REPORT OF THE COMMITTEE ON
CUSTOMER SERVICE IN BANKS

Reserve Bank Of India
Customer Service Department
www.rbi.org.in

REPORT OF THE COMMITTEE ON CUSTOMER SERVICE IN BANKS

RESERVE BANK OF INDIA
MUMBAI
2011

RESERVE BANK OF INDIA

MEMORANDUM

Committee on Customer Service in Banks

The Reserve Bank of India has decided to constitute a Committee to look into banking services rendered to retail and small customers, including pensioners and also to look into the system of grievance redressal mechanism prevalent in banks, its structure and efficacy and suggest measures for expeditious resolution of complaints.

2. The Terms of Reference of the Committee are as given below :

1. To review the existing system of attending to customer service in banks - approach, attitude and fair treatment to customers from retail, small and pensioners segment.
2. To evaluate the existing system of grievance redressal mechanism prevalent in banks, its structure and efficacy and recommend measures for expeditious resolution of complaints. The committee may also lay down a suitable time frame for disposal of complaints including last escalation point within that time frame.
3. Committee may examine the functioning of Banking Ombudsman Scheme - its structure, legal framework and recommend steps to make it more effective and responsive.
4. The Committee may examine the possible methods of leveraging technology for better customer service with proper safeguards including legal aspects in the light of increasing use of Internet and IT for bank products and services and recommend measures to enhance consumer protection.
5. Review the role of the Board of Directors of banks and the role of Regulators in customer service matter.

The Committee may, if necessary, visit customer care/call centres, discuss with cross section of banks and customers, interact with various fora /associations concerned with customers etc., and visit places of necessity. The Committee may examine the international best practices in the area of treating the customer fairly and suggest modifications thereof to suit Indian conditions.

3. Composition:

Chairperson :

Shri M. Damodaran, former Chairman, SEBI, New Delhi

Members:

1. Smt. M. Rajyalakshmi Rao , former member, National Consumer Disputes Redressal Commission, New Delhi
2. Shri Ashok Rawat, Hon. Secretary, All India Bank Depositors' Association, Mumbai
3. Shri M. V. Nair, Chairman, Indian Banks' Association and CMD, Union Bank of India, Mumbai
4. Shri B. M. Mittal, Chief Executive Officer, BCSBI, Mumbai
5. Shri M. S. Sundara Rajan, former CMD, Indian Bank, Chennai
6. Shri S. Gopalakrishnan, former Banking Ombudsman, Chennai and former CMD, Vijaya Bank, Chennai
7. Member Secretary:

Shri Kaza Sudhakar, Chief General Manager Customer Service Department, Reserve Bank of India, Central Office, Mumbai

The Secretarial assistance to the Committee will be provided by the New Delhi Office of Reserve Bank of India.

4. The Committee will submit its final report by September 30, 2010.

(Dr. K C Chakrabarty)
Deputy Governor

Mumbai
May 26, 2010
5 Jyestha, 1932

प्रेस प्रकाशनी PRESS RELEASE

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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June 16, 2010

Committee on Customer Service in Banks- Inviting Suggestions from Public

The Reserve Bank of India has constituted a Committee under the chairmanship of Shri M. Damodaran, former Chairman, SEBI to interalia :

1. Review the existing system of attending to customer service in banks - approach, attitude and fair treatment to customers from retail, small and pensioners segment.
2. Evaluate the existing system of grievance redressal mechanism prevalent in banks, its structure and efficacy and recommend measures for expeditious resolution of complaints. The committee may also lay down a suitable time frame for disposal of complaints including last escalation point within that time frame.
3. Examine the functioning of Banking Ombudsman Scheme - its structure, legal framework and recommend steps to make it more effective and responsive.
4. Examine the possible methods of leveraging technology for better customer service with proper safeguards including legal aspects in the light of increasing use of Internet and IT for bank products and services and recommend measures to enhance consumer protection.
5. Review the role of the Board of Directors of banks and the role of Regulators in customer service matter.

With a view to have inputs from all the stakeholders, the Committee requests the members of the public, bank customers, academicians, social / consumer organizations other NGOs, banks & bankers to offer their suggestions / views on this subject of social and economic importance and help in making the Committee's task purposeful and holistic.

The suggestions / representations (not individual complaints) may please be sent to:

The Chief General Manager
Reserve Bank of India
Customer Service Department, Central Office,
1st Floor, Amar Building,
Sir P.M.Road, Fort, Mumbai - 400 001

on or before July 15, 2010

The envelope containing the suggestions may please be super-scribed **"Suggestion - Customer Service Committee."**

We also encourage responses via email (click here)

Ajit Prasad
Manager

Press Release : 2009-2010/1712

REPORT OF THE COMMITTEE ON CUSTOMER SERVICE IN BANKS

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CHAPTER 1

INTRODUCTION

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INTRODUCTION

1. Background

1.1 The importance of extending speedy, efficient, fair and courteous customer service in banking industry is being regularly emphasised by the Government of India (GOI) and Reserve Bank of India (RBI). They have set up various high level Working Groups and Committees which led to considerable improvement in customer service in banks.

1.2 In 1975, the Government of India had appointed the Talwar Committee on customer service in banks. In 1990, RBI appointed the Goiporia Committee on customer service in banks. In 2004, the Tarapore Committee recommendations led to formation of Board level committees for monitoring customer service in banks. In 2006, Reserve Bank of India appointed a Working Group to formulate a scheme to ensure reasonableness of bank service charges under the chairmanship of Shri. N. Sadasivan. The recommendations of the various Committees / Working Groups reflected the need of the time in which the Committees / Working Groups were set-up. For instance, the Goiporia Committee broadly covered the following aspects:

- Causes of the persistence of below par customer service in banks.
- Areas of deficiencies in customer service in banks.
- Measures for improvement in work culture.
- Steps for inculcation of greater customer orientation among bank employees.
- Identification of structural and operational rigidities and inadequacies which adversely affect the working of banks.
- Upgradation of technology to ensure prompt and efficient customer service.

1.3 In addition to the guidelines framed based on the recommendations of the Committees, RBI had been giving instructions to banks as and when required. Over the

years, the customer service in banks has improved considerably with the introduction of technology based products:

- ATM (this has facilitated customer to access cash withdrawal/deposits/ account querying/transfer of funds/payment of utilities/purchase of air/train tickets – 24 X 7).
- Internet Banking.
- Debit Cards (dispensed the need for carrying cash for making purchases).
- Mobile Banking (stage wise implementation) and the youngsters accessing banking services.

Further, the banking sector has undergone a sea-change from the time when the previous Customer Service Committees were appointed. There has been a huge proliferation of bank branches. Further, de-regulation has brought in its wake numerous banking services, niche products etc. Widespread use of technology also enhanced the customer expectations, specifically on the aspects of speed and quality of service delivery. In addition, technology implementation has made branch banking redundant on many aspects, redefined several of the existing services and raised customer expectations regarding reasonableness of service charges. While the bankers hold a view that the introduction of core banking solution entailed huge cost and the passing of benefit will take some more time till substantial portion of customers start using technology based products. The economy is also experiencing demographic dividend, thereby the number of youngsters accessing banking service is on the increase with the resultant pressure on providing technology based services.

1.4 Citizens' Charter

On the occasion of completing fifty years of independence, the Government of India introduced the concept of Citizens' Charter in the form of a promise to the consumers from a public authority regarding its performance. The Government of India directed all Government Departments, public sector undertakings (including public sector banks) to display a Citizens' Charter in each of their offices. The public sector banks were required

to specifically indicate the products / services available and the normal time taken/tariffs to put through customer transactions. The introduction of the Citizens' Charter was an exercise in setting benchmarks for prompt delivery of banking services (including the pricing thereof) and any customer not getting the service in the promised time could access the grievances redressal machinery of the bank.

1.5 The penetration of banking services to the remote corners of the country has been attempted both by the use of technology and change in regulations with the introduction of Business Facilitators and Business Correspondents of banks. However, the challenge of the un-banked and under-banked areas is being addressed by coordinated efforts from banks, Regulator, IBA and Government.

Setting up of the Damodaran Committee on Customer Service (2010)

1.6. In the above circumstances, RBI constituted a Committee (through a Board Memorandum dated May 26, 2010) under the chairmanship of Shri M. Damodaran, former Chairman, SEBI (Securities and Exchange Board of India) to look into the customer service aspects. The following persons were the members of the Committee:

- Smt. M. Rajyalakshmi Rao, former member, National Consumer Disputes Redressal Commission, New Delhi.
- Shri Ashok Ravat, Hon. Secretary, All India Bank Depositors' Association, Mumbai.
- Shri M.V. Nair, Chairman, Indian Banks' Association and CMD, Union Bank of India, Mumbai.
- Shri B.M. Mittal, Chief Executive Officer, BCSBI, Mumbai.
- Shri M.S. Sundara Rajan, former CMD, Indian Bank, Chennai.
- Shri S. Gopalakrishnan, former Banking Ombudsman, Chennai and former CMD, Vijaya Bank, Bangalore.
- Shri Kaza Sudhakar, Chief General Manager, Customer Service Department, RBI, CO, Mumbai and Member Secretary to the Committee.

1.7. The terms of reference of the Committee was broadly classified into:

a) Review the existing system of attending to customer service in banks - approach, attitude and fair treatment to customers from retail, small and pensioners segment.

b) Evaluate the existing system of grievance redressal mechanism prevalent in banks, its structure and efficacy and recommend measures for expeditious resolution of complaints. The Committee may also lay down a suitable time frame for disposal of complaints including last escalation point within that time frame.

c) Examine the functioning of Banking Ombudsman Scheme - its structure, legal framework and recommend steps to make it more effective and responsive.

d) Examine the possible methods of leveraging technology for better customer service with proper safeguards including legal aspects in the light of increasing use of Internet and IT for bank products and services and recommend measures to enhance consumer protection.

e) Review the role of the Board of Directors of banks and the role of Regulators in customer service matter.

Methodology adopted by the Committee

1.8. At the first meeting of the Committee held in New Delhi on June 15, 2010, the members broadly agreed on the following methodology to be adopted for completing the task assigned to the Committee.

- The first step was issuance of a press release on June 16, 2010 calling for suggestions from all the stakeholders. This action resulted in over a thousand suggestions being made to the Committee for discussion / deliberation which have contributed immensely to make customer-centric recommendations.
- The Committee decided that it would be necessary to have interactions with different groups / cross-section of the population across the length and

breadth of the country to be able to assess the customers' needs for prompt, efficient and courteous banking services at an affordable price. Accordingly, the Committee and / or a few members thereof met the different segments of bank customers at various locations, covering almost all the States of the Indian Union, with a view to have a Pan-India background while framing the recommendations. The idea behind covering a wide geographic area to get a feedback from different sections of the population was to factor in the differences arising out of lack of or inadequate outreach of banking services across States / Regions.

- ❖ In certain locations, feedback received by the Regional Directors of the Reserve Bank of India and the Banking Ombudsmen were taken into account.
- ❖ The Committee members undertook several incognito visits to bank branches in different parts of the country and tried to assess the ground - level situation in terms of the practices.
- ❖ Based on the above, the Committee deliberated upon each aspect in the terms of reference and has completed the Report.

1.9. The details of the meetings held at different locations are provided in Annex. The sections of the population and important stakeholders that the Committee interacted with can be broadly classified in the following categories:

- ❖ General bank customers - at branches / at meetings / at customer meets / at outreach camps.
- ❖ Meeting with apex level institutions / organizations - Reserve Bank of India, Managing Committee of IBA, Governing Council of BCSBI and Banking Ombudsmen.
- ❖ Meetings with Customer Service Departments and Customer Service Committees of the Board of commercial banks.
- ❖ Meetings with delegates representing all the Workers' Union and Officers ' Associations.
- ❖ Consumer Organisations / NGOs.

- ❖ Pensioners' Associations - Central / State Governments, Defence, Railways etc.
- ❖ Self Help Groups and Micro Finance Institutions.
- ❖ MSME Associations / Industry Associations / Regional Chambers of Commerce.
- ❖ Exporters' Associations.
- ❖ Nodal Officers of banks, bank branch managers and controllers at different locations.
- ❖ Academicians.
- ❖ Members of the armed forces and para-military units.

1.10. The Committee ensured that meetings (on its own or through Regional Directors, Banking Ombudsmen – RBI) were held in all the States of the country in metro, urban and rural areas and also the maximum number of stakeholders have been met, the details of which are given in the Annex.

1.11. The Committee included studying the international best practices in relation to customer service in service industries with special relevance to banking industry. The Committee deliberated on some of the best practices prevalent in the major developed economies of the world. The international experience indicated many areas for improvement / development. A collation of international experience is given below:

International perspective

1.12. Internationally, **Treating the Customers Fairly** has become the accepted norm. The only point of debate is whether this aspect should be rules-based or principles-based.

A. United Nations

1.13. United Nations Guidelines passed by the UN General Assembly on April 16, 1985 for consumer protection were examined and the following principles and guidelines were found to be useful in protecting the economic interest of the consumers.

- ❖ The promotion and protection of economic interests of the consumer.

- ❖ Access of consumers to adequate information to enable them to make informed choices as per individual needs and wishes.
- ❖ Consumer education on economic impacts of consumer choice.
- ❖ Opportunity to consumers (and their groups) to present their views in the decision making process affecting them.
- ❖ Promotion of sustainable consumption patterns (taking into account goals for eradicating poverty, satisfying the basic human needs of all sections of society, reducing inequality).
- ❖ Government should strengthen/maintain measures relating to the control of restrictive and other abusive business practices which may be harmful to consumers.
- ❖ Government should encourage fair and effective competition in order to provide consumers with the greatest range of choices among products and services at lowest cost.

The guidelines provide for protection of eight Consumer Rights:

- o Right to Basic Needs
- o Right to Information
- o Right to Choose
- o Right to Safety
- o Right to be Heard
- o Right to Redressal of Grievances
- o Right to Consumer Education
- o Right to Clean Environment.

B. United Kingdom

1.14. The Financial Services Authority, UK (FSA) prescribes fairness commitment to be made by the banks. The fairness commitment reads as under:

- ❖ We promise we will treat you fairly and reasonably when providing you with products and services covered in this Code.

- ❖ We will keep this promise by meeting all the key commitments made.
- ❖ We will make sure that our advertising and promotional literature is clear and not misleading and that you are given clear information about our products and services.
- ❖ We will give you clear information about accounts and services, how they work, their terms and conditions and the interest rates which may apply.
- ❖ We will help you to use your account or service by sending you regular statements (where appropriate) and we will keep you informed about changes to the interest rates, charges or terms and conditions.
- ❖ We will help you to switch your current account between financial institutions that subscribe to this Code.
- ❖ We will lend responsibly.
- ❖ We will deal quickly and sympathetically with things that go wrong and consider all cases of financial difficulty sympathetically and positively.
- ❖ We will treat all your personal information as private and confidential and provide secure and reliable banking and payment systems.
- ❖ We will publicise this Code, have copies available and make sure that our staff is trained to put it into practice.

1.15. The following are clauses that help customers to choose products and services that meet his/her needs.

Before you become a customer, we will:

- ❖ Give you clear information explaining the main features of the services and products you tell us you are interested in.
- ❖ Make important information for savings accounts and unsecured loans available in a summary box on pre-sale material.
- ❖ Assess whether your needs are suited to a basic bank account (if we offer one) and offer you this product if they are.

- ❖ Offer you a basic bank account if you ask and meet the conditions for one.
- ❖ Give you information on a single product or service, if you have already made up your mind.
- ❖ Tell you what information we need from you to prove your identity (by law, we have to check your identity).
- ❖ We will tell you if we offer products and services in more than one way and tell you how to find out more about them and where we offer basic bank accounts, we will tell you if they can be used at post offices.
- ❖ Once you have chosen an account or service, we will tell you how it works.
- ❖ When you open a joint account, we will give you extra information on your rights and responsibilities.

C. United States of America

- ❖ Community Reinvestment Act (CRA) prohibits discrimination by banks against low and moderate income neighborhoods.
- ❖ CRA imposes an affirmative and continuing obligation on banks to serve the needs for credit and banking services of all the communities in which they are chartered.
- ❖ Numerous studies conducted by Federal Reserve and Harvard University demonstrated that CRA lending is a win-win proposition and profitable to banks.
- ❖ The State of New York Banking Department, apart from the CRA experiment, made it mandatory for each banking institution to offer basic banking account and in case of credit unions the basic share draft account, which is in the nature of low cost account with minimum facilities.

FDIC Advisory Committee on Economic Inclusion- November 2, 2006 (recommended by Federal Deposit Insurance Corporation):

- ❖ *Advice and recommend on important initiatives focused on expanding access to banking services for under-served populations.*

- *Reviewing basic retail financial services such as cheque cashing, money orders, remittances, stored value cards, short-term loans, savings accounts and other services that promote asset accumulation by individuals and financial stability.*
- **Financial inclusion is seen as part of ensuring financial stability.**

Customer responsibilities - Experiences - United Kingdom

1.16. The FSA UK, discussion paper on principle based regulation and treating customers fairly says:

- *We and firms need to take account of the limited financial capability of most consumers*
- *Consumers can nevertheless protect their best interests by engaging, as actively as they can, in selling or advise giving process including by reading the materials provided to them (in particular, information that the required firms provide to consumers), asking questions where they feel uncertain, thinking about their financial position and considering the possible impact of changes in their circumstances*
- *The absence of reasonable care by consumers can, in particular circumstances, be taken into account by the courts and by the financial ombudsman service.*
- *In addition, we have already begun to place greater emphasis of providing messages to consumers as part of our outcomes from thematic work. For example, we have provided clean and straight forward messages to consumers on a range of issues, designed to empower them to ask the right questions and thus to be more capable and confident in reaching informed decisions and one trade body has provided to its members a short description- which firms can hand out to their customers- of how consumers can act in their best interest. We will consider whether there is scope to strengthen the demand side to further through such initiatives.*

D. EUROPEAN COMMISSION

- The central role of consumer protection within the European Union (EU) is set out in the treaty. The interest of the consumers at EU level requires that all markets across the European Member States (collectively the "Internal Market") work effectively.

