

**BARODA GUJARAT GRAMIN BANK**

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**बड़ौदा गुजरात ग्रामीण बैंक**

(भारत सरकार, गुजरात सरकार एवं बैंक ऑफ बड़ौदा का सम्पूर्ण स्वामित्व)

# Compensation Policy

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## Compensation Policy

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## **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. Earlier instructions issued by RBI regarding immediate credit of local /outstation cheques, time frame for collection of local/outstation instruments and interest payment for delayed collection have been withdrawn by with effect from 1<sup>st</sup> November 2004 leaving it to the individual banks to formulate policies in this regard taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents. A Compensation policy of the bank was therefore, 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, lending, etc., is based on principles of transparency and fairness in the treatment of customers.

### **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. By ensuring that the customer is compensated without having to ask for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

### **Scope**

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

Various kinds of financial losses are outlined below:

### 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 erroneous debit, after verifying the position. In the event the unauthorized/erroneous debit has resulted in a financial loss for 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 will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to wrongful return of a cheque or failure to entertain direct debit instructions, arising due to insufficient balance on account of unauthorized / erroneous debit, the bank will compensate the customer to the extent of such financial losses **after taking into consideration all relevant factors.**

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, the bank shall **strive** to complete the verification process within a maximum period of one month from the date of reporting of **Unauthorised** / Erroneous Transaction by the customer.

However, the Bank will ensure that wrong bills are not raised and issued to customers. In case, a customer protests any bill, the bank will provide explanation and, if necessary, documentary evidence to the customer within a maximum period of sixty days with a spirit to amicably redress the grievances.

#### 1.1 Unauthorised Electronic Transactions reported by customers

As per the circular no. DBR.No.Leg.BC.78/09.07.005/2017-18 dated July 6, 2017 issued by the Reserve Bank of India, all Banks are required to formulate a Board Approved Customer Protection Policy for unauthorised electronic Banking transactions reported by customers.

Accordingly, the Customer Protection Policy for unauthorized electronic Banking transactions reported by customers has been prepared which covers, the liability of customers in different scenarios.

For all such transactions, the Bank would be governed by the Board Approved Customer Protection Policy.

### 2. ECS direct debits/other debits to accounts

The bank will undertake to carry out direct debit/ ECS 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 the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions.

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.

### **3. Payment of Cheques after Stop Payment Instructions:**

In case a cheque has been paid after stop payment instruction is acknowledged by the bank, the bank shall 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. Collection Services in India:**

The compensation on account of delays in collection of instruments would be as indicated in the bank's collection policy which is reproduced below for information:

#### **a) Collection of local cheques:**

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in cheque drop boxes before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time in cheque drop boxes within the branch premises will be presented in the next clearing cycle. As a policy, bank would give credit to the customer account on the day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearinghouse at the centre.

Wherever CTS Clearing has been implemented cheques will be credited as per clearing settlement at CTS centres.

The respective branches will display the cut-off time for receipt of cheques to be sent in clearing on the same day in their premises. Accordingly, cut-off time for receipt of high value clearing and receipt of cheque for payment to Government account like Income Tax etc., will also be displayed in the branches.

The Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest.

Local cheques drawn on our branches received during the business hours will be credited in the customer's account on the same day.

Local cheques drawn on local branches of other banks whether under CTS clearing mechanism or otherwise will be credited as per rules of local clearing house.

Local cheques drawn on local branches of other banks where clearing house does not function will be subject to cheque collection rules.

**b) Payment of interest for delayed collection of Local Cheques:**

The Bank will pay interest to its customer on the amount of collection of local cheques at the Savings bank interest rate in case there is delay in giving credit beyond the time frame for collection of local cheques as given above.

Interest will be paid for the period of delay excluding normal collection period if the amount of interest is Rs.1 or above.

Time norms for collection of local cheques:

Cheques deposited at branch counters and in cheque drop boxes before the specified cut-off time will be presented for clearing during immediate cycle of clearing. Cheques deposited after the cut-off time in cheque drop boxes within the branch premises will be presented in the next clearing cycle. As a policy, bank would give credit to the customer account on the day clearing settlement takes place.

The Bank branches, situated at centers where there are no arrangements of clearing house, would present local cheques on drawee banks across the counter and it would be the bank's endeavor to credit the proceeds at the earliest. But not later than 3rd working day from the date of deposit by customer.

**c) Payment of Interest for delayed Collection of Outstation Cheques:**

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. 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:

- i. Interest will be paid at Savings Bank rate for the period of delay beyond the stipulated period for collection.

Time frame for collection –

- Cheques payable at CTS centre : Maximum period of 7 days,
  - Non CTS centres: Maximum period of 10 days.
- ii. Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the corresponding / respective period or Savings Bank rate, whichever is higher.
  - 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 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 delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.
  - v. Bank will pay interest to its customer at Savings bank rate for the delay in realization/ non-credit of cheques deposited for collection / clearing, wrongful dishonour of cheques on account of mistake on part of the bank.

