

## **CUSTOMER COMPENSATION POLICY**

### **Introduction:**

Bank shall exercise adequate care in providing desired level of service to its customers. However, Bank has devised the Customer Compensation Policy in case of any deficiency of service. The policy aims to provide a framework to compensate the customer for any financial loss as well as for the harassment/mental anguish suffered by him/her due to deficiency of service on the part of the Bank.

### **Objective:**

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 or on account of loss of time, expenses or for the harassment and mental anguish suffered by him/her for the fault of the card-issuer and where the grievance has not been redressed in time. By ensuring that the customer is compensated, the Bank expects a significantly low number of instances when the customer has to approach Banking Ombudsman or any other forum for redress.

### **Scope:**

- i. This Compensation Policy of the Bank is designed to cover all the incidences where the Bank is liable to make good any financial loss suffered by the customer including instances related 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, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.
- ii. It is reiterated that the Policy covers only compensation for financial losses and the harassment/mental anguish, loss of time and expenses, which customers might incur/experience due to deficiency in the services offered by the bank which can be measured directly and as such the commitments under this policy are without prejudice to any right the Bank shall have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

### **I. Unauthorized / Erroneous Debit:**

1. If there is an unauthorized/erroneous direct debit to an account, the entry shall be reversed at the earliest on being informed of the erroneous debit, after verifying the position and obtaining due approval of the competent authority. In the event of the unauthorized/ erroneous debit resulting in a financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on Savings bank deposit or payment of additional interest to the Bank in a loan account, the Bank shall compensate the customer for such loss.
2. If the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized/ erroneous debit, the Bank shall compensate the customer to the extent of such financial losses.
3. The Bank shall compensate the financial loss, supported with documentary evidence, to the extent of actual amount that the customer might incur due to deficiency in service on the part of the bank or any act of omission or commission directly attributable to the bank or its employees. A few instances of such cases of unauthorized debits and/ or erroneous debit or credit entries and their possible impacts on the interest of the customers are enumerated below:
  - 3.1 Due to erroneous debit in savings account, payment of telephone/ electricity bill, school fees, etc. may get delayed and payment after due date may result in deprivation of rebate/ discount/ commission and/ or imposition of fine/ penalty etc. In such cases, the Bank shall compensate the actual amount of rebate/ discount/ commission/fines/penalty etc., as the case may be.
  - 3.2 Due to wrong debit in a Savings account the balance in the same may be less by that sum for the purpose of calculation of interest. To compensate the loss, the amount wrongly debited shall be credited with value-dated effect.
  - 3.3 Consequent upon unauthorized/ erroneous debit, due to fall in minimum balance in the account resulting in levying of service charges, if any, shall be refunded to the customer.
  - 3.4 Where amount deposited towards repayment/ installments in a loan account is not credited, additional interest is accrued on account of that amount. In such cases, the amount of excess interest so charged shall be refunded in the loan account as compensation.
  - 3.5 In case of a running borrowal account, if an amount deposited by the customer is not credited in that account by mistake of the Bank, additional interest pertaining

to that amount accrues in the account. On detection of such error, the amount shall be immediately credited in the account with value dated effect.

3.6 In case of borrowal accounts, the cheque deposited by the customer for collection through local clearing if not sent by the branch for reason whatsoever, additional interest accrued in the account arising out of non-credit of the amount of the cheque shall be compensated by crediting the amount with value dated effect.

3.7 The compensation shall be paid in accordance with the "Customer Protection Policy - Limiting Liability of Customers in Unauthorized Electronic Banking Transactions", depending on limited, zero or overall liability of the customer and the Bank.

## **II. Time limit for verification of the entry reported to be erroneous by the customer:**

In case of verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank shall arrange to complete the process of verification within 7 days from the date of reporting of erroneous debit. In case, the verification involves a third party, the Bank shall complete the verification process within a maximum time period of 30 days from the date of reporting of erroneous transaction by the customer to be defined by circular instructions from time to time.

## **III. Erroneous Debits arising on account of fraudulent or other transactions**

1. In case of any fraud, if the Bank is convinced that an irregularity / fraud has been committed by its employees towards any customer, the Bank shall at once acknowledge its liability and pay the just claim. However, such claims for restitution shall be disposed of as per the powers delegated to authorities at various levels by the Bank via circularized instructions from time to time.
2. In cases where the Bank is at fault, the customer shall be compensated without demur in accordance with this policy.

## **IV. ECS/direct debits/other debits to accounts:**

Bank, in the event of failure to meet the ECS/ direct debit instructions of the Customer in time, shall compensate to the extent of any financial loss that the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions. The Bank shall refund the amount of service charges debited in the customer's account in excess/ in violation of schedule of service charges when pointed out by the customer after proper scrutiny. The Bank shall also compensate the consequential financial loss, if any, to

the customer for debit of excess service charges after proper verification/ scrutiny of agreed terms and conditions.