- For the market to work effectively, it should be competitive and deliver a fair deal to consumers. In view of the European dimension of consumer issues, legislation has been adopted at European level in order to provide consumers with a set of rights which they enjoy in all the member states.

- While EU legislation (eg. on unfair contract terms, misleading advertisement, distance selling and the sale of goods and guarantees, package travel and on time sharing) provide consumers with a set of rights, they need assurance that if things go wrong, they can seek redress.

- The European Commission has responded with a number of initiatives aimed at addressing their issues, by promoting access to simple, swift, effective and in- expensive legal channels.

1.17. In addition, submissions on financial crisis made by Consumer International at international fora were also examined. The "Treating Customers Fairly" concept consisted of six components which are universally recognised: (i) Confidence, (ii) Demand-Supply Match, (iii) Transparency, (iv) Advisory Role, (v) Satisfactory Redressal System and (vi) Switch- Over.

1.18. The six components in relation to "Treating Customers Fairly" in banking sector may be explained as follows:

(i) Confidence: Foster customer's confidence in the banking system, where fair treatment of customers is central to the bank's culture.

(ii) Demand-Supply Match: Banking services and products are designed to meet the identified needs of bank customers.

(iii) Transparency: Bank customers are provided with clear information on rules and policies of operating bank account and are updated with proper notice in advance regarding any change in any rule and/or policy.

(iv) Advisory Role: Bank staff is expected to render advice to the bank customer as per his/her need/s. However, the advice should be appropriate, taking into account the need/s, age and financial status of the customer. The advice should also match the standard of performance of the service or product in reality.

(v) Satisfactory Redressal of Grievances: Customer may have just a query or concern which must be answered or attended promptly. Any suggestion from customer must be looked into and responded to properly. Ignoring queries/concerns/suggestions escalate into a complaint and then into a dispute. In the operation of a bank, there should not be any unreasonable barriers to make a complaint or submit a claim in a dispute.

(vi) Switch-Over: It should be easy to switch-over branch in a bank, without imposition of any service charges and without change of account number. The bank customers must be able to switch-over a bank without excessive penalty. In the long run, the objective should be to have account portability as a reality.

1.19. The above aspects in the Indian context have also been handled through RBI Guidelines and Circulars, the documentation of the Code of Commitments developed through Banking Codes and Standards Board of India, IBA Policies and Citizens' Charter. Transparency has been aimed through publication of FAQs (Frequently Asked Questions) which are available both in banks' and RBI website.

1.20. Another aspect being highlighted through the international experience is that of standardisation and simplification of various forms and documents used in setting up banking relationships. Further the practice of the banker and the customer "signing of" for having agreed to all the important terms and conditions binding the relationship (akin to MITC) needs to be evolved and implemented in the best interest of the customers. This is in vogue in the USA.

Suggestions from customers

1.21. The committee received more than 1000 suggestions through e-mail, fax and post from the above mentioned stake-holders on all aspects of customer service - fair treatment, improvement in the service to pensioners, attitude of the bank staff towards the small and rural customers, service charges and fees, loans, transparency in operations, grievance redressal, promptness in service, education and information on new products, services, customer rights, expectations, etc.

1.22. The Committee interacted with the different customer segments in the various parts of the country and the customers have expressed their opinions quite freely. The customers while being happy about the exhaustive proliferation of bank products for every strata of society, have expressed a feeling that there is deterrence for small transactions on account of high threshold levels which are in the nature of entry barriers.

1.23. Almost all the bank branches are now on Core Banking Solution (CBS) and the customers in general have welcomed this development. The computerisation and the net-banking that followed have raised the customer expectations in respect of reasonable and affordable cost of banking services, speed of delivery and also expeditious resolution of grievances. The customers have expressed themselves strongly that banks prefer niche customers of high net-worth and do not very much welcome small customers who indulge in multiple small ticket transactions.

1.24. Based on the Committee's interactions, the aspect 'What exactly do the customers want?' is summed up as follows:

1. *Customers desire the banks to be customer centric in all their dealings with the customers. To ensure a fair treatment from the banks, every bank should have a transparent policy outlining the fair treatment to customers in the various dealings in addition to compliance with the provisions of mandatory RBI Guidelines, Circulars and the voluntary BCSBI Code to which the banks have subscribed. Any deficiency in implementation must undergo systemic correction under the directive of RBI.*

2. *Banks should be transparent, objective, non-discriminatory and non-exploitative in all dealings with customers including pricing and quality of service and full disclosure of information.*

3. *Customers expect a fair hearing of their complaints and want an expeditious grievance redressal from banks. As banker-customer is an unequal relationship both in terms of resources and information levels, banks should not indefinitely delay implementing decisions favoring the customers by escalating the issues to higher levels as customers cannot fight mighty organisations.*

4. *A simple deposit account in a bank is a right of every citizen of the country as it is imperative for economic well- being and for financial stability. The process of suo moto offering of bouquet services without customer demand for the same and charging for the same as well as creating higher threshold should be avoided. All the basic transactions like deposits/withdrawals/updating passbooks must be done at the same time without requiring the customer to wait in queue more than once.*

5. *Rural customers see banks as vehicles of socio-economic development and expect a very pro-active and supportive role in this regard from them.*

6. *Customers should be adequately educated on all products sold by a bank as customer protection is best given through customer education. Bank customers should be made aware of their rights in respect of all banking products. A Financial Literacy and Counselling Centre should be available in every block in the country to assist informed decision making of the bank customers.*

7. *Customers desire total secure protection (zero liability) against loss with regard to all customer induced transactions utilising technology such as ATM operations, Net banking etc. Even negligence of a customer should not interfere with his customer and consumer rights. All rules of banks should be designed to enhance customer confidence in respect of electronic transactions.*

8. *Reasonableness of charges for the 27 basic banking services which was left to the individual Boards of banks as per RBI Guidelines has not yielded the desired*

results of making banking services affordable to the base of the pyramid. This has to be ensured by regulation as it is being done in case of payment system products.

9. *No penalty prescribed by a bank should exceed in value the shortfall, if any, which has resulted in violation in meeting any requirement stipulated by a bank. Any penalty prescribed by bank in case of customer failure must be matched by equivalent compensation in case of a mistake committed by the bank.*

10 *A comprehensive legislation suitable to technology driven modern banking which has complex products cutting across different sectors like banking and insurance as is necessary under existing system banking is done under various Acts like Indian Contract Act 1857, Negotiable Instruments Act 1881, Limitation Act 1963, Stamp Act 1899, Telegraph Act 1985, Wireless Telegraphy Act 1933, Banking Regulation Act 1949, RBI Act 1935, TRAI Act 1997, IT Act 2000 etc. This will considerably help banking operations and redressal of customer grievances.*

Report preparation

1.25. Based on the deliberations, the Committee has prepared its Report on the following sections:

- Chapter 1: Introduction
- Chapter 2: Customer Service Aspects
- Chapter 3: Technology and Customer Service
- Chapter 4: Internal Grievance Redressal System in Banks
- Chapter 5: Banking Ombudsman Scheme
- Chapter 6: Role of Boards of Banks in Customer Service
- Chapter 7: Summary of Recommendations

CHAPTER 2

CUSTOMER SERVICE ASPECTS

CHAPTER 2

CUSTOMER SERVICE ASPECTS

The aspect of customer service is embedded in all the banking transactions and the feedback received by the Committee from various stakeholders was pertaining to various subjects covering the entire spectrum of banking. The approach of banks to customer service is a matter of close public scrutiny these days. It is, therefore, important that every approach to customer care or related aspects must be judiciously weighed for its pros and cons. The Committee, in its interaction with the various stakeholders (during the formal or informal meetings), found that the mandatory RBI Guidelines related to customer service and the voluntary Codes of Commitment of BCSBI were not followed in letter and spirit. In short, the necessary / minimum degree of customer focus was absent to label banks as customer centric organisations. The Committee observed that the degree of penetration of banking services in the population is much less than what is desired. While deliberating on the issue, comparisons were drawn with the high penetration of mobile telephone services in a short span of less than 15 years and the consequent fall in telephone charges. The Committee observed that what the Telecom sector has achieved in respect of penetration of services in 15 years could not be done by the banking sector in the last 75 years.

The Committee has studied the customer care and protection measures available in the various developed economies, all the international best practices in this regard and deliberated upon all the issues raised/feedback received by the various stake holders all over the country. In this report, the same are presented under the following eight major groups:

i. Deposit Accounts

ii. Loans and Advances

iii. Remittances and other Facilities

iv. Special Customers

v. Institutional Arrangements

vi. Customer Education

vii. Comprehensive Banking Regulation

viii. Other Aspects

2.1. DEPOSIT ACCOUNTS

2.1.1. Bundling of products - Product proliferation and an emphasis on incremental growth in fee-based income have prompted many banks to develop and market a bundle of products as one package, not necessarily in a homogenous way. The pricing of products and services in a bundling approach may not necessarily serve the best interest of the customers who need only basic banking services. The Committee felt that there was no principle of reasonableness in sale / delivery of such a bundled product to all customers. The same was like selling a single flower, or a bunch of flowers or may be a bouquet at the same price / way, irrespective of customer's needs. This may not make the customers confident about them being treated fairly. The customers in general had expressed a desire to pay only for the product they use, would prefer plain vanilla products and are distinctly unhappy paying for an entire bundle, most of which, they feel they would never use.

2.1.2. Pass Book / Statement of Accounts - The Committee had observed the following aspects regarding the issuance of the passbooks or statement of accounts:

- ❖ It has been observed that the Pass Book / Statement of Accounts did not indicate the account number, name, address and ID of the customer, MICR Code, IFSC Code, Toll free Customer Care number, Banking Ombudsman contact details etc.

- ❖ Only some banks had implemented the process of sending digitally signed e-mail statements to the customers.

- ❖ Some customers had also complained that the passbook printing was not appropriate as the contents were not readable with inappropriate font size and undefined acronyms used.

- ❖ The name of the payee as well as instrument number in case of debit entries and the name of payee bank / drawer of instrument as well as instrument number in case of credit entries were also not provided by the banks in the pass books / statement of accounts.

- ❖ Instead of recording separately gross interest credited and TDS debited thereon, some banks record only one figure of net interest credited.

2.1.3. Inoperative Accounts - Interactions with customers revealed that the customers have to face a lot of difficulties due to accounts being frozen by banks unilaterally as inoperative without prior intimation or attempts to contact the account holder. The extant guidelines of RBI in this regard are quite clear and banks need to ensure strict compliance to these. Before marking the account as inoperative, banks must intimate the account holder by SMS and send a mail. If the account holder is not traceable, banks must make efforts to trace the whereabouts of the account holder or his nominees in case the account holder is deceased.

2.1.4. Minimum Balance - The Committee came across many complaints about penal charges deducted without intimation by banks for non-maintenance of minimum balance in the account. The Committee is of the view that banks should inform the customer immediately on the balance in the account breaching minimum balance and the applicable penal charges for not maintaining the balance by SMS/e-mail/letter. Further, the penal charges levied were not in proportion to the shortfall observed.

2.1.5. Basic Savings Bank Account - Currently, most of the payments under various Government programmes like MGNREGS are being gradually routed through the bank accounts. The same had made it necessary that the general public have an access to a basic savings bank account. However, the Committee observed that restrictions like non-availability of a cheque book under 'No Frills Account' are acting as impediments. Further, the Committee felt that the same has impacted the customers from both the sides as the Government had made account opening mandatory in some of the payments. The Committee is of the opinion that every bank should offer a basic savings bank account with certain basic privileges like limited number of withdrawal transactions

inclusive of cheque book facility, ATM Card, interest at savings bank rate etc., without any prescription of a minimum balance. This would be treated like a regular account with full KYC and the bank should clearly indicate in advance the transaction charge for each type of transaction which is made beyond the permissible limited number of such transactions. Banks may then progressively prescribe higher Average Quarterly Balance (AQB) slabs with offer of increasing number of privileges and facilities beyond the basic previleges for a No Frills Account. In short, every bank should offer a basic account which permits a minimum number of transactions without penalty for non-maintenance of a minimum balance. Such a penalty is seen by a number of customers as a very broad punishment imposed by a bank. A customer would then have a choice of maintaining a higher balance or paying transaction charges, if the number of transactions exceeds the permissible level.

2.1.6. Uniform Account Opening Forms - Customer relocation is a situation very common these days and this necessitates opening of accounts with multiple banks at different locations. The procedure followed by the banks and the formats for opening of accounts differ from bank to bank. Absence of a common format / document would cause avoidable inconvenience to the customer.

2.1.7. Uniform Know Your Customer (KYC) Norms - The customers complained that KYC compliance norms were not uniform across all banks and the customers had also highlighted that for an existing customer also, KYC documents were sought when opening fresh Term Deposit accounts. Customers also felt the need for common KYC documentation that would serve them across banks.

2.1.8 No Frills Accounts - The present guidelines for opening of No Frills accounts need to be further simplified to enable rapid financial inclusion. The poorer sections of people, migrants etc., with whom the Committee interacted in different places in the country desired a simple account which can be opened with a self attested photograph and address proof. This account may be upgraded to a basic account if the customer fulfills KYC requirements. Wherever UID is introduced, it should be possible to open a No Frills account purely on the basis of UID with necessary validation from UID System.

2.1.9 Linking Terms and Conditions of various Products to CBS - The Committee had come across several cases of Senior Citizen Deposits or HUF/PPF accounts being opened and interest not being paid after the closure of the scheme. The Committee felt that without timely prior intimation of discontinuance of the existing Scheme, the customer cannot be denied interest in such cases. The Committee opined that such instances would be possible only if the terms and conditions of the special products like Senior Citizens' Deposits and HUF/PPF accounts or any future products introduced for specific segments were not properly integrated into the CBS (Core Banking Solution).

2.1.10. Term Deposits - A perusal of maturities offered by the various banks revealed a confusing trend with some banks offering deposits for maturities of 390, 499, 510 and various numbers of days, making it difficult for the customers to compare rationally the actual rates of interest offered and also understand the logic of such offerings. As financial product offerings are based on cost of funds, asset and liability management, risk etc., the offerings need to be objective and transparent. And, the customers should have the confidence created by a close regulatory oversight on such issues. All deposit rates should indicate the annualised rate of the offering, preferably in a summary box and also indicating penalty for premature withdrawal, so that the customers understand the product and can easily compare the same with similar such offerings by other banks.

2.1.11. Further, the term deposits are normally made for a long period and it would be possible that the customer would have relocated in the interim, before the maturity of the deposit and would not have updated the address in the account. Banks had the practice of sending physical renewal notices to the customers before maturity and it might be possible that such notices may not reach the customers. Banks should look at sending e-mail / SMS communication to the customers. Further, in no case, the automatic renewal of term deposit should take place without prior written consent of the customers.

2.1.12. Service Charges - The Committee had observed the following on the issue of service charges:

- **Charges for Basic Service -** Reserve Bank of India had identified 27 basic banking services and advised banks to ensure that these are made

available to the users at reasonable prices/charges. However, the aspect of defining what was reasonable was not defined and was left to banks' discretion or interpretation. As a result, the Committee had observed there was not only no uniformity but also wide unjustifiable disparity in these charges across the banks. Under these circumstances, the Committee was of the view that the regulation had not achieved its purpose and pricing of these basic banking services, especially for lower category of customers, had not been addressed.

- **Charges on Non-Home Branch Transactions -** The Committee has observed a general discontent among all the strata of customers about charges levied by banks for getting certain services at non-home branches like pass-book updation, cash deposits etc. Customers feel that under CBS environment, these charges are not justified.

- **Ledger Folio Charges -** It was a normal practice in a ledger based environment to charge ledger folio charges as manual work was involved in transcribing information from one ledger folio to another. It is common knowledge that in CBS environment, ledgers and their folios are not present and hence, the customers find levy of this charge in a CBS environment as illogical.

2.1.13. TDS Certificates - The customer complaints also revealed that the certificates issued towards tax deducted at source were not complete in all respects. TDS remittance details such as BSR Code, Acknowledgement Number, Challan Number and date were not available in the certificate. Similarly, aspects such as interest details in respect of Sweep In / Sweep Out Accounts, Term Deposit Account number for which interest was paid were also not available. Committee was of the opinion that all the above information should be provided by banks and in case of denial of credit of TDS by Income Tax Authorities to customer due to deficiency on the part of the bank to provide information, the customer should be adequately compensated by bank.

2.1.14 The customers resented the practice of banks asking for fresh Form 15 H for each fresh fixed deposit. The Committee is of the view that subject to systemic consent by Income Tax Authorities, a single Form 15 H linked to a customer ID should serve the requirement of Income Tax Authorities for all the deposits maintained by a customer in a bank during a particular financial year instead of taking a separate form for each deposit.

2.2. REMITTANCES

2.2.1. Small Remittances - Students in particular are required to make frequent payments of small amounts related to fees for various competitive examinations or their college fees and all such fees are generally made through Demand Drafts (DD). Students who do not have bank accounts face difficulty in obtaining drafts for these purposes. The same applies to any customer who do not have a bank account. Further, the customer has to pay heavy DD charges for a DD of a very small amount, which the Committee felt as not fair on the part of the banks. It was also observed that all the public institutions coming within the purview of RTI do not collect the required fees online and the same applies to the educational institutions as well as various bodies conducting competitive examinations. While it would be in order for RBI, IBA and banks to undertake the exercise of persuading the various institutions collecting drafts to accept online payments, till such time it would be in order to have tear away draft of predetermined values of say ₹. 10, 50, 100, 500 etc. at nominal prices.

