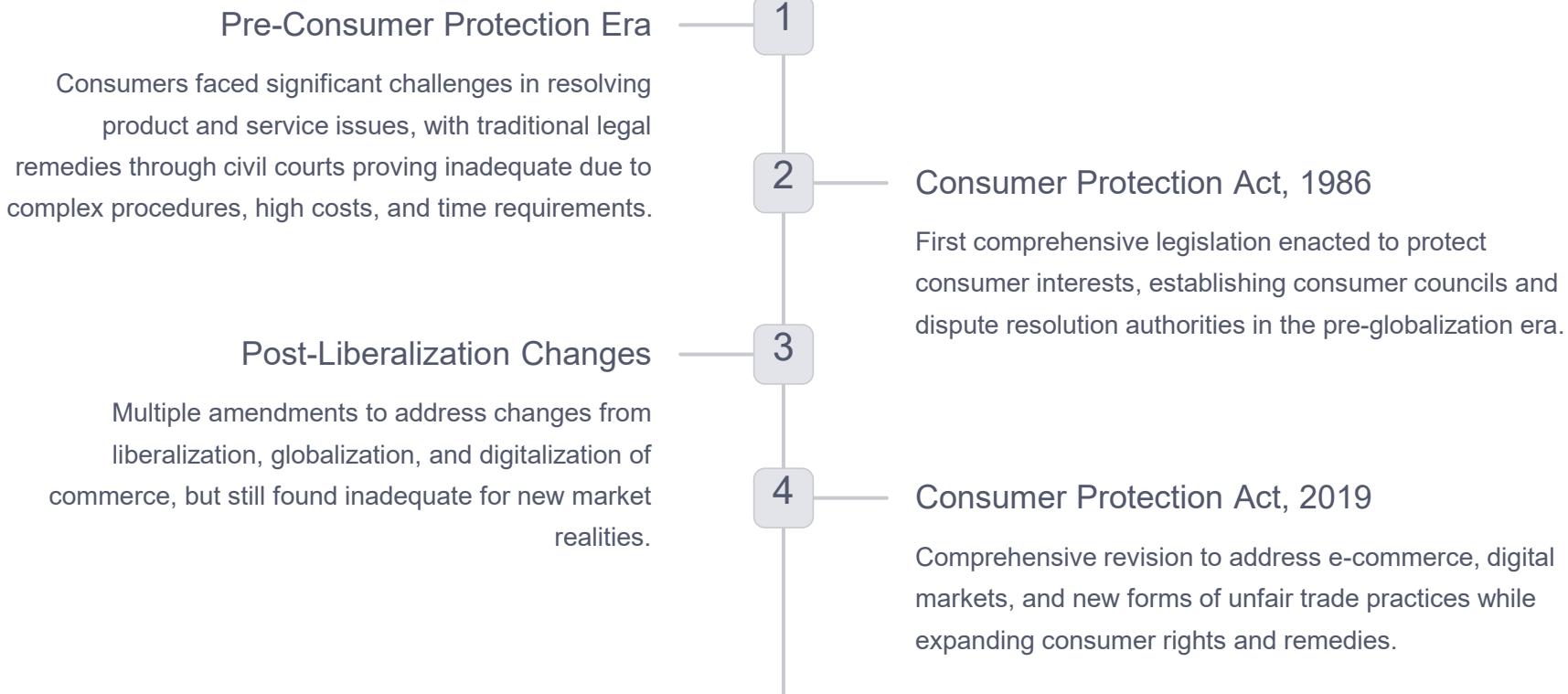
Appeals can be made to the Appellate Authority (Executive Director of RBI) by either party against awards or rejection orders.