**V. Payment of Cheques after Stop Payment Instructions:**

In case a cheque has been paid after stop payment instruction is acknowledged by the Bank, the amount of the cheque shall be credited by the Bank along with value-dated effect within 14 days from the date of the customer intimating the transaction to the Bank. The Bank shall compensate the financial loss, to the extent of actual amount that the customer might incur, after ascertaining and being satisfied about the amount of such loss.

**VI. Foreign Exchange Services:**

1. The Bank may not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the Bank may not be able to ensure prompt credit from overseas banks. Time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country.
2. Compensation will be paid in case of delay in crediting customer's account while availing forex services (inward remittances etc.) as under:

"In case of delay beyond the day when the amount is due for credit, the customer will be compensated (i) for any loss on account of interest for due period beyond the due date and (ii) also for adverse movement of forex rate as per the Compensation Policy of the bank."

**VII. Remittances in India:**

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

1.1 The Bank shall pay interest at the prevailing savings bank deposit rate (rate applicable for Saving deposit of below 1 Lac) to the customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned hereinafter. Such interest shall be paid without any demand from customers in all types of accounts. 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.

1.2 In the event the proceeds of cheque under collection are credited to an overdraft/loan account of the customer, interest shall be paid at the rate applicable to the respective loan account. For extraordinary delay, interest shall be paid at the rate of 2% above the rate applicable to the respective loan account. Payment of interest as stated above shall be applicable only for instruments sent for collection within India.

2. Compensation for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection:

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

3. Issue of Duplicate Draft and Compensation for delays:

3.1 Duplicate draft shall be issued on request within a fortnight from the date of 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 shall be paid as compensation to the customer for such delay.

4. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks:

4.1 In case of arrangement for payment of "at par" instruments of co-operative banks, the Bank shall not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. Issuing bank shall be responsible to compensate the cheque holder for non-payment/delayed payment of cheques in the absence of adequate funding arrangement.

**VIII. Violation of the Code by Bank's employees and agents:**

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

**IX. Lenders' Liability:**

Commitments to Borrowers: The Bank shall adopt the principles of lenders of liability. In terms of the guidelines for lenders liability and the Code of Bank's Commitment to customers, the Bank shall return to the borrowers all the securities / documents / title deeds to mortgaged property within 15 working days of repayment of all dues agreed to or contracted. The Bank shall compensate the borrower for monetary loss suffered, if any, due to delay in return of the same, at the rate of Rs. 100 per week, subject to maximum Rs. 1000.00 (Rupees One thousand only)

**X. ATM Failure:**

The Bank shall refund the customer the amount wrongfully debited on account of failed ATM transactions within a maximum period specified by RBI from time to time from the day of transaction. For any failure to re-credit the customer's account within that time period, the Bank shall pay compensation to the aggrieved customer as mandated by RBI from time to time. Such compensation shall be paid by the Bank, suo moto, without waiting for a complaint or claim from the customer. As per RBI Circular on Harmonization of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems, dated September 20, 2019, the specified period is mentioned as five days from date of transaction. Further, in line with the aforesaid circular, compensation for delay will include failed POS transactions, Card Not Present (CNP) (e-commerce) transactions and other electronic/digital transactions such as IMPS, UPI, NACH, AEPS, ABPS, etc.

**XI. Debit/Credit Card:**

In case a Debit or Credit card is issued to a customer, the Bank shall be liable to compensate the complainant for the loss of his/her time, expenses, financial loss as well as for the harassment and mental anguish suffered by him/her for the fault of the card-issuer and where the grievance has not been redressed in time.

**XII. Other areas of deficiencies in services:**

1. Where loan has been allowed against Bank's own Fixed Deposit Receipt and the branch, after maturity of the FD do not adjust the loan account thereby interest is charged on the loan outstanding, excess interest charged thereof in the loan account shall be refunded to the customer.
2. Where the Bank after adjustment of the loan account do not remit/credit the remaining amount of FD to the customer's account but keeps balance in sundry creditor's account, the Bank shall compensate to the customer the interest as payable for the amount kept in the sundry creditor's account at savings bank interest rate, if and only if the customer has not been duly informed.
3. However, adoption of the compensation policy shall not absolve accountability of the concerned employee responsible for the lapses/ deficiencies leading to financial loss to the Bank.
4. While considering the compensation on account of the above items, bank will ensure that under no circumstances the compensation amount to be paid out to a specific customer does not exceed the actual amount of nominal financial loss subject to relevant RBI guidelines and awards/directions given by any court of law / statutory bodies. However, the actual compensation may be decided on case to case basis by the competent authority.