2.2.2 Prepaid Instruments - The Committee's interaction with various stakeholders across the board has revealed that the present ceiling on withdrawals permitted against the stored value of the prepaid instruments issued by banks is proving to be an obstacle in spreading usage of these instruments. Availability of prepaid instruments of higher value would find favour with frequent travellers / tourists. The banks may be permitted to issue all purpose stored value prepaid cards with a maximum withdrawal limit of ₹ 50,000/- per day. This would also go a long way in encouraging electronic payments which have a verifiable audit trail and bring it on par with cash payments which are allowed upto a value of ₹ 50,000/-.

2.2.3 Travel Visa fee payable at Banks - The guidelines and documents required for securing drafts for getting visa of major countries like US, UK, Australia etc. was not clearly spelt by banks on their websites. The Committee feels that the same would be an impediment since the customers are made to travel long distances for want of documents and also only very select branches issue the travel visa.

2.2.4. Penalty for Returned Cheque - Customers have expressed reservations about the logic of penalty for returned cheques presented in the clearing. While there is a broad based consensus on the need for reasonable penalty on the drawee, payable to both the presenting and the issuing banks, the presenting party should be exempt from penalties. The customers felt that such a practice impacts them from both the sides as the cheques had already been returned unpaid.

2.2.5 Automatic Cheque Deposit Facility - Though the cheque drop box facility offers convenience for the banks (besides cost saving), the banks do not consider the advantages derived using the process whenever there is a dispute with the customer. There is a clear demand for providing automated receipt so that disputes can be addressed.

2.3. LOANS AND ADVANCES

2.3.1. Time Schedule for disposing of Loan Application:

- The Committee came across complaints about undue long time taken by banks in disposing of loan applications. Banks should inform upfront the time schedule for disposal of loan applications to the borrower and take responsibility for not disposing of the loan application within that time-limit.

- The Committee has observed that the delay in getting small loans from banks was diverting poor people to non-banking / micro finance institutions and / or private money lenders, especially in rural areas.

2.3.2 Price and Non-price terms for Loans - Customers have mentioned that banks were not following the RBI Guidelines on pricing and non-pricing terms of loans. The customers opined that supervision has not effectively complemented regulation to ensure compliance with guidelines on issues which have been deregulated. The Committee reviewed the various guidelines including those on risk management systems in banks, guidance note on credit risk management, guidelines on reasonableness of bank charges etc. and felt that while Regulation has prescribed several checks and balances, the compliance of the same has not been ensured through Supervision, resulting in several anomalies in the market place giving rise to customer grievances. The risk rating system should be a critical input for setting pricing and non-pricing terms of loans and where the risk for any class of customers is the same, the interest rates for fixed rate loans should not vary at the same point of time and for floating rate loans vary differently for different sets of customers at different points of time. Regulation should ensure that customers clearly understand the pricing policies of banks, as the Committee in its interactions all over the country has seen that variances in these issues give rise to customer dissatisfaction.

2.3.3 Reporting to Credit Information Bureau - The Committee came across a number of complaints of wrong reporting by banks to Credit Information Bureau. The Committee observed that this is a very serious issue having implication on the credit rating of the borrower. Further, customers also complained that the banks should ensure that any representation from the customer in this matter is processed expeditiously. Customers stated that as inaccurate credit information reports are vitiating loan sanctions, it would be appropriate for that aspect to be checked first and any adverse remark be informed to the customer for necessary clarification upfront itself so that errors, if any, can be corrected. Further, customers complained that banks tend to view a credit report indicating a 'settled' remark negatively when the intention of such a remark was merely to state that an account has been settled as agreed to between a customer and a bank. Rules of the Credit Bureau should clearly differentiate settlements done at a huge loss to the bank, from the routine settlements, where customers dispute on fees, commissions etc.

2.3.4. Home Loan issues -

Foreclosure charges levied by banks on prepayment of home loans are resented upon by home loan borrowers across the board. Banks are also found to be hesitant in passing on the benefits of lower interest rates to the existing borrowers in a falling interest rate scenario. As such, foreclosure charges are seen as a restrictive practice deterring the borrowers from switching over to cheaper available source. This is especially so when some banks are offering lower interest rate benefit to new customers, also the floating rate is anchored to an internal rate.

2.3.5. Across the country, bank home loan customers who have floating interest rate loans have expressed unhappiness over the discrimination in interest rates offered to the new customers. Several complaints have also been received by the Banking Ombudsman offices. The Banking Ombudsmen have given awards directing the banks to give benefit of lower interest rates to existing customers of such loans. The issue has been discussed with the various stakeholders, but the Committee sees merit in the feeling of the customers that the point of entry should not matter when retail loans are taken on a floating rate basis and when the entire class of customers for a particular loan are of the same characteristic and are treated at the same risk level. Regulation is also silent on issues such as teaser rate loans, festival loans and several such promotion schemes. The existing customers of banks who are disadvantaged have questioned the logical basis for giving such concessions to a few new customers and how banking risk becomes more favourable suddenly for such class of customers etc. The trend of such loans was noticed in all 'liquidity' situations. The Committee feels that regulation should plug such anomalies which create doubts about fairness regarding pricing which should be transparent, non-discriminatory and also objective. The Committee feels that there should be explicit regulatory prescriptions and a closer regulatory oversight of such actions by banks which raise customer issues clogging the grievance redressal mechanisms.

2.3.6. Several cases have been brought to the notice of the Committee where the title deeds of the loan property are not returned immediately after the loan is repaid. Further, there have been cases of loss of title deeds resulting in creation of duplicate title deeds which is a form of permanent defect in title to property.

2.3.7. Most Important Terms and Conditions (MITC) - The experience gained by the banks and RBI in the matter of credit card operations of banks resulted in the introduction of the concept of "Most Important Terms and Conditions" (MITC). This particular improvisation seems to be working satisfactorily but consumers still have a lot of grievances in this area. It may be prudent for every bank to ask the question if this situation was mainly of their own making or otherwise, since they were focusing excessively on achievement of quantitative targets rather than rendering quality service to select customers after having carried out the process of due diligence. The short point of this argument is that there cannot be short cuts in the matter of selection of a customer and achieving the appropriateness of the sale. Under the BCSBI Code, though there is a commitment by member banks to give MITCs governing the loan / credit facility availed by the customer, banks in general were not fully complying with this. The banks must, therefore, develop MITCs for all the important products and services focusing on the 5-10 items that are of critical importance to the consumers.

2.3.8. Educational Loans - International experience in this regard especially in USA and other western countries shows that educational loans are extended by Government or Government bodies. In India, the renewed push given to the educational loan disbursement by banks has benefitted innumerable students to pursue higher studies. This has raised the expectation level among the students and many have expressed that such a loan should come as a matter of right. The Committee received feedback that though the banks state that they are liberal with the educational loan facility the same has become very difficult as the banks have made the norms very stringent for obtaining such loans. In the meetings, students have expressed a desire that there should be a non-discriminatory and transparent policy for giving educational loans. Students should have the information about eligibility on the website and also by way of advertisements, so that ineligible students do not waste time, effort and money in seeking loans from banks. Feedback from rural students indicated that preference for high-end professional studies was not benefitting the average student from a rural area to get a loan to pursue higher studies.

2.3.9 Switch Over to Base Rate - Many borrowers across the country complained that they were not offered a switch over to the base rate on their floating interest rate home loan. Customers desired that the bank should explain the benefits or otherwise of switching over to Base Rate so that an informed decision can be taken by them. Reserve Bank of India has issued guidelines advising banks to allow switch over to Base Rate if desired by the borrower without charging any fee on mutually agreed terms. The Committee's interaction has revealed that most of the borrowers were not aware of this Circular. Banks may bring this Circular to the notice of all the borrowers and explain to them the benefits of switching over to the Base Rate.

2.4. SPECIAL CUSTOMERS

2.4.1. Issues of Senior Citizens including Pensioners -

The customers felt that there was no prioritised service to senior citizens, physically handicapped persons by effective crowd / people management available at all branches. Visits to rural branches have shown that pensioners sometimes have to go back and come again from faraway places. A few suggestions given by the customers are:

- ❖ Provision of SMS alert service about balance in the account at periodic intervals and about due dates for submission of important documents.
- ❖ Facility of accepting life certificate from pensioners at any branch of a bank and maintain it in a centralised database.
- ❖ Automatic updation of the customer to the senior citizen category based on date of birth.

2.4.2. Issues of Pensioners - Pensioners also complained that while sanctioning personal loans, different banks are taking different longevity of the life of a pensioner for calculating the loan amount. Pensioners felt that there should be uniformity among the banks as to the age of consideration of the longevity for calculating loan amount for the pensioner.

2.4.3. In addition, following suggestions were received or the issues highlighted :

- Reverse Mortgage Scheme, which could be a steady source of income for pensioners/senior citizens, was not being implemented / adequately popularised by banks.

❖ It may not always be possible for a pensioner to submit the annual life certificate at the home branch. Pensioners desired that the said certificate should be received at any branch and updated in the CBS.

❖ The data relating to individual pensioners, the monthly certificates etc., that pensioners would desire are not available in a secure domain for immediate retrieval and usage.

2.4.4. Family pensioners have complained that they have faced great difficulty after the demise of the pensioners as the bank refused to continue the operations in the joint account which already had an either or survivor clause. The banks insisted on opening of a new account in the name of the survivor for crediting the family pension. In several cases the family pensioners found difficulty in establishing KYC as they did not have any document other than a link to the deceased party. The delay in completion of the documentation delayed the payment of family pension making their very survival difficult in some cases. The family pensioners demanded in one voice that the existing 'either or survivor' account should become a single account in the name of the 'survivor' and the family pension should automatically be credited to such accounts. This they felt would give considerable support in times of great family distress. Similarly, all joint accounts with either or survivor clause should become single accounts of the survivor after the demise of the other joint account holder.

2.4.5. Functioning of Centralised Pension Processing Centres - Most of the Pensioners' Associations complained that Centralised Pension Processing Centres were not functioning smoothly and were causing delays in disbursement of pension.

2.4.6. Pensioners' Associations across the country have requested that for pensioners above the age of 80 years and who are sick/disabled in rural and semi urban areas,

there should be some arrangements to disburse the pension at the doorstep through mobile vans or through Business Correspondents. The Committee also feels that such special treatment is required for this class of pensioners.

2.4.7. Issues of Customers in Rural and Semi Urban Areas -

Currency Exchange Facilities - Customers have complained of lack of exchange facilities and also the quality of notes in circulation in rural areas. Short supply of coins in rural areas was also felt. Customers desired currency notes which are more durable with a longer life so that their quality does not suffer when they reach the rural areas.

Branch Timings -

- The observation was that branches in these areas were not functioning at a time convenient to the customers i.e., morning hours and late evening hours and work only on the mandatory timings applicable for all banks. The same may not benefit such customers as they would be away at work.
- In pockets of Bihar and UP, the general indication of the complainants was that some of the bank branches were not opening at the scheduled time (working hours) nor were they operating for the full hours.

Issues of Small and Retail Segments - The other issues concerning the small and retail segments pertain to signature verification charges, frequent visits to the branch to get the pass book updated and printed, title deed / documents not being returned to the customer after repayment of loan, portions of original documents being lost / misplaced.

Issues of SHGs - The following aspects were highlighted to the Committee on the subject:

- SHG members forced to take insurance products.
- Individual accounts of SHG members being insisted on to boost CASA ratio (current and savings accounts).

- Multiplicity of loans to borrowers through MFIs causes poor recovery by SHGs, as it is reported that MFIs use unfair practices to recover their dues. SHGs also go to MFIs as the amount disbursed under linkage is not enough.

- Banks provide loans to SHGs in tranches. The second tranche of loan for business is sanctioned only after the repayment of the first tranche, despite improvement in their business activities. This forces the SHGs to take loans from MFIs / money lenders to finance their business.

- SHG representatives are not given presence in the SLBC forum.

Tribal Areas-

- The customer feedback was that the banking facilities available in the tribal areas were very scanty and the indication was that the tribal areas come under 'neglected banking areas'. Further, the need for a specialised financial education is there in tribal areas and it is important for the banks to explain banking and the banking products in the language of the area. Feedback from the tribal areas indicated that non-availability of the staff conversant with local language was adding to the problems of illiterate customers.

- The North-Eastern Region of the country has special needs arising out of the geographic spread and low level of banking penetration. The RBI may follow up with Government of India and the State Governments in the region for implementing the branch expansion plan that envisages coverage of all the habitats with population of 2000 or more by end of March 2012. The banks must pro-actively engage with the Local Governments to open more and more banking access points. The number of ATMs in the region is also very low. The policy guidelines issued by the RBI regarding appointment of BCs need to be modified appropriately to encourage appointment of local persons as BCs. The local population is of the view that prominent citizens belonging to important tribes of the region could also be considered for appointment as BC. The corporate entities wishing to undertake the BC

functions were neither present nor visible in the North-Eastern Region. The needs of the region demand that banks must focus on training the local entrepreneurs and try to give a push to banking penetration in the region. The region also suffers from connectivity problem both in the real and the virtual world. The availability of any-where banking through the core banking solution platform had not benefitted the bank customers in the region to the desired extent. This was due to the inability of BSNL to provide leased line connectivity. The dependence on VSATs led to frequent problems of connectivity. RBI may take up this issue with Government of India for BSNL to do the needful at the earliest. This will also act as an added incentive for banks to implement their branch expansion plans.

- State Bank of India, the most prominent commercial bank in the region pointed out that there was a mismatch between the number of ATMs and the number of card holders, resulting in cash-out situations at some branches especially when pension payments were due. This was due to a disproportionately large ATM cards issued by other banks while promoting new customers through their direct marketing agents / outlets. All the banks may be directed by RBI to ensure that banks must create adequate infrastructure to service their clients before embarking on a customer acquisition spree. It is possible to meet the simple banking requirements by appointing suitable BCs who would work as human ATMs.

- The region also did not have adequate awareness about availability of banking access through cash at point of sale (Cash at PoS). It may be worthwhile for the banks to explore this avenue, may be by trying to tie up with oil marketing companies on a pilot basis.

- The KYC norms and related tax issues may be viewed from the region - specific requirements and may be on a relaxed basis for a period of five years or till such time that the average population per branch reaches the national average. A case point in this regard is the requirement of PAN Card and other documents even for seeking exemption from TDS. A large

number of tribes in the hilly regions of these States are specifically exempt from Income Tax liability. This aspect needs to be properly factored into by the banks in their core banking solution software.

- The region has a good number of Central and State Government pensioners. The practice of a majority of the banks to set up Central Processing Units for pensioners has adversely affected the pensioners in the region since any grievance or correction in the document has to be done at the Central Processing Unit which is located at a great distance and postal / courier delays make the matters even worse.

- An important feedback emanating from the region was that most of the banks preferred to post such staff to the region who were neither highly motivated nor performance driven. As such, every official was looking forward to completing his/ her tenure of 2-3 years. The RBI and Government must look at providing positive impetus to staff transfers and postings to the region so that achievement of banking / financial inclusion becomes a reality. Further, the staff so selected and posted must also focus on local talent building and development. The strategies adopted by the banks in the region should prove to be game-changers for the banks as also for the region.

- The SHGs could go a long way in furthering the cause of financial inclusion in the region. It was felt that the commercial banks were not too keen to open accounts of SHGs and do the hand-holding in the initial phase which is so essential for financial inclusion to turn into banking inclusion. Education and awareness initiatives by banks were not of the desired level and frequency. As regards opening of accounts of SHGs, the common complaint was that most of the banks took shelter under the plea that the particular SHG was operational in an area outside the scope of the service area approach defined for the bank concerned.

- The bank customers in the region availing RTGS / NEFT facility had to wait for at least 2 - 3 days to trace the funds and get credit for the same in

respect of failed / unsuccessful transactions. It was reported that the banks were holding such amounts in sundry deposit account. As per the business rules framed for the RTGS, this state of affairs is not at all desirable.

- ❖ While considering major / medium projects, the banks tend to be guided by the sectoral caps placed on industry level exposure to different sectors. This may be harming the interest of the region that has very limited employment potential. These industries may be definitely viable on a stand-alone basis. The case in point was that of cement, coal and iron industries. Banks must recognise the socio-economic importance of funding these projects, while playing by the rules and not harshly interpret and implement the sectoral exposure caps.

- ❖ Customers have indicated that banks usually apply their internal All India norms deciding on the permissible bank finance which may not be relevant to the North East which requires special dispensation owing to its location and other infrastructural constraints.

- ❖ Meetings with stake holders in the North-East reflected a strong desire of the people to have a presence of Reserve Bank of India in each of the states. Currency management in these areas being a major problem, these offices should ensure adequate supply of good quality notes and coins in the region. As fresh remittances in the region are few and far in between, it was felt that some of the currency chests in the area could undertake some tasks of currency processing so that the need of soiled note remittance in the area to a far away RBI Guwahati is avoided.

Standardisation of Product Packages for Defence Personnel - Banks have designed different packages for serving and retired defence personnel. However, the Committee has observed that there is a need to have uniformity in these packages across the banks.

2.5. INSTITUTIONAL ARRANGEMENTS

Banking Codes and Standards Board of India

2.5.1. The setting up of the Banking Codes and Standards Board of India (BCSBI) in 2006 pursuant to the recommendations of the CPPAPS has resulted in two Codes, viz: Code of Bank's Commitment to Customers-2006 (revised and updated in 2009) and Code of Bank's Commitment to Micro and Small Enterprises-2008 being put in place by the BCSBI. All Scheduled Commercial Banks, (except one Public Sector Bank and some foreign banks with insignificant retail business in the country) are members of BCSBI and stand committed for implementation of the Codes.

2.5.2. The Committee opined that implementation of these Codes should reflect in the bank's approach and attitude to customer care. The Committee felt that the awareness about the Codes has not penetrated to the desired level and banks need to make every effort in that direction. A full and proper implementation of the Codes may lead to a situation where customer grievances may be an exception without causing any undue concerns about customer care either to the banks' top management or to the RBI.

