

Chapter II COMPENSATION POLICY

Introduction

Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the Bank's endeavor to offer services to its customers with best possible utilization of its technology infrastructure. The Compensation Policy of the Bank is designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques / instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc.

The policy is based on the principles of transparency and fairness in the treatment of customers.

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

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

1. Unauthorized / Erroneous Debit:

If the Bank has raised an unauthorized / erroneous direct debit to an account, the entry will be reversed immediately on being informed of the unauthorized / erroneous debit, after verifying the position. In case the unauthorized / erroneous debit has resulted in financial loss to the customer due to balance in the account going below the minimum balance for earning interest on Savings Bank deposit or payment of additional interest to the Bank in a loan account, the Bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized / erroneous debit, the Bank will compensate the customer upto 10% of the amount of the returned cheque or the amount of debit instruction, both however subject to monetary ceiling of ₹1 lakh (cumulative if more than one cheque / debit instruction are involved) only if the amount of the cheque / debit instructions would have been covered by the balance in the account but for unauthorized / erroneous debit.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank shall arrange to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit.

In case, the verification involves a third party or where verifications are to be done at overseas centers, the Bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the

customer.

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

Internet Banking/Mobile Banking: Reversal of Erroneous/Unauthorised/Fraudulent debits arising on internet Banking/ Mobile Banking /Phishing related transactions:

For cases where the Bank has acted in good faith, in normal day to-day conduct of business, but the customer has either acted fraudulently or inadvertently compromised his internet Banking/ Mobile Banking security details (i.e. ID, Passwords, etc) or acted without reasonable care, which includes not taking steps to protect computer/ Mobile device used for internet Banking/ Mobile Banking from hackers, key loggers, virus/malware etc., Bank/Customer will be bound by clause No. 12.6 of the revised Code of Bank's Commitment to Customers, which stipulates that -

"If you act fraudulently, you will be responsible for all losses on your account. If you act without reasonable care, which result in losses, you may be responsible for them."

2. ECS direct debits/other debits to accounts, NECS, NEFT and RTGS transactions.

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

Such compensation may be equivalent to the interest calculated on the amount to be debited, for the delayed period, at applicable Savings Bank rate, with minimum of Rs. 100/-, subject to a maximum of Rs.1,000/-.

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

Though the Bank is not issuing Credit cards without written request of the recipient, yet, where it is established that the Bank had issued and activated a Credit card without written consent of the recipient, the Bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of charges reversed as per RBI guidelines in this regard.

Uniformity in penal interest payable by banks for delays in credit/return of NEFT/NECS/ ECS transactions:

In terms of the NEFT / NECS / ECS Procedural Guidelines of RBI, as also the relevant circulars / instructions issued by RBI from time to time, member banks need to afford credits to beneficiary accounts or return transactions (uncredited for whatever reason) to the originating / sponsor bank within the prescribed timeline. Any delays in doing so attract penal provisions specified therein. In order to ensure standardisation of the benchmark rate used and bring in uniformity in penal provisions across the retail payment products, RBI has

made the following modifications:

2.1 NECS / ECS-Credit

Destination Bank would be held liable to pay penal interest at the current RBI Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiary's account. Penal interest shall be credited to the Beneficiary's Account even if no claim is lodged."

2.2 NEFT/RTGS

In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination bank in the completion of funds' transfer pursuant to receipt of payment instruction by the destination bank leading to delayed payment to the beneficiary, the destination bank shall pay compensation at current RBI Repo Rate plus two per cent for the period of delay for credit to the beneficiary's a/c. In the event of delay in return of the funds' transfer instruction for any reason whatsoever, the destination bank shall refund the amount together with interest at the current RBI Repo Rate plus two per cent till the date of refund."

2.3. During the NEFT/RTGS operating hours, originating banks should endeavor to put through the requests for NEFT/RTGS transactions received by them, either online or across the counters, preferably in the next available batch but, in any case, not exceeding two hours (from the business hours next day), from the time of receipt of the requests. In the likelihood of any delay / possible delay in adhering to this requirement, the originators / customers should be informed of the delay / possible delay and the reasons for the same.

2.4. In terms of the RBI ECS (Credit Clearing) procedural guidelines, which clearly stipulate that if a destination bank branch is not in a position to credit a particular transaction for reasons like "Account Closed/ transferred"; "No such

Accounts"; "Account description does not tally"; etc., it should report the same and forward it to the Service Branch/ Main Branch on the same settlement day.

3. **Payment of Cheques after Stop Payment instruction:**

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

4. **Foreign Exchange Services:**

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries, as the Bank would not be able to ensure timely credit from overseas Banks. It is the Bank's experience that time for collection of instruments drawn on Banks in foreign countries differs from country-to-country and even within a country, from place to place.

The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, would consider upfront credit against such instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past. However, the Bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the Bank with its correspondent. Such compensation will be given for delays beyond one week

from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated.

The compensation in such cases will be worked out as follows:

- a. i. Savings Bank rate for the period of delay beyond 7 days from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated (45 days) as the case may be in collection of outstation cheques. **Where the delay is beyond 14 days, interest will be paid at the rate applicable to Term Deposit for the respective period.**

In case of extraordinary delay, i.e., delay exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.

In the event the proceeds of cheque under collection were to be credited to an overdraft /loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delay, interest will be paid at the rate of 2% above the rate applicable to the loan account.

- b. Compensation for any possible loss on account of adverse movement in foreign exchange rate.