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



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

Evolution of Consumer Protection in India



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

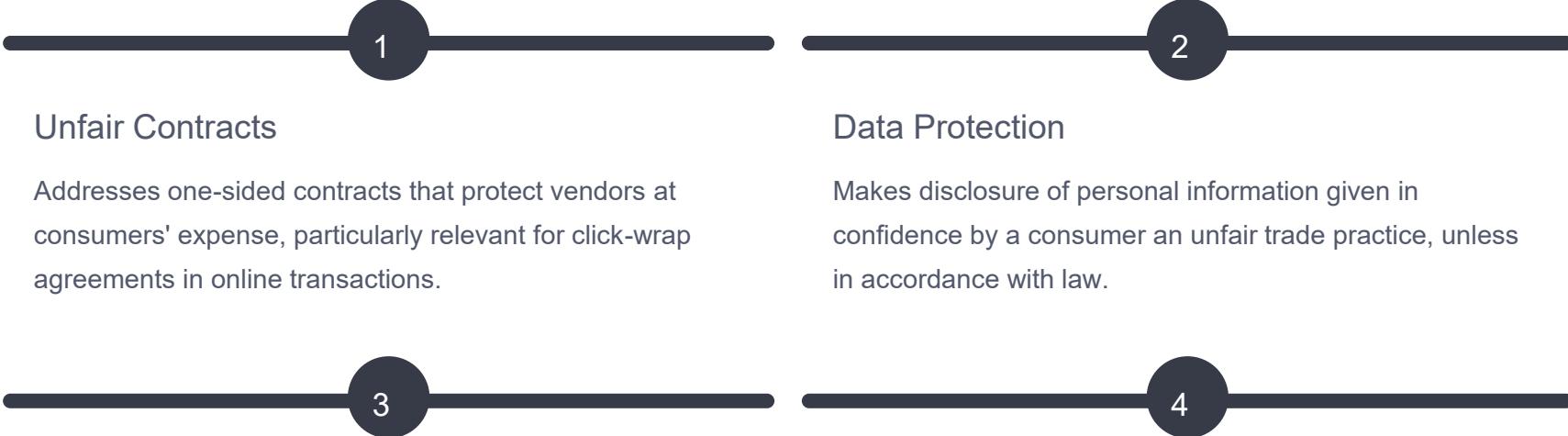
Expressly includes e-commerce sites, online marketplaces, and auction sites under its scope, rejecting the defense that they are merely "platforms" or "aggregators".

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



1

Unfair Contracts

Addresses one-sided contracts that protect vendors at consumers' expense, particularly relevant for click-wrap agreements in online transactions.

2

Data Protection

Makes disclosure of personal information given in confidence by a consumer an unfair trade practice, unless in accordance with law.

3

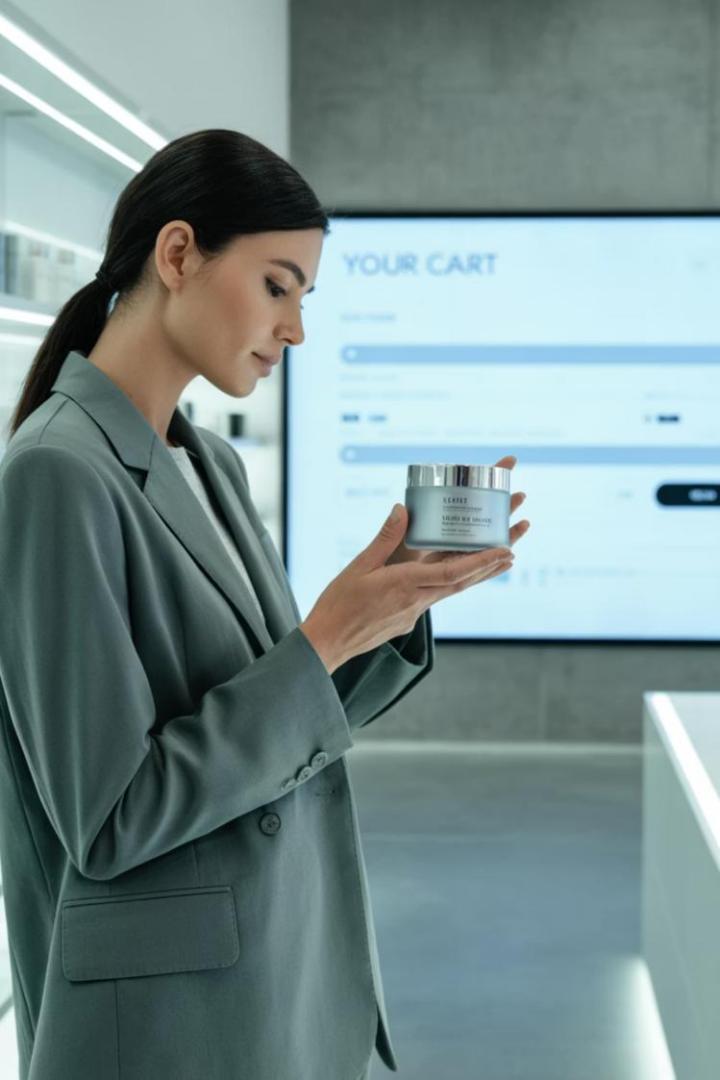
Advertising & Endorsements

Regulates misleading advertisements and holds endorsers accountable for claims made in product promotions.