2.5.3. Failure to discharge what is expressly stated in the compensation policy of a bank should have an automatic penalty which will enhance the compliance thereof. Suppose, a customer has not been credited interest on a delayed remittance automatically, there should be provision for double the amount of such interest in case a complaint is received. This can be extended to all the areas of customer transactions.

2.5.4. One of the key commitments in the Code is that the banks will train and familiarise all the staff in following and implementing the Codes. This has not been achieved. The Committee felt that commitment and close monitoring by the CEOs as well as the Board of Directors of all banks is needed to ensure implementation of provisions of Codes in letter and spirit at the grass root level.

2.5.5. Another aspect that has been brought into the attention is the requirement from RBI on examining the reasonableness of the banks' stand / products / pricing in the areas that have been deregulated or left to the discretion of the bank. The banks should

demonstrate and justify their position to RBI regarding the reasonableness/ fairness in their products/processes, etc.

2.5.6 Fair Treatment to Customers

Every citizen of this country has a right to fair and equal treatment in law as well as in the market place. The pricing freedom and deregulation of interest rates conferred on the banks was not in the nature of unbridled freedom given to them. It was with the explicit conditions that the banks will be treating their customers fairly, in a transparent and non-discriminatory manner while pricing their products / services. Further, the expectation of fair treatment to customers was tempered with the Board level approval of reasonableness of charges. Notwithstanding this dispensation, the bank's Head Offices and the Offices of the Banking Ombudsman continue to be flooded with complaints arising out of unfair treatment / unreasonableness of service charges etc. The role of the Board of Directors is very significant in this area. The complaints / grievances must be used as a feedback mechanism to make corrections in the policy / procedures being adopted by banks instead of trying to justify a wrong action at the cost of the depositors / stakeholders. The tenets of fair treatment should be ideally based on the following principles:

- ❖ Minimum courtesy and behavioral standards
- ❖ Transparency
- ❖ Non-discriminatory policy
- ❖ Deliver what is promised
- ❖ Allowing seamless 'switching' of products without excessive penalty
- ❖ Appropriateness of 'sell' and
- ❖ Firm and polite stand against unreasonable customer demands.

2.5.7. Every bank Board should evolve a policy which ensures fair treatment to customers in all their dealings with the banks.

2.5.8. Bank Customers' Charter - In the present context, the relevance of a public disclosure document like the Citizens' Charter cannot be under-estimated. Every citizen of this country has a right to demand quality banking services from all the banks and hence it is suggested that the Citizens' Charter is resurrected and reintroduced by suitably blending in the changing nature of banking transactions and delivery of services in a non face-to-face environment. The indicative time schedule, in a Citizens' Charter, can put a customer at comfort in terms of expectations and also give proper time for the front-line staff to render satisfactory customer service. The adherence to the time norms could be monitored through on-site and off-site surveillance by individual banks. The assessment of quality of customer care by an external / independent agency could also help in evaluating performance of individual branches in relation to the Citizens' Charter. Each bank may have to evolve performance / service delivery norms specifying the range in terms of minimum and maximum time. The Citizens' Charter must also indicate the existence of various compensation policies as a part of the customer care initiatives. Any lapse on the part of the bank in non-adherence to Citizens' Charter must be set right on the spot and any escalation in this regard should be examined from a systemic perspective. The Committee felt that the implementation of RBI Guidelines, BCSBI Codes and Citizens' Charter needed improvement and the banks are required to put in efforts in that direction. The Committee is of the view that each bank (Public, Private, Foreign, Scheduled Urban Co-operative Banks, RRBs) should prepare a fresh "**Bank Customers' Charter**" incorporating all the aspects of RBI Guidelines, Principles of Citizens' Charter and Codes of BCSBI. This Bank Customers' Charter should be displayed on the bank's website/notice board of each bank.

2.6. CUSTOMER EDUCATION

The following are the recommendations made by the Committee on the subject:

- ❖ Committee is of the opinion that special efforts are required to educate the customers in the use of technology in banking. Banks should make use of Print media, Television, All India Radio for this purpose. Short training programmes at the branch level can also be arranged for customers.

- ❖ Transparency to the customer in levying of various fees / service charges and penalties is required.

- ❖ Establishing a proper customer grievance / assistance centre which works in an integrated manner across channels like – branches, call centres, IVR, internet and mobile. The personnel in the call centres who receive the grievances should be empowered to make decisions.

- ❖ Use of various technology channels for customer education and gathering suggestion for improving service.

- ❖ All banks should implement a relevant Customer Relationship Management System to capture and track customer issues and complaints.

- ❖ Branches should be provided with Dedicated Phones / Computers with Internet Connection so that customers can avail themselves of the facilities such as Call Centre, Internet Banking, Phone Banking at the branch itself.

- ❖ For imparting customer education, participation from all the concerned players is necessary. In this regard, Lead banks should involve customer associations in revisiting / evolving strategy for imparting customer education.

- ❖ Call Center - IBA should consider a toll free Common Call Center number (like Dial 100) for all banks. A customer would ring that number and thereafter get diverted to the bank concerned.

2.7 Comprehensive Banking Regulation - The present day banking gets its legal basis from a host of Acts codified under different enactments like Indian Contract Act 1872, Negotiable Instruments Act 1881, Indian Limitation Act 1963, Indian Stamp Act 1899, Banking Regulation Act 1949, RBI Act 1935, IT Act 2000, etc. The modern day technology driven banking certainly warrants a comprehensive legislation to cover the complex banking products which cut across different sectors like banking, insurance, investment etc. In case of disputes, seeking interpretation under the Acts which did not envisage the present day transactions is causing avoidable inconvenience, both to the

banks as well as the customers. The Committee is of the view that a new comprehensive banking legislation suitable to technology driven modern day banking is required to eliminate interpretation issues of varied existing laws and expects that Financial Sector Legislative Reforms Commission would address this issue.

2.8 OTHER ASPECTS

The Committee deliberated on the other miscellaneous aspects as given below:

Approach and Attitude to Customer Service: Branch Spread

2.8.1. As regards the approach and attitude to customer service, it was expected that competition, pricing freedom and increased use of technology would bring about a change in the attitude of people towards customer care. Needless to say that competition has definitely not resulted in all the segments of customers getting a better deal. This is especially true of the customers with small means and from small places. This may be due to the lopsided development of bank-branch network wherein there are 64 centres in the country having more than 100 branches of commercial banks. There are another 637 centres with number of branches ranging from 11 to 99. If these two pockets are left out, the remaining number of branches in the country is at locations where the customers do not have a choice leading to a situation where the only bank operating there could be functioning as a local monopoly. The table given below describes the distribution of bank branches according to population groups as at the end of December 2009.

Size	**Number of Reporting Offices**				**Total Centres**
	1	**2-10**	**11-99**	**100 and Above**	
No. of Centres	28,021	6,009	637	64	34,731
No. of Branches	28,021	18,713	16,202	19,575	82,511

2.8.2. Notwithstanding the above position, the banks must have a well defined policy that sets out their approach to customer care. This also must take into account the human

resources angle starting from the recruitment process to take care of attitudinal aspects. The interaction with the managing committee of IBA was very revealing in this regard as it transpired that the recruitment process as of now focused more on qualifications and merit rather than attitude to customer service.

Spread of Banking in North East Region:

2.8.3. As discussed earlier, the Committee received feedback that branch network in North East region needed expansion as many areas were still unbanked. RBI may have to play a developmental role and pursue the issue with the State Governments, wherever necessary.

2.8.4. ATMs in the North East region are frequently not working due to power failures. Alternate sources of energy like solar energy as source of power supply for ATMs can be explored.

Business Correspondents of Banks:

2.8.5. Although five years have passed since the introduction of the concept of Business Correspondents, the Committee feels that the intended results have not yet been achieved.

- ❖ The use of business correspondents as the extended arms of banks, both for outreach and for enhancement of customer service has not been visible. The full range of services has not been transferred to the business correspondents at places where they have been engaged.

- ❖ Financial Inclusion is an effort to offer economic opportunities to vast majority, so that prosperity touches more lives. The Committee felt that banking sector has to play a major role in Financial Inclusion by delivering financial services at an affordable cost. Expanding banking cover can result in extending better economic opportunities directly and not via leaky intermediaries. The banks must use innovative conduit like mobile banking based access to funds and financial services.

- Economically weaker section shall be brought into the banking system by combining No Frills Account / Micro Finance / Government subsidies and payments.

- The success factors for mobile banking in Micro Finance depend upon mass customer adoption, utility of mobile service for cash-in and cash-out transactions, inter-operability of service providers like banks/ Micro Finance Institutions/ Mobile Network Operators and Mobile Application Providers using sophisticated technology. We need continuous updating of a defined proportionate regulation, so that the service providers are able to meet the regulatory challenges. It has the potential of replacing credit / debit card system. As mobile operators are not allowed to enter the financial services space, banks have greater autonomy in developing their own banking mobile platform to ensure banking penetration, availability of banking services and the usage of banking system.

- At present there is better penetration of post office and mobile telephony in rural areas. In immediate future, post offices account to be linked with modern communication networks which can act as a platform for inter - operability of service providers like banks / MFIs, Mobile Network Operators and Mobile Application Providers.

- The BC concept has been largely limited to payment of Government benefits to the beneficiaries. Banks need to invest in the capacity building of the BCs so as to ensure that they perform the role of bankers. Banks may consider using BCs for manning the kiosks for making small payments, pension and MGNREGS payments, updating pass books, giving pension information, giving drafts of small value, or sending remittances etc. Banks also have to put in place an effective monitoring mechanism to ensure that continuity in BC services is ensured and the customers of banks through BC mechanism should be made aware that they are covered by the Banking Ombudsman Scheme.

2.8.6. Standardisation of Documents - Banks follow different formats for various forms commonly used by customers for availing various banking services. Standardisation of the basic stationery for use of the customers of the banks is necessary.

2.8.7. Availability of Stationery at Branches - The Committee through its interactions, visits and suggestions from public has observed that there is a shortage of stationery for the use of customers like account opening forms, loan application forms, pass books, challans and printer cartridges in semi-urban and rural branches.

2.8.8. Rating of the Banks - It is difficult for a common man to identify the best service provider and avail the banking services from it. There is no such ready indicator presently available enabling the customer to choose the best possible option available. BCSBI should be asked to rate the banks on customer service and also come out with a minimum benchmarking of banking services. BCSBI star rating similar to star rating for energy efficiency will help the bank customers considerably.

2.8.9. Enhancing Insurance Cover - Presently, eligible deposits to the tune of ₹1,00,000/- are covered under the DICGC cover. With rise in general income levels resulting in increase in the size of individual bank deposits, this ceiling of ₹ 1,00,000/- is considered insufficient. The Committee is of the view that this cover should be raised to at least ₹ 5,00,000/- so as to encourage individuals to keep all their deposits in a bank convenient for them and in fact the Committee felt that, a way should be found out to insure 100% deposit by making necessary amendments in the relevant Acts. In case of sick banks where the accounts are frozen, the Committee feels that a way must be found to enable customer to avail a part of their insured deposit till the final fate of a sick bank is decided.

Services at the Branch:

2.8.10. Branch layout - The layout of the branch premises and the people manning it play an important role in motivating a customer with positive thoughts. The approach to customer service in a way is defined by the approach path a customer has to take to enter a bank branch premises. The needs of the senior citizens and the physically challenged persons must also be an important input in deciding on the branch location

and its access. Customers have complained that minimum sitting space is not available in most branches making it very difficult for old and disabled to wait for their turn. The Committee's visits to a few bank branches and interaction with stakeholders have brought forth the fact that in many of the branch premises, customer area was given the least consideration.

2.8.11. The Committee through interaction with various stakeholders has observed that in many cases 'May I Help You' counters at branches were unmanned. Even the Reference Manual which gives information about bank's procedures was not easily available. In some branches, the Comprehensive Notice Board was also not displayed.

2.8.12. The Committee observed that there was no specific and proper queue management system at branches where there is heavy crowd, while basic facilities of seating arrangements, drinking water etc. were inadequate.

2.8.13. Quality of Currency Notes in Circulation - It has been observed by the Committee during the visit to the Tier II and Tier III towns that the quality of notes in circulation is very poor, with individual notes stapled in plastic covers to prevent further degeneration. There are often disputes among customers on the quality of notes they handle / exchange in trade. The reason perhaps for the poor quality of currency is that they do not get the facility to exchange soiled/torn currency at bank branches which are agents of RBI in this regard.

2.8.14. Locker Facilities - Customers across the country have mentioned that bankers enjoy a great degree of trust and security and have expressed a desire for increased locker facilities. While this is a para-banking activity for banks, customers had complained of lack of transparency in the process of allotment of lockers and migration to a bigger locker etc. The Committee has received feedback that banks demand a certain amount of deposit, cross-sell their products like mutual funds, insurance, demat accounts etc., as a precondition for allotment of lockers. The transparency required to be maintained as per RBI Guidelines is not maintained while doing so. Banks had represented that it is a para-banking activity involving huge capital and also revenue expenditure and hence they should be given more flexibility in the allotment of lockers as otherwise,

the locker facility creation itself gets dis-incentivised. It was also mentioned that once a locker is given, it remains with the customer for decades on payment of a nominal rent with minimum possibility of turnaround. Banks stated that the activity is just an additional facility to the customers, provided usually at a loss to the bank. The guidelines in this regard may need to be revisited to ensure that the activity itself is not dis-incentivised, the customers continue to have availability of lockers at an affordable charge and the customers are not forced to buy other products of the bank which they may not need.

2.8.15. One - Man Branch - The Committee has come across instances of 'One-Man Branch' particularly in rural areas. The customers had complained that there were problems of continuity in service whenever there were issues of sudden absentism. In certain areas, the one - man branch personnel expressed fears about safety of the treasure as well as that of the branch staff. The Committee felt that the above aspects should be taken into account when operating one-man branches.

Guarantees:

2.8.16. The customers indicated that there have been instances wherein the banks cancelled the Bank Guarantee without the consent of the beneficiaries. The customers feel that this defeats the very purpose of obtaining a Bank Guarantee.

2.8.17. Many customers have complained that Guarantees do not get released or released in time and that it is becoming time consuming to get the securities given as margin money released. Further, as banks are releasing the margin money after considerable period, the customers are losing interest on the funds locked. Customers have stated that there should be an auto-closure of Guarantees after a month of expiry of the guarantee which would facilitate automatic release of the margin money. Auto-closure notice should also be sent to the beneficiary.

2.8.18. Reimbursement in case of Frauds - The customers indicated that RBI Guidelines require immediate credit / reimbursement by the banks in case of instances of customer frauds reported. The Guidelines require that the banks should not wait for the investigation to be completed and pay the customers without demur. The customers also indicated that this is non-compliance to the Regulatory Guidelines.

2.8.19. Empowering Disabled Persons - Members of various Associations representing disabled persons across the country felt that the banks need to reach out to disabled persons and make banking services available to them. Banks need to ensure compliance with the provisions of Disabilities Act, 1999. The Associations were of the opinion that the funds should be channelised to disabled persons through their All India bodies and that there should be a refinance facility available for banks against their loans to disabled persons.

2.8.20 Customer Service Departments of Banks (CSD) - Customers have given a feedback that while resolving the complaints, the Customer Service Departments of banks tend to only justify the position taken by the bank but not represent and understand the position of the customer. This situation results in unnecessary escalation of the complaint to the top management of the banks, as well as external redressal systems like Banking Ombudsmen, Consumer Courts etc. It is imperative that a CSD is customer centric. The staff manning positions in CSD should receive specialised training so that customer complaints are professionally handled and there is no cause of customer dissatisfaction.

2.8.21 Relationship Management in Banks - It is common these days for banks to assign Relationship Managers to high net worth individual customers and companies. While focused attention benefits a customer, it also exposes him to high risk in case suitable control mechanism on the Relationship Manager is absent. Relationship management if restricted to a single manager, conflicts with the 'four eyes' principle. Banks should put in place an effective mechanism to ensure that rude Relationship Managers do not expose the bank and the customers to undesirable risks.

2.8.22 Foreign Exchange Expertise - Exporters and Importers and other customers dealing in foreign exchange had complained that necessary expertise to render appropriate forex advice is lacking at the branches resulting in the forex customers making avoidable mistakes which may result in either violations or financial losses. Banks should put in place a suitable mechanism to ensure that all branches dealing in forex matters as also the forex customers of the banks have access to proper advice either online or through phone.

2.8.23 Information on Fraudulent Accounts - Many bankers expressed a need to share the information on fraudulent accounts among bankers to prevent repeated occurrences of frauds. The Committee feels that there is a need to pool such information which could be shared among bankers. IBA could act as a centralised authority for pooling and making available this information to bankers.

RECOMMENDATIONS

Based on the above deliberations, the Committee recommends the following:

1. DEPOSIT ACCOUNTS

(i) Bundling of Products - The customers had expressed a desire to pay only for the product they use, would prefer plain vanilla products and are distinctly unhappy paying for an entire bundle, most of which, they feel they would never use. The Banks should be in a position to design products suiting the requirements rather than forcing upon the bundled products on the customers.

(ii) Passbooks / Account Statements -

a. The Pass Book / Statement of Accounts should indicate the account number, name, address and ID of the customer, MICR Code, IFSC Code, Toll free Customer Care number and Ombudsman contact details etc.

b. Digitally signed e-mail statements should be sent to the customers on their request and these should be accepted by the various Government authorities.

c. A passbook should be a mirror of the summary of transactions as appearing in the bank's books. It should be readable with appropriate font size (Arial, 12) and define all the acronyms used.

d. The name of the payee as well as instrument number in case of debit entries and the name of payee bank / drawer of instrument as well as instrument number in case of credit entries should also be provided by the banks in the pass books / statement of accounts.

e. Instead of recording separately gross interest credited and TDS debited, some banks record only one figure of net interest credited.