### **XIII. Applications Supported by Block Amount (ASBA)**

#### **1. Introduction:**

The Securities and Exchange Board of India ('SEBI'), through its circular SEBI/HO/CFD/DIL2/CIR/P/2018/22 dated February 15, 2018, had advocated the need to have a uniform policy for calculation of minimum compensation payable to Retail Individual Investors ('RIIs') in an IPO in scenarios mentioned in Para 17.2 a), b) and c) below. While doing so, the following factors have been taken into account:

- a) the opportunity loss suffered by the investor due to non-allotment of shares;
  - b) the number of times the issue was oversubscribed in the relevant category;
  - c) the probability of allotment; and
  - d) the listing gains if any on the day of listing.
2. The Compensation Policy for ASBA envisages to consider instances wherein applicants (RIIs) in an Initial Public Offering (IPO) have failed to get allotment of specified securities and in the process may have suffered an opportunity loss due to the following factors:

- i. Failure on part of the bank to make bids in the concerned Exchange system even after the amount has been blocked in the investors' bank account with the bank.
- ii. Failure on part of the bank to process the ASBA applications even when they have been submitted within time.
- iii. Any other failures on part of the bank which have resulted in the rejection of the application form.

Further, after stabilisation of ASBA through UPI channel, SEBI has issued a circular SEBI/HO/CFD/DIL2/CIR/P/2021/2480/1/M dated March 16, 2021, for redressal of investor grievances for ASBA through UPI. The Compensation Policy also covers the areas pertaining to Block/Unblock of funds of ASBA (IPO) applications submitted via using UPI platform and wherein investor may have suffered an opportunity loss due to the following factors:

- a) Failure to unblock funds for cancelled/withdrawn/deleted cases in the Stock Exchanges platform.
- b) Failure to unblock the funds in cases of partial allotment by the next working day from the finalization of basis of allotment (BOA).
- c) Failure to unblock the funds in cases of non-allotment by BOA+1.
- d) SCSB (Self Certified Syndicate Banks) blocking multiple amounts for the same UPI application.
- e) SCSB blocking more amounts in the investors account than the application amount.
- f) Delay in receipt of mandate by investors for blocking of funds due to systemic issues at Intermediaries/SCSBs.

3. Objective:

The objective of the Policy is to establish a process through which the applicant (RII) is compensated for the opportunity loss suffered due to deficiency in service or an act of omission or commission directly attributable to the Bank.

4. Coverage of compensation:

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

5. Level of compensation:

Compensation to Retail Individual Investors (RIIs) in an Initial Public Offer (IPO):

- a) The formula for calculation of minimum fair compensation on the basis of SEBI guidelines shall be as follows:

$$\text{Compensation} = (\text{Listing price}^* - \text{Issue Price}) \times \left( \frac{\text{No. of shares that would have been allotted if bid was successful}}{\text{No. of shares}} \right) \times \text{Probability of allotment of shares determined on the basis of allotment}$$

In case, during processing of the ASBA application form, the bid is placed for lesser quantity than that the application form, the formula for calculation of minimum fair compensation will be:

$$\text{Compensation} = (\text{Listing price}^* - \text{Issue Price}) \times \left( \frac{\text{No. of shares that would have been allotted if bid was successful}}{\text{No. of shares allotted}} \right) \times \text{Probability of allotment of shares determined on the basis of allotment}$$

\*Listing price shall be taken as the highest of the opening prices on the day of listing across the recognized stock Exchanges.

- b) In case of issues which are subscribed between 90-100%, i.e. non oversubscribed issues, the applicants would be compensated for all the shares which they would have been allotted.
- c) The Bank shall refer to the allotment ratio, provided by the RTAs, for the purpose of arriving at the compensation.
- d) Compensation, proposed to be paid in line with the prescribed guidelines, shall be approved as per the existing delegation of powers (DOP) of the Bank.
- e) No compensation would be payable to the applicant in case the listing price is below the issue price.
- f) Any applicant whose application has not been considered for allotment, due to failure on the part of the Bank, shall have the option to seek redressal of the same within three months of the listing date.
- g) On receipt of such application / complaint, the Bank shall resolve the same within 15 days, failing which it will pay interest at the rate of 15% per annum for any delay beyond the said period of 15 days.

#### **XIV. Force Majeure:**

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the Bank's facilities or of its correspondent bank(s), absence of the usual means of



communication or all types of transportation, etc. beyond the control of the Bank prevents it from performing its obligations within the specified service delivery parameters.