4

Digital Proceedings

Enables e-filing of complaints, online payment of fees, and video conferencing for hearings to reduce delays and hardships.



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

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 Information

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

Right to Choice

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

Right to be Heard

Assurance that consumer interests will receive due consideration at appropriate forums

Right to Redressal

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

Right to Awareness

Right to consumer education and information about rights and remedies



Consumer Protection Framework



Consumer Protection Councils

Advisory bodies at Central, State, and District levels to promote and protect consumer rights



Central Consumer Protection Authority

Regulatory body to address violations of consumer rights, unfair trade practices, and misleading advertisements



Consumer Disputes Redressal Commissions

Quasi-judicial bodies at District, State, and National levels to handle consumer complaints



Consumer Mediation Cells

Attached to each Commission to facilitate settlement of disputes through mediation

Central Consumer Protection Authority (CCPA)

Key Functions

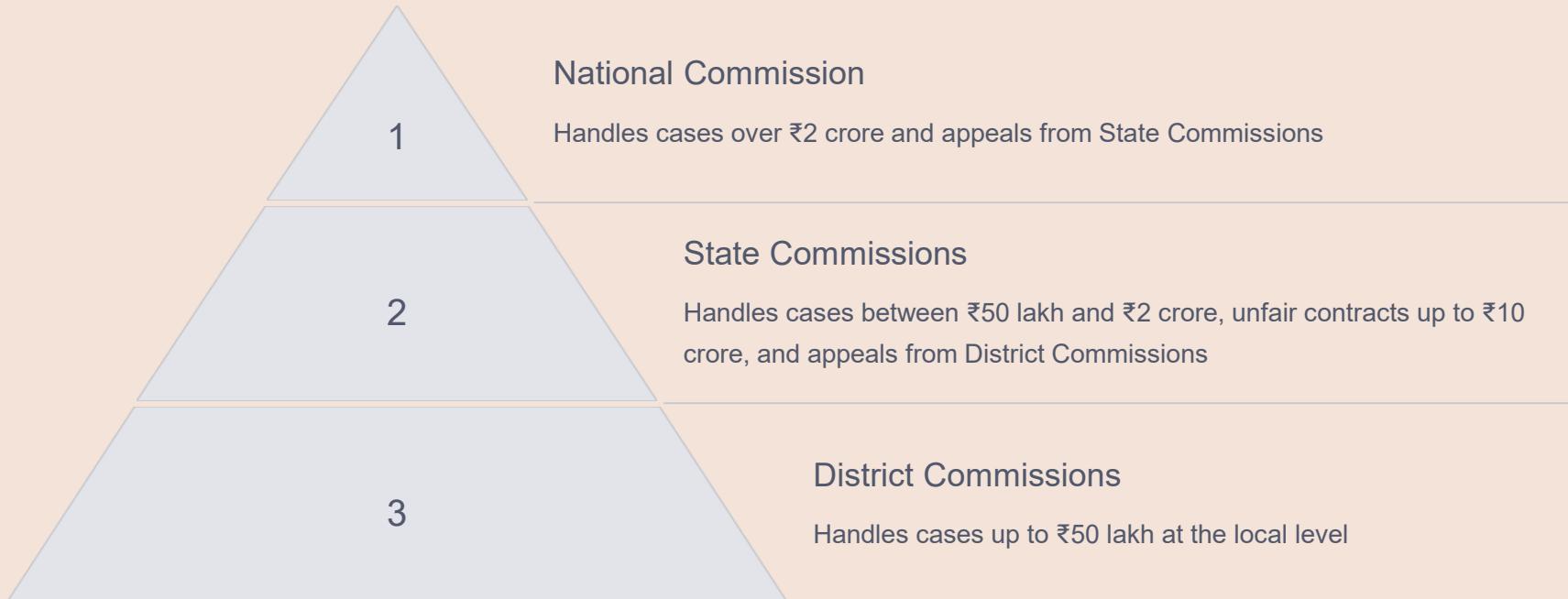
- Protect, promote and enforce consumer rights as a class
- Prevent violation of consumer rights
- Prevent unfair trade practices
- Ensure no false or misleading advertisements

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).