(iii) Inoperative Accounts - Before marking the account as Inoperative, banks must intimate the account holder by SMS. If the account holder is not traceable, banks must make efforts to trace the whereabouts of the account holder or his legal heirs in case the account holder is deceased.

(iv) Minimum Balance - Banks should inform the customer immediately on the balance in the account breaching minimum balance and the applicable penal charges for not maintaining the balance by SMS/e-mail/letter. Further, the penal charges levied should be in proportion to the shortfall observed.

(v) Basic Savings Account - Bank should offer a basic bank account with certain privileges like number of transactions (say three per month), cheque facility, ATM Card, etc. without any prescription of minimum balance. This would be a regular account with full KYC and the bank should clearly indicate the transaction charge for each type of transaction above the permissible number of transactions. Banks may then prescribe Average Quarterly Balance of various slabs with offer of higher privileges and facilities.

(vi) Annualised Interest Yield on Deposits - All fixed deposit receipts should prominently indicate the annualised interest yield to facilitate informed customer decisions. Interest rate distortions on retail deposits of varying and odd maturities which confuse the customer should be monitored by RBI as to their relevance vis-à-vis the other financial parameters of the bank.

(vii) Uniform Account Opening Forms-

a. As customer relocation is possible and common these days and the formats for opening of accounts differ from bank to bank, IBA should standardise the Account Opening Form (AOF) common to all banks, similar to forms used for Advances.

b. Additional information required for individual banks may be obtained in the Annexure to AOF which should contain checklist of documents to be submitted by the customer and this check-list should also be available in IBA and websites of member banks.

c. Account Number Portability - Customer should have the facility of number portability (allowed to maintain the same account number) within a bank even when he/she moves to another city or shifts his account to another branch in the same city.

(viii) KYC Norms-

a. KYC for additional accounts opened in the same bank should have relaxed conditions and the same should not be a repeated exercise.

b. Indian Banks' Association (IBA) may consider setting up a trusted third party KYC Data bank which can be relied upon for KYC purposes and perhaps hosted under the UID number of the customer.

c. Unique Identification No. (UID) as KYC for Opening No Frills Account - With introduction of Unique Identification (UID), it is recommended that for opening of No Frills Accounts, Unique Identification (UID) Number may suffice for KYC. Till the full implementation of UID project, self-attested photograph and address proof should be treated as sufficient for KYC to open No Frills Account.

(ix) No Frills Account - Banks should accept a self attested photograph and address proof for opening No Frills Account. This account may be upgraded to a basic account if the customer fulfills KYC requirements. The simple No Frills account may have limited operations like deposits, withdrawals etc., within a certain turnover. Wherever UID is introduced, No Frills account may be opened purely on the basis of UID.

(x) Linking Terms and Conditions of various Products to CBS - All products like PPF or any future products introduced for specific segments, say senior citizens, which are provided on an agency basis by banks should have all their terms and conditions properly integrated into the CBS.

(xi) Renewal Notices for Term Deposits - The term deposits are normally made for a long period and it would be possible that the customer would have relocated in the interim, before the maturity of the deposit and would not have updated the address in the account. Such notices should be sent to customers preferably in electronic form to enable them to decide the renewal terms. Statement of all deposit accounts in summary form giving details like principal amount, maturity value, maturity dates, rate of interest etc. should also be provided by banks. Further, the banks should not auto-renew the deposit accounts without customer consent in writing.

(xii) Service Charges -

- Charges for Basic Service: The Committee had observed there was no uniformity in the charges across the banks. Under these circumstances Committee was of the view that the regulation which indicated that charges should be reasonable had not achieved its purpose and pricing of these basic banking services, especially for lower category of customers, had not been addressed. The Committee accordingly has recommended prescription of service charges for select aspects in the same way as the charges for NEFT usage have been prescribed.

- Charges on Non-Home Branch Transactions: Such charges are not justified under CBS environment. Further, routine services like pass book updation which are of informative nature may be made available to the customers at no cost. Banks can rope in services of BCs for delivery of such services through Information Kiosks in off-branch locations.

- Intersol Charges: There is a practice of levying intersol charges on third party banking transactions at non-home branches. In CBS environment,

banks should not levy Intersol charges on self/ local cheques. Further, for intercity transactions, the Intersol charges should not exceed intercity collection charges.

(xiii) TDS Certificate - The customer complaints also revealed that the certificates issued towards tax deducted at source was not complete in all respects. TDS remittance details such as BSR Code, Acknowledgement Number, Challan Number and date should be available in the certificate. Similarly, aspects such as interest details in respect of Sweep In / Sweep Out Accounts, Term Deposit Account number for which interest was paid, also should be available.

(xiv) Subject to approval by Income Tax Authorities, a single Form 15 G/H linked to a customer ID should serve for all the deposits maintained by a customer in a bank during a particular financial year, instead of taking a separate form for each deposit.

2. REMITTANCES

(i) Small Remittances - Customer has to pay heavy DD charges for a DD of a very small amount. Banks should consider having an electronic transfer of draft amount to the receiving institution and issue a numbered tear away receipt which would reduce time and cost for the user and the bank. In the mean time, the Committee felt there should be prepaid instruments of pre-determined value (₹ 10, 50, 100, 500) available to the customers at a reasonable price.

(ii) Prepaid Instruments - Availability of prepaid instruments of higher value would find favour with frequent travellers / tourists. The banks may be permitted to issue such all purpose prepaid cards with a maximum withdrawal limit of ₹ 50,000/- per day. This will reduce the excessive dependence on cash by customers.

(iii) Online Payments - The users (utilities, airlines, train tickets etc.) of electronic bank platforms for making collections should offer small discounts to their customers to favour electronic payments (already being done by a few institutions). This would result in substantial savings to them in cash management.

(iv) **Travel VISA Fee payable at Banks -** The guidelines and documents required for securing drafts for getting visa of major countries like USA, UK, Australia etc. should be clearly spelt by banks on their websites and the facility should be provided across many more branches.

(v) **Penalty for Returned Cheques -** While there is a broad based consensus on the need for reasonable penalty on the drawee to both the presenting and the issuing banks, the presenting party should be exempt from penalties. Customers should be compensated for wrong returns on the lines similar to penalty for returns imposed on the customers.

(vi) **Automatic Cheque Deposit Facility -** Cheque Drop Box should provide receipt/ acknowledgement along with the image of cheque.

(vii) Cheque Truncation from the point of deposit in the automatic deposit machine to be allowed thereby preventing further flow of physical cheque to clearing department. Cheque deposit machine to be installed in branches where daily cheque deposit is more than 300.

(viii) CBS should provide for matching the Salary paid account through ECS with the name provided by the organisation before entertaining the ECS mandate.

3. LOANS AND ADVANCES

(i) **Pricing and Non-pricing Terms and Conditions of Loans -** All pricing and non-pricing terms and conditions of loans should be in strict conformity with the Regulatory Guidelines and correctly capture the risks involved and the rating of the borrowers concerned individually or as a class. Regulation should ensure that customers clearly understand the pricing policies of banks and the Supervision should ensure strict compliance of a bank with the Regulatory Guidelines regarding pricing and non-pricing terms governing all loans.

(ii) The CBS software should be so enabled so as to provide the following:

- ❖ Provision to apply for Retail loan should be available in bank's portal and

Internet Banking. Tracking of Loan Proposal and Information on Status should also be made available.

- ❖ Reason for Penal Interest on Loan accounts, Rate of Interest charged in Loan accounts, etc. should be mentioned in Passbook/Statement of Account.
- ❖ Housing Loan Interest Certificate / Education Loan Interest Certificates are required for Income Tax Returns purpose by the borrowers every year. CBS software should be enabled to generate / issue such certificates in respect of all Housing Loan and Educational Loan customers in the month of April every year.

(iii) Time Schedule for disposing of Loan Application - Banks should inform upfront the time schedule for disposal of loan applications to the borrower and take responsibility for not disposing of the loan application within that time limit.

(iv) Loan Statement - Banks must ensure that loan statements are issued to the borrowers periodically giving details of loan disbursed, demands and repayments effected along with interest and details of charges.

(v) Loan Documents - Borrower should be made aware upfront about various documents required to be produced for processing of loan application. These documents should be made available along with the loan application.

(vi) Small loans - The Committee has observed that the delay in getting small loans from banks was diverting poor people to private money lenders. Banks should provide timely, adequate and cost effective loans to the poor.

(vii) Reporting to Credit Information Bureau - Banks should be doubly careful while reporting a borrower as defaulter to Credit Information Bureau. Banks should ensure that any representation from the customer in this matter is processed expeditiously. In case of any adverse remark in credit report, the bank may inform the customer for necessary clarification upfront so that errors, if any, can be corrected.

(viii) Rules of the Credit Information Bureau should clearly differentiate settlements done at a huge loss to the bank, from the routine settlements where customers dispute on fees, commissions etc. and accordingly create suitable flag in the credit report.

(ix) Home Loans -

- ❖ All home loans must have MITC clearly stating the terms and conditions of the loan. (The revised BCSBI Code prescribes MITC for all loan products). This should also be available in the local language and in a bigger font, preferably size 12.
- ❖ In a floating interest rate scenario, when an entire class of borrowers has the same characteristic and risk level, the point of entry in time (old customers and new customers) should not create discrimination in interest rate offered to the customers. In such cases, the spread over the base rate should not vary when individual risk rating for loans is absent, as is usually the case in retail loans.
- ❖ Housing Loan Foreclosure Charges: Banks should not impose exorbitant penal rates towards foreclosure of home loans and a policy should be devised to ensure that customer is not denied of opportunity to enhance his economic welfare by making choices such as switching to other banks/ financial entities to enjoy the benefits conferred by market competition. Further, measures to stop practices of discriminating between new and old customers with identical risk profiles on the basis of interest rate offers, must also be initiated.
- ❖ Banks should automatically provide annual account statement to home loan customers without request from them. Such statements must contain details of payment made towards principal and interest including principal outstanding.
- ❖ All home loans should permit a switch over between fixed and floating or vice-versa at least once during its tenure at an appropriate and reasonable fee.

- ❖ Home loans backed by insurance products, in any eventuality, should be automatically settled by the insurance amount with minimum inconvenience to the nominees and heirs. The procedure should be explained upfront to the customers.

(x) The title deeds should be returned to the customers within a period of 15 days after the loan closure and the Boards of banks should put in place a suitable compensatory policy to compensate the customer for delayed return of title deeds or where there is a loss of title deeds in the custody of the banks.

(xi) Most Important Terms and Conditions (MITC): The banks must develop MITCs for all the important products and services focusing on the 5 - 10 items that are of critical importance to the consumers. All MITCs should be in Arial font and size 12, which would be easily readable to the customers.

(xii) Educational Loans : The banks should ensure through Government subsidy or insurance, the educational loans are properly priced so that no bright student would be denied an educational loan to pursue higher studies. The criteria for giving such loans should be well publicised through website or advertisements to ensure transparency and non-discrimination in sanction of such loans. The Board approved policy for educational loans should indicate the minimum percentage in value or number of such loans which will be disbursed to students from rural areas.

(xiii) Switch Over to Base Rate: Banks may bring the possibility of switching over to Base rate to the notice of all concerned borrowers as envisaged in RBI Circular in this matter and also explain the benefits of switchover to the borrower.

4. SPECIAL CUSTOMERS

(i) Pensioners and Senior Citizens -

- ❖ There should be prioritized service to senior citizens, physically handicapped persons by effective crowd / people management available at all branches.

- Provision of SMS alerts service about balance in the account at periodic intervals and about due dates for submission of important documents.
- Automatic updation of the customer to the senior citizen category based on date of birth.
- Pensioner may be allowed to submit the annual life certificate at any of the (linked) branches and not necessarily at the home branch. All the life certificates may be maintained in a centralised database.
- The data relating to individual pensioners, the monthly certificates etc., that pensioners would desire, should be available in a secure domain for immediate retrieval and usage.
- In line with the guidelines from RBI and Board approved policies, there must be hassle-free settlement of amount dues to the nominee when required.
- There should be uniformity among the banks as to the age for consideration of the longevity, based on which pensioner's loan is calculated.
- Banks should create awareness about Reverse Mortgage Scheme among pensioners/ senior citizens.
- On demise of the pensioner, the existing either or survivor pension account should become a single account in the name of the survivor and the family pension should automatically be credited to such accounts. Similarly, all joint accounts with either or survivor clause should become single accounts of the survivor after the demise of the other joint account holder.
- Banks should streamline and fine-tune the functioning of their Centralised Pension Processing Centres to ensure timely disbursal of pension, commencement of family pension on time and error-free calculation of pension.
- Banks may try to disburse pension to sick and disabled pensioners at their door steps. Banks may make use of Business Correspondents for this purpose.

(ii) Customers in Rural and Semi urban Areas -

- ❖ Ensuring proper exchange facilities and also the quality of notes in circulation in rural areas.
- ❖ Functioning of branches at a time convenient to the customers i.e., morning hours and late evening hours.
- ❖ Opening of the branches as per the schedule times and operating them for the full hours.

(iii) SHGs -

- ❖ SHG members should not be forced to take insurance products.
- ❖ Multiplicity of loans to borrowers through MFIs should be avoided as the same causes poor recovery by SHGs.
- ❖ Banks can provide loans to SHGs in tranches. However, the same should take into account the business requirements of the SHG rather than depending solely on the repayment made by the SHGs.
- ❖ SHG representatives should also be given presence in the SLBC forum.

(iv) Tribal areas / North-East -

- ❖ The business correspondent / facilitator model should be completely used for improving the banking facilities in the tribal areas.
- ❖ Banks should ensure that at least one of the staff members in the branches in tribal areas is conversant with local language.
- ❖ Financial education material in pictorial form and audio presentations in local dialect should be used in Tribal areas.
- ❖ The RBI may follow up with Government of India and the State Governments in the region for implementing the branch expansion plan that envisages coverage of all the habitats with population of 2000 or more by end of March 2012.

- The banks must pro-actively engage with the Local Governments to open more and more banking access points.
- Prominent citizens belonging to important tribes of the region could also be considered for appointment as BC.
- RBI may take up the issue of poor VSAT based connectivity in the region with Government of India for BSNL to do the needful at the earliest.
- The banks may explore the Cash at PoS avenue may be by trying to tie up with oil marketing companies on a pilot basis.
- The KYC norms and related tax issues may be viewed from the region - specific requirements and may be on a relaxed basis for a period of five years or till such time that the average population per branch reaches the national average.
- The RBI and Government must look at providing positive impetus to staff transfers and postings to the region so that achievement of banking/ financial inclusion becomes a reality. Further, the staff so selected and posted must also focus on local talent building and development.
- The SHGs could go a long way in furthering the cause of financial inclusion in the region. The banks should facilitate the same opening of accounts for the SHGs in the region.
- Improvement is required in provision of RTGS / NEFT facility to the customers from the region.
- Banks must recognise the socio-economic importance of funding the projects, while playing by the rules and not harshly interpret and implement the sectoral exposure caps.
- The banks may not apply their internal All India norms for deciding on the permissible bank finance in the North-East which requires special dispensation owing to its location and other infra-structural constraints.
- Meetings with stake holders in the North-East reflected a strong desire of the people to have a presence of Reserve Bank of India in each of the States.

(v) Standardisation of Product Packages for Defence Personnel - There is a need to have uniformity in the packages developed for defence personnel across the banks.

(vi) Disabled Persons -

- ❖ Disability Audit should form a part of the internal audit to ensure compliance with the provisions of Disabilities Act, 1999.
- ❖ Banks may consider channelising funds to disabled persons through their All India bodies.

5. INSTITUTIONAL ARRANGEMENTS

a. The Committee felt that the awareness about the Codes, even after five years since the incorporation of BCSBI, has not penetrated to the desired level and banks need to make every effort in that direction. A full and proper implementation of the Codes is an important and urgent requirement to fulfill the commitment made to the bank customers.

b. Failure to discharge what is expressly stated in the compensation policy of a bank should have an automatic penalty which will enhance the compliance thereof.

c. The banks should train and familiarise all the staff in following and implementing the Codes.

d. A commitment and close monitoring by the CEOs as well as the Board of Directors of all banks is required to ensure implementation of provisions of Codes in letter and spirit at the grass root level.

e. RBI should examine the reasonableness of the banks' stand / products / pricing in the areas that have been deregulated or left to the discretion of the bank. There should be a regulatory prescription similar to that of administered charges for electronic remittance transactions (NEFT/RTGS) on pricing by fixing an upper cap for small transactions to ensure that such transactions are not discouraged by high thresholds.

f. Regulation should plug all anomalies which create doubts about fairness regarding pricing which should be transparent, non-discriminatory and also objective. There should be explicit regulatory prescriptions and a closer regulatory oversight of such actions by banks which raise customer issues clogging the grievance redressal mechanisms.

g. Every bank Board should evolve a policy which ensures fair treatment to customers in all their dealings with the banks.

h. Every bank (Public, Private, Foreign, Scheduled Urban Co-operative Banks, RRBs) should prepare a fresh "Bank Customers' Charter" incorporating all the aspects of RBI Guidelines, Principles of Citizens' Charter and Codes of BCSBI. This Bank Customers Charter should be displayed on the bank's web site/notice board of every branch.

6. CUSTOMER EDUCATION

(i) Committee is of the opinion that special efforts are required to educate the customers in the use of technology in banking. Banks should make use of Print media, Television, All India Radio for this purpose. Short training programmes at the branch level can also be arranged for customers.

(ii) Transparency to the customer in levying of various fees / service charges and penalties is required.

(iii) Establishing a proper customer grievance / assistance centre which works in an integrated manner across channels like – branches, call centres, IVR, internet and mobile. The personnel in the call centres who receive the grievances should be empowered to make decisions.

(iv) Use of various technology channels for customer education and gathering suggestion for improving service.