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

The bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection by the customer is also incorporated in our collection policy. The same is extracted below for information:

**d) "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 accountholder so that the accountholder can inform the drawer to record stop payment and also take care 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.

The bank will compensate the accountholder 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 in Point c.

- b) In addition, 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 charges incurred for making stop payment of the lost cheque by the customer with the Paying Bank will be compensated by the Bank.
- d) 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 duplicate instrument.

#### **5. Payment of interest for delays in credit/Return of RTGS /NEFT/NECS/ECS transactions.**

The Bank will pay interest to its customers on account of delay in credit /Return of RTGS/NEFT/NECS/ECS transactions. The interest will be paid at the rate of prevailing RBI LAF Repo Rate plus two percent from the due date of credit till the date of actual credit for any delayed credit to the beneficiaries account even if no claim is lodged.

#### **6. Violation of the Code by bank's agent**

In the event of receipt of any complaint from the customer that the bank's representative in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the bank has adopted voluntarily, the bank is committed to investigate the matter and endeavor to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified, compensate the customer for financial loss, if any, as contemplated under this policy.

#### **7. Delay in returning of Security Documents:**

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 banks the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount as decided by the bank.



## 8. Force Majeure

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

## 9. Customer compensation for failed transactions using authorized Payment Systems

RBI issued a circular RBI/2019-20/67 DPSS.CO.PD.No.629/02.01.014/2019-20 on 20-09-2019 “Harmonization of Turn Around Time (TAT) and customer compensation” for failed transactions and compensation.

General Instructions covering the TAT:

1. The principle behind the TAT is based on the following :

a. If the transaction is a ‘credit-push’ funds transfer and the beneficiary account is not credited while the debit to originator has been effected, then credit is to be effected within the prescribed time period failing which the penalty has to be paid to the beneficiary;

b. If there is delay in initiation of a transaction at the originator bank’s end beyond the TAT, then penalty has to be paid to the originator.

2. A ‘failed transaction’ is a transaction which has not been fully completed due to any reason not attributable to the customer such as failure in communication links, non-availability of cash in an ATM, time-out of sessions, etc. Failed transactions shall also include the credits which could not be effected to the beneficiary account on account of lack of full information or lack of proper information and delay in initiating a reversal transaction.

3. Terms like, Acquirer, Beneficiary, Issuer, Remitter, etc., have meanings as per common banking parlance.

4. T is the day of transaction and refers to the calendar date.

5. R is the day on which the reversal is concluded and the funds are received by the issuer / originator. Reversal should be effected at the issuer / originator end on the same day when the funds are received from the beneficiary end.

6. The term bank includes non-banks also and applies to them wherever they are authorised to operate.

7. Domestic transactions i.e., those where both the originator and beneficiary are within India are covered under this framework.

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
<b>1</b>	<b>Automated Teller Machines (ATMs) including Micro-ATMs</b>		
a	Customer's account debited but cash not dispensed.	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
<b>2</b>	<b>Card Transaction</b>		
a	<u>Card to card transfer</u> Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the Beneficiary account.	₹ 100/- per day of delay beyond T + 1 day.
b	<u>Point of Sale (PoS) (Card Present) including Cash atPoS</u> Account debited but confirmation not received at merchant location i.e., Charge-slip not generated.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.
c	<u>Card Not Present (CNP) (e-commerce)</u> Account debited but Confirmation not received at merchant's system.		
<b>3</b>	<b>Immediate Payment System (IMPS)</b>		
a	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
<b>4</b>	<b>Unified Payments Interface (UPI)</b>		
a	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary Bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
<b>5</b>	<b>Aadhaar Enabled Payment System (including Aadhaar Pay)</b>		
a	Account debited but transaction confirmation not received at merchant location.	Acquirer to initiate "Credit Adjustment" within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
b	Account debited but beneficiary account not credited.		
<b>6</b>	<b>Aadhaar Payment Bridge System (APBS)</b>		
a	Delay in crediting beneficiary's account.	Beneficiary bank to reverse the transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
<b>7</b>	<b>National Automated Clearing House (NACH)</b>		

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

## 10. Standing Instruction

In case of failure of standing instructions given by customer, bank will compensate to customer as the case may be from the date of failure of standing instruction to till the claim settled after lodgment by customer.

## 11. Periodicity of Review of the Policy

“The policy will be reviewed annually and effective till next review. Further, that in the event of receipt of any regulatory guidelines / instructions, such guidelines/instructions will form a part of the Policy. In case, any change in the Policy is necessitated by any change in the Operating Environment / Market Conditions, etc., necessary amendments will be placed before Chairman or in his/her absence, General Manager be and is hereby authorized to approve such modifications and subsequently place the amendments before the Board for confirmation.