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 governed

Scope

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

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

Key Definitions

Information

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

Public Authority

Any authority established by the Constitution, Legislature, or government notification, including 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, 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 assistance and be treated as a PIO for contraventions.

Procedure for Obtaining Information

Submit Request

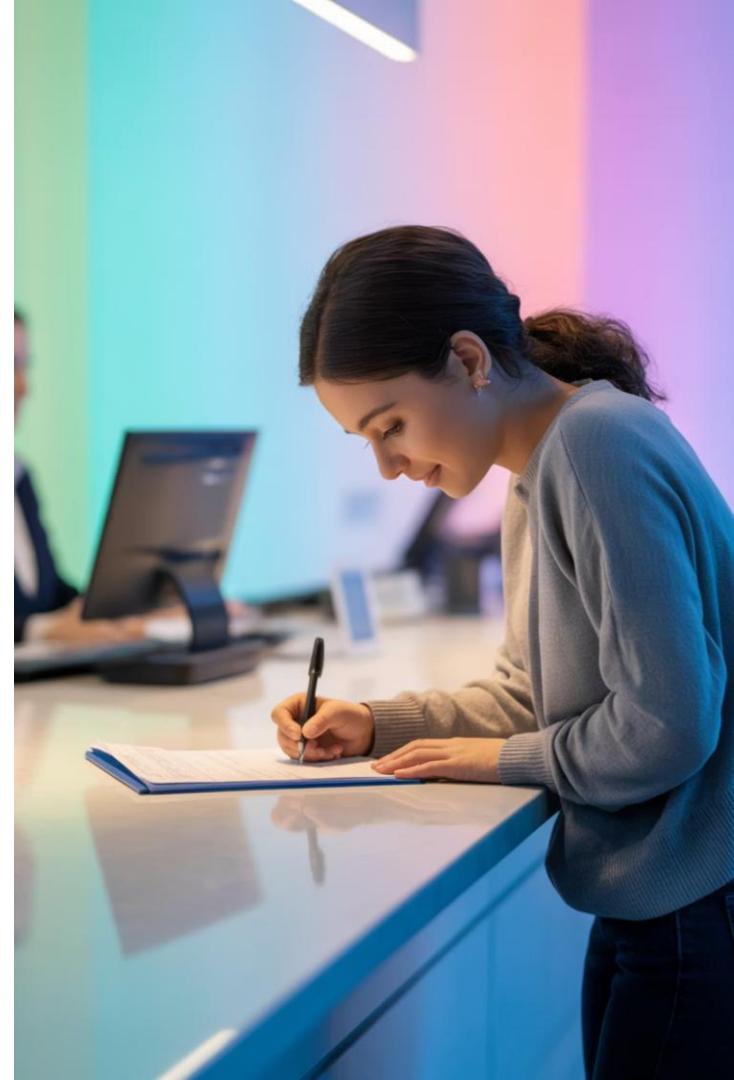
Make a written request or through electronic means in English/Hindi/official English/Hindi/official language of the area