(v) Implementing a relevant Customer Relationship Management system to capture and track customer issues and complaints.

(vi) Branches should be provided with dedicated phones / computers with internet connection so that customers can avail themselves of the facilities such as Call Centre, Internet Banking, Phone Banking at the branch itself.

(vii) For imparting customer education, participation from all the concerned players is necessary. In this regard, Lead banks should involve customer associations, consumer organisations in revisiting/ evolving strategy for imparting customer education.

(viii) Call Center - IBA should consider a toll free Common Call Center number (like Dial 100) for all banks. A customer would ring that number and thereafter get diverted to the bank concerned.

7. COMPREHENSIVE BANKING REGULATION

A new comprehensive banking legislation suitable to technology driven modern day banking may be enacted to eliminate interpretation issues of varied existing laws.

8. OTHER ASPECTS

- The banks must have a well defined policy that sets out their approach to customer care. This also must take into account the human resources angle starting from the recruitment process to take care of attitudinal aspects.
- The staff manning positions in Customer Service Departments should receive specialised training so that customer complaints are professionally handled and there is no cause of customer dissatisfaction.
- Banks should put in place an effective mechanism to ensure that rude Relationship Managers do not expose the bank and the customers to undesirable risks.
- Banks should put in place a suitable mechanism to ensure that all branches dealing Forex matters as also the forex customers of the banks have access to proper advise either online or through phone.

- Branch network in North-East region needs expansion as many areas are still unbanked. RBI may have to play a developmental role and pursue the issue with the State Governments, wherever necessary.
- Banks in North Eastern region may explore a possibility of ensuring backup of alternate sources of energy for supply of power for ATM machines so as to ensure continuous service to the customers.
- The BC concept has been largely limited to payment of Government benefits to the beneficiaries. Banks need to invest in the capacity building of the BCs so as to ensure that they perform the role of bankers. Banks may consider using BCs for manning the kiosks for making small payments, pension and MGNREGS payments, updating pass books, giving pension information, giving drafts of small value or sending remittances etc.
- Standardisation of the basic stationery for use of the customers of the banks is necessary. The banks should ensure availability of stationery for the use of customers like account opening forms, loan application forms, pass books, challans and printer cartridges in semi-urban and rural branches.
- BCSBI should be asked to rate the banks on customer service and also come out with a minimum benchmarking of banking services.
- The deposit insurance cover should be raised to ₹ 5,00,000/- so as to encourage individuals to keep all their deposits in a bank convenient for them.
- A possibility may be explored to enable full insurance cover for bank deposits by making necessary amendments in the relevant Acts.
- In case of sick banks where the accounts are frozen, a possibility to enable customer to avail a part of their insured deposit till the final fate of a sick bank is decided, may be explored.
- The needs of the senior citizens and the physically challenged persons must also be an important input in deciding on the branch locale and its access. The 'May I Help You' counters at branches should be invariably manned.

- There must be specific and proper queue management system at branches where there is heavy crowd, with basic facilities of seating arrangements, drinking water etc.
- There must be a completely transparent process in the allocation of locker facility. RBI may revisit the guidelines in this regard to ensure that the activity itself is not dis-incentivised, the customers continue to have availability of lockers at an affordable charge and the customers are not forced to buy other products of the bank which they may not need.
- IBA should examine the possibility of pooling the information on fraudulent accounts and making it available to banks.
- Banks have to reconcile certain issues regarding 'one-man' branches by putting in place proper safeguards which ensure 'four eyes' principle, safety of cash and also continuity of services in case of leave, etc.
- The Bank Guarantee should not be cancelled without the consent of the customers.
- On expiry of the Bank Guarantee, banks must release the margin money and securities held against the guarantee immediately after the expiry of the no-claim period. For the period of delay in refund of margin money beyond no-claim period, the banks may pay interest at fixed deposit rate.
- There should be an auto-closure of guarantees after a month of expiry of the guarantee which would facilitate automatic release of the margin money. Auto closure notice should also be sent to the beneficiary.
- In case of frauds in the accounts of the customers, the banks should implement the RBI Guidelines that require immediate provision of credit to the customers after obtaining due affidavit to ensure that customers are not out of funds.
- Exchange facilities for soiled/torn notes is a right of every citizen using such facilities and RBI through its agents should ensure that no holder of sovereign currency note is turned away at a bank counter when exchange facility is desired irrespective of the person tendering the note is a customer

or not. All banks should implement the Citizens' Charter on exchange facilities of notes and coins adopted by the Department of Currency Management, RBI.

- The quality of currency notes, especially of lower denominations be made more durable by adopting international practices in this regard to ensure a longer life without compromising on the quality.
- No bank should refuse to accept small denomination notes and coins tendered at the counters for transactions.
- All exchange facilities of notes and coins should be extended free of charge.
- All branches with large cash transactions should provide cash counting machines at the counters for the customers.
- Clean note policy of RBI should be scrupulously followed by all types of banks to ensure supply of clean currency notes to the general public.

CHAPTER 3

TECHNOLOGY AND CUSTOMER SERVICE

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TECHNOLOGY AND CUSTOMER SERVICE

3.01 Background

3.01.01. The period of last decade or so has seen growth in the banking sector with consequent increase in the volume of banking transactions fully aided by the growth and innovations in the banking technology. The technological improvements in banking have also, to a large extent, facilitated the banks in improving their level of customer service. In line with the same, the terms of reference for the Committee included examining the possible methods of leveraging technology for better customer service with proper safeguards including legal aspects. While a certain level of business process re-engineering (BPR) has been achieved, it was observed that considerable customer grievance resulted on account of incomplete BPR.

3.01.02. Almost all the banks now work in a computerised environment with core-banking solution (which facilitates anywhere banking from the earlier branch concept) is a common phenomenon. A large number of banks also offer banking on the telephone or internet or mobile platforms (restricted facilities). Money transfer is an area that has been largely benefitted through technological developments.

3.02 Areas Covered

3.02.01. The Committee met a few bankers and Heads of Information Technology Departments of leading banks and discussed areas of customer service aspects which could gainfully be improved by leveraging technology. The discussions in this regard revolved around ATM transactions, credit card / debit card usage, banking on core-banking / internet / mobile platforms, settlement of inter-bank issues relating to the banking transactions, centralisation of processing of banking products, customer protection and grievance redressal measures through technology, financial inclusion, etc.

3.02.02. Based on these discussions and the feedback received through interaction with various stakeholders, the Committee has designed its recommendations to leverage technology for better and secure customer service.

Important Deliberations of the Committee

3.02.03: Internet Banking -

Customers have appreciated that internet banking has enhanced customer convenience and comfort, but at the same time exposed customers to unforeseen frauds. The customers complained that accounts had been hacked from remote locations and also from locations distant from one another. Simultaneous hacking transactions had been reported from multiple locations also. The banks defend the same by taking a plea that the customer would have compromised with the PIN and the password of the internet banking access. However, the circumstantial evidence of misuse at a distant country pointed out otherwise as such locations had no direct relation with the customer at all. Many frauds are committed by fraudsters through identity thefts like phishing and pharming etc. The customers opine that they were innocent parties to such transactions and they had no relation / involvement with such frauds in anyway. Further, the customers had also indicated that there were no definite grievance redressal processes to address complaints of this nature. While the customers realised that investigations of such complaints might take time, they also felt that they were also not given benefit of doubt. Customers repeatedly mentioned that while technological banking aspects like net-banking was convenient to them and cost effective to the banks, there should be a total secure protection afforded to the customers against any losses suffered on account of such banking.

Customers have complained that banks restrict the amounts that can be transferred online by way of a day cap or by way of a ceiling amount per transfer. It was felt that additional factors of authentication should be taken and higher amounts should also be permitted for online transfers.

3.02.04. Online / Mobile Payments -

Customers all over the country have expressed satisfaction at online payment facilities created by the various utility holders and other service providers through the bank platforms. It was appreciated that several airlines, utility companies, etc. were providing discounts for online payments, online ticketing, etc. Such facilities and offers also help the banks and RBI in currency management as the movement of currency is restricted. The Committee felt that if such small discounts to favour electronic payments are given by all the users of electronic bank platforms for collections, a substantial shift in favour of electronic payments as opposed to cash may happen in future and that would also result in substantial savings in cash management to such utilities and others.

Mobile banking coupled with digitisation of records can revolutionise everyday life for the vast majority. Economically weaker section shall be brought into the banking system by combining No Frills Account / Micro Finance / Government subsidies and payments.

The success factors for mobile banking in Micro Finance depend upon mass customer adoption, utility of mobile service for cash-in and cash-out transactions, inter-operability of service providers like banks / Micro Finance Institutions / Mobile Network Operators and Mobile Application Providers using sophisticated technology. We need continuous updating of a defined proportionate regulation, so that the service providers are able to meet the regulatory challenges. It has the potential of replacing credit / debit card system. As mobile operators are not allowed to enter the financial services space, banks have greater autonomy in developing their own banking mobile platform to ensure banking penetration, availability of banking services and the usage of banking system.

At present, there is better penetration of post office and mobile telephony in rural areas. In immediate future, post office accounts are to be linked with modern communication networks which can act as a platform for inter-operability of service providers like banks/ MFIs, Mobile Network Operators and Mobile Application Providers.

3.02.05. ATM/Debit/Credit Cards - Customer feedback about the Cards indicated that it would be better if there was a photograph of the Card holder and the signature of the Card holder also laminated on the Card to enable easy identification at the merchant establishment. The laminated signature would be exactly the same as in the bank records. The Committee after deliberating the issue felt that if the address of the card holder is present on the laminated portion, with a proviso for including the UID number, the Card issued by the bank would become a tool for KYC compliance.

Merchant Discount/Fee for Debit Cards - Customer feedback indicated that merchants show a preference for cash as they do not want to part with the merchant discount to the Card service provider. Cards are accepted as a payment mechanism without issues only by reputed merchant establishments, by merchants to effect a sale which is not possible if the card is not accepted and when the customer is willing to pay the premium demanded by the merchant. In other circumstances, cash is preferred.

The percentage of interchange/ merchant fee charged by the Card service providers for both debit and credit card being the same, a merchant is indifferent to a credit/debit card. Card data indicates that more than 80% of the cards are debit cards and the customers feel that debit card is akin to cash as it directly debits their accounts and does not confer any advantage by way of a credit facility. Customer feedback indicated that if the merchant service fee is made minimal for a debit card, it might encourage its acceptance by the merchant establishments and thereby encourage electronic payments. Card service providers and banks should therefore follow a differential merchant fee policy in favour of debit cards which will, over a period of time, reduce the dependence on cash for payments.

Non-dispensation of Cash at ATM - The customers complained that while carrying out transactions at the ATM, sometimes the account is debited, but cash was not dispensed. The Committee observed from the number of such complaints that the same had now become a recurring feature. The Committee also observed that there was no definite grievance redressal mechanism in place with the customer being out of funds for the time taken by the bank to resolve the complaint. Notwithstanding the penalty imposed by RBI on banks for delayed redressal after 12 days, customers feel that there should

be a zero liability clause whereby immediately on being informed of an ATM failing to deliver cash, the funds of the customer should be immediately restored. Customers desire that a camera or some other equipment evidencing cash should be attached and once a complaint is made, it should be possible to authorise restoration of funds online. Detailed investigation into the matter, if required, may be done separately by the bank. It would be helpful if every ATM was provided with a unique ID so that a mere reference to the same would hasten the redressal of the customer grievance.

ATM cameras should be so placed as to take a clear picture of the person doing the ATM operations and the lighting inside the ATM booth should facilitate the same. An additional small camera should take a snapshot of the customer picking up the money from the bin so as to assist customers when cash disbursement does not take place. Whenever a complaint on ATM withdrawal is received, the bank should ensure to preserve the CCTV recordings till the grievance is fully redressed.

Complaints on account of Cloning of Cards - ATM and credit card customers have complained that banks were not restoring funds debited to their accounts by cloned cards from distant places. Customers insist that they have not parted with the cards and hence cannot be liable for transactions which the banks hold them responsible for. Customers demand that in a 'card present scenario' such distant transactions if not authorised by the customer should immediately be reversed.

Over the Limit Charges - Credit Card customers are charged 'Over the limit' charges when their limit is exceeded. This facility of 'Over the limit' is given to the customers with a view to ensure that a current transaction which is marginally above the limit is not declined. Also, in case of ATM cards, a simple overdraft is permitted in the savings bank account by many banks. Customers have represented that they are not aware of the extent of Over the limit or Overdraft permitted to them. It was also felt, that for a marginal excess over the limit, the charge usually was more than the actual excess. The Committee was of the view that there should be a customer choice for operation of this facility, the extent of Over the limit/Overdraft be known in advance and the charges for the same should not exceed the actual excess.

Personalisation of Accounts - Corporate customers desired product customisation at the customer end, in short, a dynamic personalisation of account should be possible. Customers wanted online programmes on bank sites which would enable customers to automate money transfers, maintain balance levels, get non-standard account statements and a host of such facilities which would improve their information levels and make their cash management more efficient.

User Community - Many customers felt that for better product design, banks need to take in to consideration user perspective which is possible through user feedback. This would help in better product design, best suited to user needs. Banks should encourage formation of user communities to get feedback on the banks and also to enhance the efficiency of their products and design new products.

Increasing Customer Access - Customers in remote corners of the country have expressed displeasure at the low density of ATMs and their concentration only in metro and urban areas. They have desired either an exponential increase of ATMs in all the areas of the country including villages or create customer access to banking for withdrawal of cash and for transactions by a chain of human ATM network of business correspondents of banks.

Mobile Banking - The Committee felt that there would be convergence onto the mobile platform of a lot of applications of the banking industry. Mobile banking is expected to take off in a big way giving rise to possibility of customer grievances in the area. As mobile banking would span both banking and telecom sectors, the Committee felt that mobile is just a medium of putting through the banking transactions and hence all grievances of mobile banking should be addressed only by the banks without referring the customer to the telecom service providers. The agreements of the banks with the telecom service providers should incorporate suitable provisions to address mobile banking grievances. Customers across the country showed a preference to ATM / PoS withdrawal using applications involving mobile phones. Such mobile applications are there in a very limited or in experimental stage. The Committee is of the view that this is more secure mode compared to withdrawal through bearer cheque as in this case both the parties viz. the account holder and the mobile owner are already subjected to full KYC and complete

audit trail is available at both the ends. Hence, such transactions could be encouraged both at ATM as well as PoS upto the ceiling for withdrawal applicable for ATM and PoS respectively. There should not be any additional registration of the mobile beneficiary with the bank, as no such condition is there for withdrawal by bearer cheques. While identification of a bearer cheque may be taken in practice, no registration or KYC is done. Such a burden is not there for ATM or PoS withdrawal. Further, in the case of customers using mobile platforms, mobile number serves as identification.

Business Process Re-engineering - Customers have brought to the notice of the Committee several issues causing hardship in day-to-day operations on account of incomplete BPR while going in for CBS. The issue of HUF/PPF accounts has been discussed earlier. There were several such issues which were to be addressed when banks were to be computerised. Some of them are:

- Automatic updation of age records and then conferring senior citizen benefits wherever applicable once a customer becomes a senior citizen.
- Minor customer turning a major.
- Cheques not being collected and honoured for the second account holder.
- System not allowing the survivor to continue an either or survivor joint account after demise of one of the account holders.
- System not allowing conversion of a single account to a joint account.
- Specialised Government Scheme accounts like PPF, Senior Citizen Special Deposit Schemes, etc. not being updated in the system resulting in deposits being collected after expiry of schemes.
- Tax deducted at source not being communicated to the IT department for appropriate credit to the assesse accounts.
- Tax deducted at source even after collection of Form 15 G/H etc.
- Registering and issuance of acknowledgements to the account holders in respect of nominees.
- Diarisation for receipt and reminder for Life Certificate for pensioners.

Compensation - In the deliberations of the Committee relating to technology banking, the issues of customer liability in a similar transaction in a manual scenario was also considered. For example, cheques lost by customers but passed by a bank on account of frauds, do not deprive the customer of his rights, even in cases where he fails to confirm the bank of lost cheques. A customer must, therefore, carry out a transaction for it to be a valid and authorised one. Frauds involving cloned card, unauthorised online transactions, ATM transactions not done by the customer etc. cannot be valid transactions as they are not authorised by the customers. Instead of the bank putting the onus on the customer to prove that he has not done the transaction or caused it to happen, the onus should be on the bank to prove that the customer has done the transaction. Negligence, if any, on the part of the customer does not deprive him of customer / consumer rights.

3.03. RECOMMENDATIONS - In most sectors, introduction of technology has brought down the prices to a small percentage of the prices charged earlier for a similar kind of service, the beneficiary was mostly the small customer. However, in the banking sector it was observed that the introduction of technology resulted in raising the pricing threshold to a higher level to the complete disadvantage of the small customers. Based on the deliberations, the Committee has made the following recommendations:

3.03.01. Internet Banking -

- There should be a secure total protection policy / zero liability against loss for any customer induced transaction utilising technology through ATMs/ PoS/Online banking etc. A customer should not be made to be out of funds when any loss is suffered on account of Net/ATM banking transactions. All the rules in respect of internet banking should be so designed as to encourage consumers to feel safe about electronic transactions. In all the above scenarios, an immediate temporary credit, pending investigation, should be afforded.
- Banks have to necessarily ensure that all internet banking is made fail-safe by putting in place robust and dynamic fraud detection and prevention systems. Computerised / network delivery channels should have enhanced customer ease of operations and reduced costs for banks. Banks have

to put in place fail-safe security systems for access, transactions etc. to increase the confidence of the bank customers to enable migration to electronic medium from conventional banking. The banks must ensure that the customers have the confidence in the systems that are being offered to them.