Payment of Interest for delayed credits (Foreign Inward Remittances): Compensation as per FEDAI rule will be paid. At present, FEDAI rule 4.5 provides for compensation at 2% above the Saving Bank rate for delay in paying or sending intimation, as the case may be, to the beneficiary in 2 working days from the date of receipt of credit advice / Nostro statement..

5. Remittances in India:

The compensation on account of delays in collection of instruments would be as indicated in the Bank's Policy on Collection of Cheques / Instruments, which is reproduced below for information:

A. Payment of Interest For Delayed Collection of Local Cheques

As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection of local instruments in case there is delay in giving credit beyond the time period mentioned here below. Such interest shall be paid without any demand from customers in all types of accounts.

Interest for delayed collection of local cheques/ instruments shall be paid at the following rates: Domestic instruments:

- (i) Savings Bank rate for the period of delay beyond three working days in collection of local cheques (Holidays are to be excluded for the purpose of reckoning the stipulated collection period).
- (ii) Where the delay is beyond 14 days, interest will be paid at the rate applicable to term deposit for the respective period.
- (iii) In case of extraordinary delay. i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- (iv) In case the proceeds of cheque under collection were to be credited to an overdraft / loan account of the customer, interest will be paid at the rate applicable to overdraft /loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to overdraft / loan account.

B. Payment of Interest for delayed Collection of Outstation Cheques:

As part of the Compensation Policy of the Bank, the Bank will pay interest to its

customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned in the Bank's Policy on Collection of Cheques / Instruments. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the Bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

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

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days, interest will be paid at the rate applicable to term deposit for the respective period.
- c) In case of extraordinary delay. i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In case the proceeds of cheque under collection was to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delay, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only to instruments sent for collection within India.

C. Cheques / Instruments lost in transit / in clearing process or at paying Bank's

Branch:

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying Bank's Branch, the Bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and take necessary steps to ensure that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the Compensation Policy of the Bank, the Bank will compensate the account holder in respect of instruments lost in transit in the following way:

- a. In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- b. In addition, the Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c. The Bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a Bank / Institution who would charge a fee for issue of the duplicate instrument.

6. Issue of Duplicate Draft and compensation for delays.

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

7. Violation of the Code of Bank's Commitment to Customers by the Bank's agent:

In the event of receipt of any complaint from the customer that the Bank's representative / courier or Direct Selling Agent has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the Bank has adopted voluntarily, Bank shall take appropriate steps to investigate the complaint, redress the grievance of the customer within 7 days from the date of receipt of the complaint and if need be, by compensating him/her suitably.

8. Transaction of "at par instruments" of Co-operative Banks:

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

9. Lenders liability; commitment to borrowers:

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

10. Force Majeure

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

11. ATM Failure

It is mandatory for bank to reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 7 working days from the receipt of the complaint. For any failure to re-credit the customer's account within 7 days from the date of receipt of the complaint, bank shall pay compensation of ? 100/- per day to the aggrieved customer.

This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transactions. Details of charge back in case of ATM transaction by a customer of the bank when he uses other Bank ATM would be included.

12. Delayed payment of pension / pension arrears:

Pensioners should get their pension, hike in Dearness Relief/ Allowance etc.,

announced by Government in succeeding month's pension payment itself. In case there is delay in disbursement of pension / pension arrears to the pensioners/ non-state resident pensioners in terms of the guidelines cited above, such aggrieved pensioners are to be compensated for the delayed period beyond the due date, at a fixed interest rate of 8% per annum on such delays, subject to review by RBI as considered appropriate.

This compensation shall be credited to the pensioner's account automatically without any claim from the pensioner, on the same day when the Branch affords the credit for revised pension/ pension arrears in respect of such delayed pension payments made.

13. Disputed transactions of Debit Card/Fraudulent debits Arising on ATM/Debit

Cards/POS/E-Commerce transactions:

The Revised Bank's compensation policy on disputed transactions of our Bank's Debit Card transactions/ fraudulent debits arising on ATM/Debit Cards/POS/E-Commerce transactions for the year 2016.-2017 is as follows :

"Where neither the Bank nor the customer is at fault, and the fraud is due to skimming/hacking/phishing etc., Bank shall compensate the customers as Bank's reputation is at stake"

14. Timeline for payment of compensation

The amount of compensation for deficiencies in various categories of Banking Services as mentioned in this Policy should be paid to the customers within 15 (fifteen) days after the deficiency is acknowledged.

15. Customers' responsibility

15.1. Bank will not be responsible for the loss to the customers due to customer's carelessness in keeping the Cheque book, passbook, cards, PIN or other security information and not following "Do's and Don'ts" issued by the Bank, until the Bank has been notified by the customer.

15.2 Customer acts fraudulently and/or acts without reasonable care which has resulted in loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords or confidential information, until the time the Bank has been notified of such loss/compromise and has taken steps to prevent its misuse

16. Disclaimer clause

Notwithstanding anything contained here above, the Bank shall not pay any compensation in the following cases:-

- i) Any deficiency in regard to loans and advances activities of the Bank.
- ii) Dishonor of at par payment agreement with other banks, due to non- funding and security compliance.
- iii) Delays on account of non-functioning of business due to factors beyond the control of the bank the period covered by such events shall be omitted for calculation of delay etc.
- iv) Where the issues are sub-judice and pending before Courts, Ombudsman,

arbitrator , Government and matter put on hold due to stay.

17. Amendment/ Modification of the Policy

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. However, the Bank shall endeavor to review the Policy at annual intervals.