Specify Details

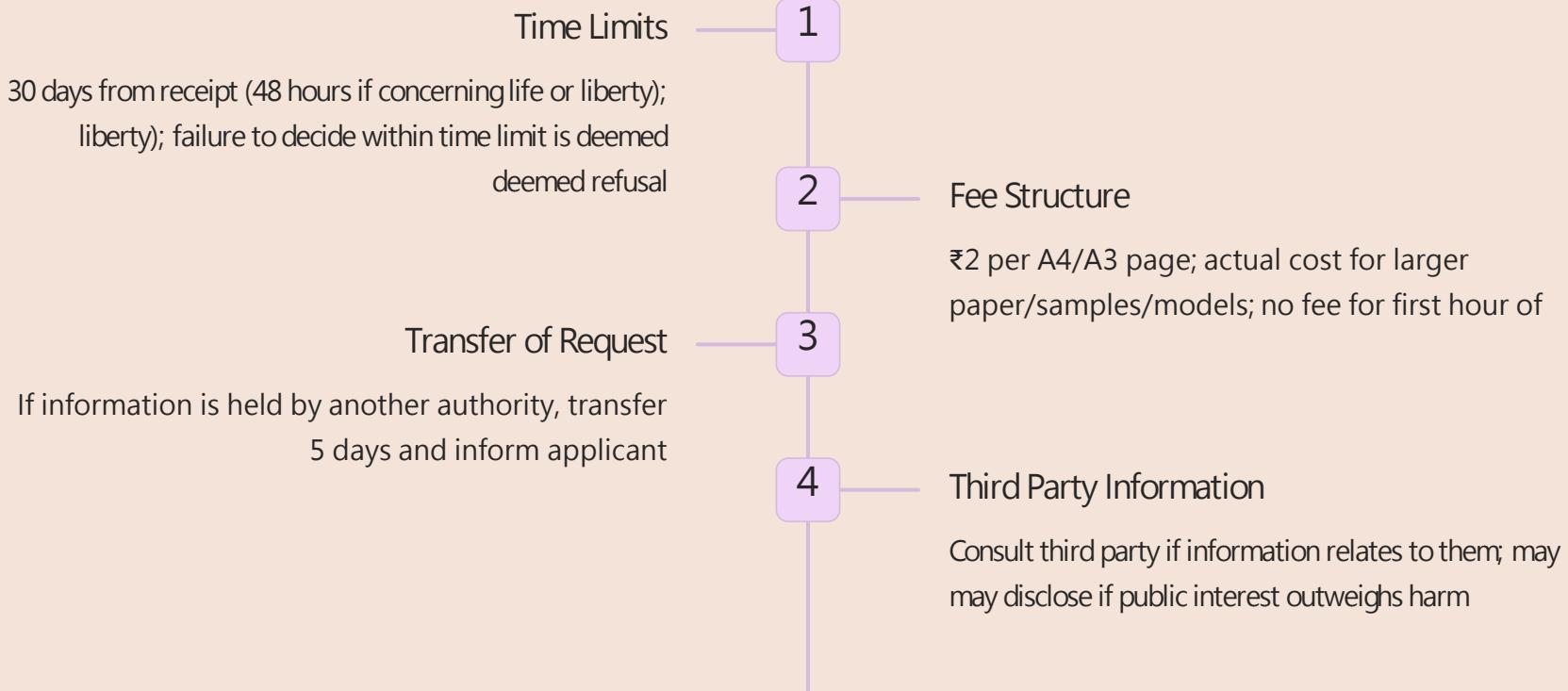
Include particulars of information sought and pay the prescribed

No Justification Needed

No reason or personal details required to be given for information



Disposal of Requests



Information Commissions

Central Information Commission

- Chief Information Commissioner and up to 10 Commissioners
- Appointed by President on recommendation of (PM, Leader of Opposition, Cabinet 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, media, administration, or governance.

State Information Commission

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



Appeal Process



First Appeal

Within 30 days to officer senior to PIO

Second Appeal

Within 90 days to Central/State
Commission

Commission Decision

Binding on all parties

Delay in filing appeals may be condoned if sufficient reasons exist. Third parties may also file appeals within 30 days of orders affecting them.

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 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 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, Secrets Act, 1923, or any other law



Security Exceptions

Does not apply to intelligence security organizations specified
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

Service Charges: Guidelines & Principles

1

Basic Banking Services

Identified based on nature of transactions (services for middle/lower segments) and value of transactions (low value transactions up to prescribed ceilings)

2

Unbundled Services

Basic banking services must be available outside bundled products at reasonable prices to ensure accessibility

3

Reasonableness Principles

- Lower charges for individuals than non-individuals
- Liberal terms for rural customers, pensioners, seniors
- Charges only if just and supported by reason
- Ad-valorem charges only to cover incremental cost

4

Disclosure Requirements

Complete information upfront, changes notified 30 days prior, with option to exit relationship within 30-day window

Thank You



Comment Your Feedback