- The users (utilities, airlines, train tickets etc.) of electronic bank platforms for making collections should offer small discounts to their customers to favour electronic payments. This would result in substantial savings to them in cash management.
- Banks may introduce mechanisms whereby a customer has a choice of restricting account to account transfers to be done only from particular IP addresses or a choice of addresses. A customer should also have the option of requesting blocking the transaction if the IP address is from a different country. In fact, this should be the default option. Any change of option should be possible with ease through the call centre or online.
- Banks may restrict the amounts that can be transferred online by way of a day cap or by way of a ceiling amount per transfer. Additional factors of authentication should be taken and higher amounts should also be permitted for online transfers.
- Banks may introduce systems whereby fund transfer facilities can be activated by the call centre on a need basis and deactivated once the transfer is completed. The facility should also be auto-closed (deactivation) after certain time (say 30 minutes).
- Banks in their systems should have facility of customer behavior/purchase pattern etc. analysis and any attempt from an unknown address / suspicious outlier debit transaction should be first blocked and then informed over SMS to the customer. The transaction should be allowed only after the customer authorises the transaction.
- Banks should put in place secure systems like multi-factor authentication to enhance customer confidence and reduce possibility of frauds.

- The banks should have dynamic scoring models with inbuilt processes and controls to trigger transactions which are not normal so that even if the identity is stolen, the fraudster should not be in a position to succeed in his attempts. Study of customer transaction behavioral patterns and stopping irregular transactions should be part of the above process.
- There must be multi-lateral arrangements amongst banks to deal with on-line banking frauds. Presently, there is lack of such an arrangement amongst banks and the customer is required to interact with different banks/ organisations when more than one bank / organisation is involved. The Indian Banks' Association (IBA) could provide such type of arrangements for all the banks.
- It was felt that additional factors of authentication should be taken and higher amounts should also be permitted for online transfers as the present limits are seen to be restrictive for encouraging online money transfers.
- Banks should create customer access to banking for withdrawal of cash and for transactions by creating a chain of human ATM network of business correspondents of banks which will help enhance banking access all over the country. This is possible by hand held devices and mobile phones working online/offline with CBS systems of banks.

Compensation

- The international best practices regarding cash not delivered at ATMs, withdrawal through cloned cards, credit card debits not authorised by customers, internet banking frauds etc., should be followed and the customer should be afforded a temporary credit immediately after taking a suitable undertaking.
- Further, the banks should facilitate early reporting of the above, by prescribing appropriate rules that will allow / provide a temporary credit which refunds the full amount, pending detailed investigation. The reporting timelines can also be linked with an amount which would act as the maximum customer liability. For instance, the maximum loss that a customer can suffer for a

transaction reported within two working days should be capped at ₹10,000/-. This would mean that if a customer has been automatically credited the full amount on reporting a disputed transaction, after investigation into the matter has concluded, the maximum liability on the customer should not exceed ₹10,000/-. To cover the damages on refunds etc., banks should have insurance in place so that customer refunds are done in a hassle free manner without fear of losses. The electronic platforms have significantly reduced the operating costs for the banks and hence putting in place an appropriate insurance mechanism should be possible. The international best practices in this regard usually limit customer liability to a nominal amount if the issue is referred 60 days after occurrence.

3.03.02. ATM / Debit/Credit Card transactions -

- **Issue of photo based cards -** To avoid identity issues, all credit and debit cards (including chip cards) should be photo cards with the scanned signatures laminated on the card. Banks should also include the address of the card holder in the laminated portion to serve as a tool for KYC compliance for any other bank product. When UID is introduced, the cards issued thereafter should include the UID number also.
- **Unique ID for every ATM -** Every ATM should have a unique ID for reference. This would facilitate easy identification of the ATM when redressing the grievance. The ATM ID should appear on the transaction slip and also the bank statement.
- **Blocking of ATM card -** If an ATM card has been misused by another person, on receipt of SMS about use of the card, the customer should be able to immediately send return SMS to block the card (if he observes misuse) with a single word like 'BLOCK' to prevent further withdrawals (the SMS is being received from the mobile number registered with the bank). It is observed that considerable time is lost in locating the numbers of accounts, phone numbers etc., which gives the fraudsters more time to commit fraud.

- Further, in case of a lost card, hot-listing should be allowed online / over phone. However, a fresh debit card should not be allowed online / over phone by banks.
- The transaction in such cases should be automatically reversed and the amount should be credited back to the account (temporary credit). Even if auto-reversal does not happen, banks should pro-actively identify such cases and give charge–back.
- In case of doubt about the success / failure of an ATM transaction, the copy of the JP log is called for from an acquiring bank. The preceding and succeeding transactions should also be included in the copy.
- **Chip based card (EMV):** Banks should in a phased manner switch over to the use of chip based card (EMV) instead of the current magnetic strip based ones, in order to prevent skimming and damage / erosion of data due to wear and tear and misuse. This would accordingly entail necessary changes at all the front end machines like ATMs/PoS etc.
- As the switch over to chip based card would happen over a period of time, till the switch over is complete, the chip cards should as at present have a magnetic strip to enable transactions in the ATMs which have not switched over to chip cards.
- **Merchant Discount / Fee for Debit Cards –** To encourage acceptance of debit cards by the merchant establishments and thereby support electronic payments, card scheme providers and banks should follow a differential merchant fee policy in favour of debit/credit cards which will over a period of time reduce the dependence on cash for payments.
- **Biometric ATM cards -** Illiterate customers and senior citizens generally find it difficult to remember ATM-PIN. Banks may issue Biometric ATM cards to senior citizens and illiterate customers who are not at ease while using ordinary ATM cards. The necessary hardware changes at the front end devices may be made accordingly.

- ATM cards may be issued at the option of the customers on written request. Customers not desiring technology facilitation should not be forced to do so.
- **Camera placement in ATMs -** ATM cameras should be so placed as to take a clear picture of the person doing the ATM operations and the lighting inside the ATM booth should facilitate the same. An additional small camera should take a snapshot of the customer picking up the money from the bin so as to assist customers when cash disbursement does not take place. Whenever a complaint on ATM withdrawal is received, the bank should ensure to preserve the CCTV recordings till the grievance is fully redressed.
- The cash bin in ATMs may be so designed that the cash withdrawn falls into a bin which the customer picks up and this act should be recorded by the small camera.
- **PIN based authorisation -** For debit / credit card transactions at the PoS, instead of signature based authorisation, PIN based authorisation should be made mandatory without any looping. There should be a phased withdrawal of non-pin based PoS machines.
- Two-Factor authentication for Internet Banking and Debit card transactions at PoS should be introduced. This will provide one additional layer of security.
- Additional factors like Grids etc., should not be printed on the back of the card but given separately so that a photocopy of the card does not give away all the information required for making an online payment.
- **Mobile Banking -** Tiered security for different parameters: Transaction Value, Destination of transaction (two level authorisation for non-routine destinations), security based on hand-sets, frequency of payments should be introduced.

- All grievances of mobile banking should be addressed by the banks only without referring the customer to the service providers. The agreements of the banks with the telecom service providers should incorporate suitable provisions to address mobile banking grievances.
- Mobile banking coupled with digitisation of records can revolutionise everyday life for the vast majority. Economically weaker section shall be brought into the banking system by combining No Frills Account / Micro Finance / Government subsidies and payments.
- At present, there is better penetration of post office and mobile telephony in rural areas. In immediate future post office accounts are to be linked with modern communication networks which can act as a platform for inter-operability of service providers like banks / MFIs, Mobile Network Operators and Mobile Application Providers.
- The ATM / PoS withdrawal using applications involving mobile phones is a more secure mode compared to withdrawal through bearer cheque as in this case both the parties viz. the account holder and the mobile owner are already subjected to full KYC and complete audit trail is available at both the ends. Hence, such transactions could be encouraged both at ATM as well as PoS up to the ceiling for withdrawal applicable for ATM and PoS respectively.
- **Over the Limit Charges -** The facility of 'over the limit' for credit card customers and that of simple overdraft for ATM card holders may be given on choice, the extent of over the limit/overdraft may be informed to the customer in advance and the charges for the same should not exceed the actual excess.
- **Personalisation of accounts -** Banks should design online programs on their sites enabling customers to automate money transfers, maintain balance levels, get non-standard account statements and a host of such facilities which would improve their information levels and make cash management more efficient.

- **Self personalisation of Cards –** Call centres as well as the online systems through net banking should enable a customer to:
  - Fix individual transaction limits for debit/credit card use.
  - Debar or fix limits for purchase of electronic or jewellery items.
  - Manipulate the limits for add on cards.
  - Activate/deactivate use of card internationally.
  - Limit the use of card to any particular state or a defined area.

  The above processes should be similar to electronic locking of STD or ISD facilities in telephone system and akin to international roaming in Cell Phones.
- Banks should encourage formation of user communities to get feedback on the banks and also to enhance the efficiency of their products and design new products.

3.03.03. SMS / e-mail alerts -

- Free SMS / e-mail alerts should be sent for every transaction such as date of maturity of deposit, ECS credit received, credit of pension, credit / receipt of money through RTGS etc.
- SMS alerts to be sent for all cheque returns irrespective of the amount or amount fixed at account level.
- Account Statement in PDF format should be sent by e-mail, if customer requests so (password encrypted document).
- Current account holders with high transactions should be sent e-mail giving the balance position at agreed periodicity viz., daily, weekly, fortnightly etc.
- SMS alerts on card usage should be sent allowing the customer reply back in case card is not used.
- SMS or e-mail alert informing the change in interest rate on loan availed due to change in base rate etc.

3.03.04. Compensation in-built in CBS -

- ❖ The compensation that can be allowed for transaction deficiencies should be in-built into the CBS software and not left to the discretion of the branch staff.
- ❖ Systems should be in place to ensure automatic credit and there should be provision for double the credit in case a complaint is received.

3.03.05. ECS Mandate Management System - Bank should ensure that ECS Mandate Management System is working effectively to comply with the mandate given by the customer in respect of Limit of Debit amount, Expiry date, Withdrawal of Mandate, etc. Withdrawal of mandate for any ECS debit payment should not be left to the mercy of the beneficiary.

3.03.06. Moving towards paperless fund transfers - Customers may be encouraged and given incentives to reduce cheque based transfers and migrate to other channels of fund transfers like NEFT, RTGS, ECS (debit/credit), Internet Banking and Mobile Banking. For the residual cheques in the system, cheque truncation should be implemented all over the country.

3.03.07. Business Process Re-engineering - Banks should ensure that the CBS addresses the following major issues which were not integrated into CBS at the time of implementation in banks:

- ❖ Automatic updation of age records and then conferring senior citizen benefits wherever applicable once a customer becomes a senior citizen.
- ❖ Minor customer turning a major.
- ❖ Cheques not being collected and honoured for the second account holder.
- ❖ System not allowing the survivor to continue an either or survivor joint account after demise of one of the account holders.
- ❖ System not allowing conversion of a single account to a joint account

- Specialised Government Scheme accounts like PPF, Senior Citizen Special Deposit Schemes etc. not being updated in the system resulting in deposits being collected after expiry of schemes.
- Tax deducted at source not being communicated to the IT department for appropriate credit to assessee accounts.
- Tax deducted at source even after collection Form 15 G, 15 H etc., registering and issuance of acknowledgements to the account holders in respect of nominees.
- Diarisation for receipt and reminder of Life Certificate for pensioners.

CHAPTER 4

INTERNAL GRIEVANCE REDRESSAL SYSTEM IN BANKS

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INTERNAL GRIEVANCE REDRESSAL SYSTEM IN BANKS

4.01. Various guidelines have been given on the aspect of internal grievance redressal system in banks. A collation of the same is given below:

Receiving Complaints

4.01.01 Banks should ensure that a suitable mechanism exists for receiving and addressing complaints from its customers / constituents with specific emphasis on resolving such complaints fairly and expeditiously regardless of source of the complaints. Banks have been advised to:

- Ensure that the complaint registers are kept at prominent place in their branches which would make it possible for the customers to enter their complaints.
- Provide complaint /suggestion box at each office of the bank.
- Place a notice requesting the customers to meet the branch manager regarding grievances, if the grievances remain un-redressed.
- Provide a complaint form, along with the name of the nodal officer for complaint redressal, in the homepage itself of the bank's website to facilitate complaint submission by customers. The complaint form should also indicate that the first point for redressal of complaints is the bank itself and that complainants may approach the Banking Ombudsman only if the complaint is not resolved at the bank level within a month.
- Have a system of acknowledging the complaints, where the complaints are received through letters / forms.
- Fix a time frame for resolving the complaints received at different levels.
- Ensure that redressal of complaints emanating from rural areas and those relating to financial assistance to Priority Sector and Government's Poverty Alleviation Programmes also form part of the above process.

Complaint Book /Register

4.01.02. Complaint book with perforated copies in each set may be introduced, so designed as to instantly provide an acknowledgement to the customers and intimation to the controlling office. IBA has, for the sake of uniformity, prepared a format of the complaint book with adequate number of perforated copies, which are so designed that the complainant could be given an acknowledged copy instantly. A copy of the complaint is required to be forwarded to the concerned controlling office of the bank along with the remark of the Branch Manager within a time frame. Bank should introduce the complaint book as per the above format for uniformity.

4.01.03. All bank's branches should maintain a separate complaints register in the prescribed format given for entering all the complaints/grievances received by them directly or through their Head Office/Government. These registers should be maintained irrespective of the fact whether a complaint was received or not in the past. The complaints register maintained by branches should be scrutinised by the concerned Regional Manager during his periodical visit to the branches and his observations/ comments recorded in the relative visit reports. Banks having computerised operations may adopt the afore-said format and generate copies electronically.

Display Requirements

4.01.04. The following instructions have been given on the display of customer service related information for making complaints:

- ❖ Display prominently at the branches, the names of the officials who can be contacted for redressal of complaints, together with their direct telephone number, fax number, complete address (not Post Box No.) and e-mail address etc., for proper and timely contact by the customers and for enhancing the effectiveness of the redressal machinery.
- ❖ Display at the branches, the names of the officials who can be contacted for redressal of complaints. The same should also include the name and other details of the concerned Nodal Officer appointed under the Banking Ombudsman Scheme, 2006.

- ❖ Display on their web-sites, the names and other details of the officials at their Head Office / Regional Offices / Zonal Offices who can be contacted for redressal of complaints including the names of the Nodal Officers / Principal Nodal Officers .
- ❖ Display on their web-sites, the names and other details of their CMD / CEO and also Line Functioning Heads for various operations to enable their customers to approach them in case of need, if necessary.

Institutional Arrangements

4.01.05. The banks are required to disclose the brief details regarding the number of complaints along with their financial results. This statement should include all the complaints received at the Head Office / Controlling Office/ branch level. However, where the complaints are redressed within the next working day, banks need not include the same in the statement of complaints.

4.01.06. Where the complaints are not redressed within one month, the concerned branch / controlling office should forward a copy of the same to the concerned Nodal Officer under the Banking Ombudsman Scheme and keep him updated regarding the status of the complaint. This would enable the Nodal Officer to deal with any reference received from the Banking Ombudsman regarding the complaint more effectively. Further, it is also necessary that the customer is made aware of his rights to approach the concerned Banking Ombudsman in case he is not satisfied with the bank's response. As such, in the final letter sent to the customer regarding redressal of the complaint, banks should indicate that the complainant can also approach the concerned Banking Ombudsman. The details of the concerned Banking Ombudsman should also be included in the letter.

4.01.07. Banks should give wide publicity to the grievance redressal machinery through advertisements and also by placing them on their websites.

4.01.08. The requirements of constitution of High Level Committees within the bank and oversight on level of customer service by the Committees and the Boards of banks are covered in separate Chapter. Similarly, the Banking Ombudsman Scheme is a part of the grievance redressal mechanism and the same has been detailed in a separate Chapter.

Analysis and Disclosure of Complaints

4.01.09. The Committee on Procedures and Performance Audit on Public Services (CPPAPS) had recommended that banks should place a statement before their Boards analysing the complaints received. CPPAPS had further recommended that the Statement of complaints and its analysis should also be disclosed by banks along with their financial results. Further, a suggestion has been received that unimplemented awards of the Banking Ombudsman should also be disclosed along with financial results. Banks should place a statement of complaints before their Boards / Customer Service Committees along with an analysis of the complaints received. The complaints should be analysed (i) to identify customer service areas in which the complaints are frequently received; (ii) to identify frequent sources of complaint; (iii) to identify systemic deficiencies; and (iv) for initiating appropriate action to make the grievance redressal mechanism more effective.

4.01.10. Further, banks are also advised to disclose the brief details along with their financial results pertaining to the number of complaints pending at the beginning of the year, received during the year, redressed during the year and pending at the end of the year. Similar information pertaining to the Banking Ombudsman Awards received and implemented are also to be placed.

4.01.11. Further, banks are also advised to place the detailed statement of complaints and its analysis on their web-site for information of the general public at the end of each financial year.

4.01.12. Mechanism of Review of Grievances Redressal Machinery (specifically addressed to Public Sector Banks) - As per the existing guidelines, Banks should critically examine on an on-going basis as to how Grievances Redressal Machinery is working and whether the same has been found to be effective in achieving improvement in customer service in different areas. Banks should identify areas in which the number of complaints is large or on the increase and consider constituting special squads to look into complaints on the spot in branches against which there are frequent complaints. At larger branches and at such of the branches where there are a large number of complaints, the banks may consider appointing Public Relations Officers / Liaison Officers for looking into/mitigating the complaints/grievances of customers expeditiously. The banks may arrange to include one or two sessions on customer service, public relations etc., in training programmes conducted in their training establishments. In cases where the contention of the complainant has not been accepted, a complete reply should be given to him to the extent possible. Grievances/complaints relating to congestions in the banking premises should be examined by the bank's internal inspectors/auditors on a continuing basis and action taken for augmentation of space, whenever necessary, keeping in view the availability of larger accommodation in the same locality at a reasonable rent and other commercial considerations.

4.01.13 Tendency of Banks to Appeal Against Decisions of Lower Consumer Fora/Courts - It has been brought to the notice of the Committee in their interactions with consumer organisations, NGOs and aggrieved customers that banks do not immediately redress grievances having cost implications. They tend to encourage the customer to knock on the doors of the Banking Ombudsman, Consumer Forum or a lower Court. Even after a decision is made, it is observed that the banks appeal against the decision of the lower Court even though the cost implications of settling a case, in almost all the cases, is less than the cost of appealing. The Committee feels that in view of the imbalance in the relationship between a customer and a bank, the financial muscle of a bank permits it to escalate matters to very high levels even though issues of banking policy, public interest etc are not involved. Banks should weigh the cost aspects before appealing against a lower legal fora decision as it tends to postpone customer grievance redressal and appears as an attempt to wear down a customer.

4.02. RECOMMENDATIONS - The Committee examined the existing instructions and deliberated upon them by correlating them with the feedback obtained from the customers and bankers. The Committee felt that the existing instructions need to be complemented with certain additional requirements so that the grievance redressal mechanism in banks shall address all customer complaints and also reduce the burden on the Banking Ombudsman offices. Based on the above deliberations, the Committee recommends the following changes:

- **Online Grievance Redressal System:** Bank should provide for online registration of grievance in its website. The online grievance system should provide access to the customer also for recording the complaint, status tracking and receiving response from the bank.
- **Customer service during Internal Audit:** The bank / branch inspection should review also the systemic ways of complaint resolution rather than mere number of cases resolved.
- **Time frame for Grievance Redressal:** The time frame for redressal of different types of grievances in terms of the intensity and nature should be displayed on the notice board of every bank.
- **Escalation of Complaints:** Banks must ensure that minor complaints that could be resolved at the branch level itself are not escalated to next level. There must be clear segregation of grievances in terms of the ones that need to be escalated and the others that must necessarily be resolved at branch level. There is also a need for proper monitoring of internal redressal mechanism so that a minimum number of complaints are escalated to BO Office. This would help in strengthening customer confidence in the internal redressal mechanism.
- There should be incentive for resolving the complaints at lower level and disincentive for escalating it to a higher level.

- **Appealing to Higher Fora:** Where policy issues are not involved, banks should carefully weigh the cost aspects before appealing against the decision of lower legal fora like a Consumer Court/ Lower level Civil court.

Note: The Banking Ombudsman Scheme is also an extension of grievance redressal mechanism for a bank's customers. The Banking Ombudsman Scheme aspects have been discussed in the next chapter.

CHAPTER 5

THE BANKING OMBUDSMAN SCHEME (BOS)

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THE BANKING OMBUDSMAN SCHEME (BOS)

5.01. Background

In terms of the provisions of Section 35A of the Banking Regulation Act, 1949, the Banking Ombudsman Scheme (BOS) 1995 was first notified by RBI on June 14, 1995 with a view to provide for a system of redressal of customer grievances against banks. The Scheme sought to establish a system of expeditious and inexpensive resolution of customer complaints. The Scheme is in operation since 1995 and has so far been revised four times. The Scheme is administered through fifteen Banking Ombudsman Offices with specific jurisdiction, covering 28 States and 7 Union Territories in India. The Scheme was initially funded by the participant banks and staffed by the SLBC Convener Banks (State Level Bankers Committee) and RBI. However, in terms of the revised Scheme in 2006, the Scheme is fully funded and staffed by RBI. The Scheme covers all commercial banks, regional rural banks and scheduled primary co-operative banks.

5.02 Evolution of the Banking Ombudsman Scheme

5.02.01 The Banking Ombudsman Scheme, 1995 - The first Banking Ombudsman Scheme was introduced and implemented through RBI notification dated June 14,1995. The aim of the Scheme was to provide a system, through the Banking Ombudsman set up, for redressal of grievances against deficiency in banking services. The services covered within the ambit of the Scheme basically included the maintenance of deposit accounts (liability side for the banks) and related services like remittances etc. The areas such as loans and advances had also been covered with limited applicability as the commercial decision of the banks was kept out of the purview of the questioning by the Banking Ombudsman. The Scheme covered all scheduled commercial banks and scheduled primary co-operative banks.

5.02.02 The Banking Ombudsman Scheme, 2002 - The Banking Ombudsman Scheme, 2002, notified on June 14, 2002, was a continuation of the earlier Scheme with the following amendments:

- A "Review Authority" was introduced to review the Banking Ombudsman's Award decisions by RBI, when warranted. Any bank, against whom an Award has been passed, may file an application to the Deputy Governor, RBI to seek a review of the Award, with the approval of its Chief Executive. The bank can request for such a review only when the Award appears to be patently in conflict with the RBI's instructions and/or the banking law and practice.
- The Banking Ombudsman had also been authorised to function as an Arbitrator in respect of disputes either between banks and their customers or between banks. Under the 2002 amendment, the value of the subject matter of individual disputes under arbitration was capped at ₹10 lakh.
- RRBs were also included within the ambit of the Scheme.

5.02.03. The Banking Ombudsman Scheme, 2006 - With widening reach of banking services and introduction of technology and various technology driven products, it was felt necessary to widen the scope of the Scheme. The Banking Ombudsman Scheme 2006 was notified in December 2005 and the same came into effect from January 1, 2006. The scope of the revised Scheme was enlarged to include customer complaints on certain new areas such as credit card complaints, deficiencies in providing the promised services by banks/its sales agents, levying service charges without prior notice to the customer and non-adherence to the Fair Practices Code as adopted by individual banks. The important amendments made to the revised Scheme were as under:-

- New grounds of complaints were included under the purview of the BOS, 2006 to reflect the new areas of concern to the common man like credit card operations, pension disbursement, remittances, exchange of coins, etc.
- All complaints received by the Offices of the Banking Ombudsmen were given a Unique Identification Number from the Complaint Tracking System

(CTS) and a facility for online tracking the status of the complaint was given to the complainants.

- ❖ The requirement of specified format for filing the complaints was dispensed with. The complainants were allowed to file their complaints either in the format specified or in any other format furnishing all the required information. Further, complaints were allowed to be filed online or through e-mail.
- ❖ The process of reviewing of Banking Ombudsman's awards in the earlier Scheme was modified to 'Appellation' so as to increase the enforceability of such decisions.
- ❖ As against the practice of allowing only the banks to appeal for a review of Banking Ombudsman's Award, modifications were made to allow the complainants apply for an appellation of Banking Ombudsman's decisions.
- ❖ The provision of arbitration of inter-bank disputes by Banking Ombudsman was removed so as to enable the BOs to concentrate on dealing with the customer complaints only.
- ❖ RBI took over the Scheme fully by funding and staffing it as against the previous practice of funding by the participant banks and staffed by the SLBC Convener Banks and RBI. Further, the Banking Ombudsmen were appointed by RBI from its Officers in the rank of Chief General Manager as against the previous practice of appointing retired bankers and civil servants.
- ❖ Complaints involving frauds and forgeries were removed from the purview of the Scheme. The Banking Ombudsman had relied on the opinion of handwriting experts for dealing with such complaints. However, the Supreme Court had observed that the same to be a very weak evidence.

5.02.04 Amendments to the BOS, 2006 - May 24, 2007 - The Banking Ombudsman Scheme, 2006 was amended again vide notification dated 24 May 2007 to allow appeals in all cases that are made within the grounds of complaints specified in the Scheme. The amendments specified under which circumstances/clauses, an appeal can be made by the complainants.

5.02.05 Amendment to BOS 2006 - February 3, 2009 - The Scheme was again amended in February 2009. The main features of the amendments are:

- ❖ Inclusion of transactions made on the internet banking platform as ground for complaint.
- ❖ Inclusion in grounds of complaint the non-adherence to the provisions of the Codes of Bank's Commitments to Customers / MSEs (Micro and Small Enterprises) issued by BCSBI (Banking Codes and Standards Board of India) and as adopted by the bank.
- ❖ Inclusion in grounds of complaint the non-observance of RBI Guidelines on engagement of recovery agents by banks.
- ❖ Allowing complaint filing as per billing address for operations of credit cards and other types of services with centralised operations.
- ❖ Limiting the compensation sought from the Banking Ombudsman to ₹ 10 lakh or actual loss suffered, whichever is lower.
- ❖ Defining the compensation that can allow for complaints arising out of credit card operations that same should take into account the loss of the complainant's time, expenses incurred by him and the harassment and mental anguish suffered by him.
- ❖ Excluding complaints related to certain banking transactions, such as failure to honour Bank Guarantee or Letter of Credit, etc. from the Scheme's ambit.
- ❖ Simplifying the complaint form to facilitate complaint submission.

5.03. Observations and Recommendations of the Committee on the Scheme

5.03.01 The Position of the Banking Ombudsman in the Grievance Redressal Set-up - Interactions with Banking Ombudsmen and the customers had revealed that the Scheme and its applicability had not been properly and fully understood by the customers of the banks and the banking community though the Scheme has been in operation for over 15 years now. The same was seen through the fact that a major portion of

the complaints received comprised of first resort and non-maintainable complaints. First resort complaints accounted for the highest percentage of complaints rejected (31 per cent in 2009-10, 42 per cent in 2008-09 and 40 per cent in 2007-08).

5.03.02. First resort complaints are those complaints which should have gone directly to the bank concerned in the first place. It was observed that generally complainants prefer the Banking Ombudsman option as they felt the same as the fastest and definite route of complaint redressal. The Banking Ombudsman Offices merely forward such complaints to concerned banks and the observation was that generally such complaints were resolved by the banks. Though this might indicate the confidence the general public had in the Scheme, it also cast doubts on grievance redressal mechanism of banks.

5.03.03. The Committee in its deliberations came to the view that the full responsibility of customer service should reside with the service providers viz. the banks. The general view among the bank customers that Banking Ombudsman would ensure customer service in banks has put a vicarious responsibility on BO offices which was quite different from their objective of providing a simple dispute resolution option to the customers. Though the BO offices even at present are in the nature of appellate authority on banks, the same was not clearly evidenced during the customer interaction.

5.03.04. The system of further appealing against a BO decision had resulted in an appeal being permitted against a decision which in itself is in the nature of an appeal against a bank's decision on the complaint. It was observed that many appeals against BO decisions reach the appellate authority in RBI, which then had become the third tier.

5.03.05. There are also court cases wherein the Banking Ombudsmen and the RBI are made parties. There is reputational risk of becoming party to individual decisions as an appellate authority on a Scheme which is promulgated through a subordinate legislation and also summary in nature.

5.03.06 Public Awareness on the Scheme - The second-highest component of the complaints received at BO Offices was complaints outside the BO Scheme comprising 23 per cent of rejected complaints in the year 2009-10 which indicated the level of customer unawareness about applicability of the Scheme.

Staff handling Complaints

5.03.07. The general opinion of the Banking Ombudsmen on this subject was that the base level staff posted to BO office lacked banking knowledge as they have had limited exposure to practical banking. It was also opined that in the fast changing banking scenario with regular introduction of various new products and services, the capability of the current base level staff to cope with complaints in that area would be a serious concern.

5.03.08. It was also observed during the interaction with the Banking Ombudsmen that it was not always possible for local RBI Office to provide suitable staff for manning the BO office because of administrative reasons. Further, the staff posted to the BO office was not necessarily exposed to the regulatory/supervisory or general banking departments of RBI.

5.03.09. Types of Customers Approaching the Banking Ombudsmen - Though the BO Scheme had been designed generally to offer grievance redressal option for common man, there is no specific restriction of the Scheme applicability to individuals, retail customers, small borrowers and MSEs.

5.03.10. Banking Ombudsman for Co-operatives - The applicability of the Scheme is limited to Commercial Banks/RRBs/Scheduled Urban Banks. Customers of co-operative banks all over the country expressed the need for such a scheme for the co-operative sector. The Committee discussed the issue and was of the opinion that as the revised BO Scheme recommended that RBI Ombudsman would only be an appellate authority, it may not be possible for co-operative institutions to appoint the Chief Customer Service Officers who are required to give the original decision. Also, Co-operative institutions have multiple Regulators (RBI, NABARD, Registrar of Co-operatives etc.,) and the Ombudsman concerned must necessarily come from within the ambit of these Regulators. Hence, it may not be possible for the present RBI Ombudsman structure to accommodate institutions in the Co-operative structure. The Committee was of the view that RBI may take up suitably with NABARD for evolving an Ombudsman Scheme suitable for redressing the grievances of the customers of the Co-operative banking institutions not covered under RBI scheme.

5.04. RECOMMENDATIONS

Based on the deliberations, the Committee recommends the following:

(i) The Position of the Banking Ombudsman in the Grievance Redressal Set-up

- There is a need for the banks in developing their Internal Grievance Redressal Mechanism to ensure only the minimum number of cases get escalated to the Banking Ombudsman and the Scheme is strictly utilised only as an appellate mechanism.
- The above can be made possible by having an official within the bank in the form of an **Internal Ombudsman** which is in vogue in some countries like Canada and France. The Boards of banks should appoint a **Chief Customer Service Officer (CCSO)** not less than the rank of a retired General Manager of a Scheduled Commercial bank preferably from outside the bank (under advice to RBI). The person so appointed should have necessary exposure in working of operational side of banking. The Audit Committee of the Board would have an oversight over the CCSO. He should be reporting directly to the Chairman/CMD/CEO of the bank. The initial term of appointment may be kept for 2-3 years and necessary extension may be granted as per suitability criteria.
- A person aggrieved with a banking service as hitherto will first complain to the bank and if within a month does not receive a reply or is unsatisfied with the reply, will appeal to the CCSO of the bank. In view of CBS environment and latest technology available in communication, it is expected that banks would resolve the grievance within 30 days of the receipt of complaint including the period required for conciliation meeting etc. On failure to get a reply within a month from the CCSO or if unsatisfied with the reply of the CCSO, the complainant can appeal to the Banking Ombudsman of the relevant jurisdiction. The decision of the BO shall be final and no further appeal will be allowed.

- ❖ The appeal to the BO may be made only on banking services on which complaints are presently entertained under the BO Scheme.
- ❖ Once the appointment of the CCSO is cleared and stabilised, the role of Banking Ombudsman would be that of an Appellate Authority. The above arrangement would also ensure that the RBI Top Management is not involved with individual complaints / decisions.
- ❖ The nodal administrative department at the RBI Central Office level, viz: the Customer Service Department, should ensure uniformity of decision making among the Banking Ombudsmen by active consultation and exchange of information. Thus, a customer aggrieved with the decision of BO can go to the formal fora like Consumer Courts, Civil Courts etc. The banks aggrieved with a BO decision may seek the advice of the Customer Service Department before approaching the Courts.
- ❖ Moreover, before challenging any such Award or decision in higher Court every bank must examine the cost implications of such a decision from the bank's perspective.
- ❖ Further, any decision or Award given by BO or any Grievance Redressal Forum must be internally examined by the bank concerned for initiating possible Class Action at the branch/bank.

(ii) Public Awareness on the Scheme - RBI and BO Offices are trying to educate the public about the BO Scheme through awareness campaigns, outreach programmes, publicity through print media, All India Radio and Doordarshan. However, these efforts need to be complemented by the banking industry. All the communications sent by the banks should have an insert on the Banking Ombudsman Scheme and its applicability.

(iii) Staff Handling Complaints

- ❖ The base-level Dealing Officers of the Banking Ombudsman Office (other than the BO, Secretary to the Scheme and the sub-staff), should be staffed by the Officers of commercial banks in the region preferably from the three largest banks in the region.

- ❖ The cost of deputation of such Officers should be suitably reimbursed to the banks by RBI.
- ❖ To ensure quality of the Officers deputed by the banks, suitable monetary incentives, similar to those given to members of faculty of the RBI's training colleges, should be given.
- ❖ It should also be ensured that no staff of a BO office shall handle a complaint pertaining to his/her parent bank.

(iv) Types of Customers Approaching the Banking Ombudsmen - The ambit and scope of the Scheme should be restricted to common individuals, retail customers, small borrowers and Micro and Small Enterprises (as per the Government of India definition) only.

(v) Location of BO Offices - Presently, there are 15 Banking Ombudsman Offices in major State Capitals having jurisdiction over the entire country. Several States do not have a BO office. The bank customers in Jammu and Kashmir and the North-Eastern States have stated that it was not possible to interact with the far away BO offices in New Delhi and Guwahati respectively. RBI should therefore ensure that there is an Office of Banking Ombudsman in the State of Jammu and Kashmir and a Representative BO Office of a lower level in each of the other States of the country.

(vi) Other Recommendations:

- ❖ An appeal / complaint under BO Scheme should pertain to a transaction which has occurred within two years of the date of appeal as it is very difficult to resolve such old disputes on the basis of records which at times are difficult to trace. Thus, complaints which are older but redressal delayed in correspondence with a bank, cannot be referred to BO citing the last reply received from the bank. Thus, the Clause 9 (3) (b) which reads 'The complaint is made not later than one year after the complainant has received the reply of the bank to his representation or where no reply is received, not

later than one year and one month after the date of the representation to the bank' is required to be amended as 'The complaint is made not later than two years after the occurrence of the transaction which has resulted in the complaint'.

- The Clause 12 (5) of BOS 2006 reads 'Notwithstanding anything contained in sub Clause (4), the Banking Ombudsman shall not have the power to pass an award directing payment of an amount which is more than the actual loss suffered by the complainant as a direct consequence of the act of omission or commission of the bank, or ten lakh rupees whichever is lower' is required to be amended as "Notwithstanding anything contained in sub Clause (4), the Banking Ombudsman shall not have the power to pass an award directing payment of an amount which is more than the actual loss suffered by the complainant as a direct consequence of the act of omission or commission of the bank, or ten lakh (excluding the amount of dispute) rupees whichever is lower."

- Further, the compensation allowed should be restricted to actual loss only as the Banking Ombudsman not being a judicial forum, he may not give compensation for any mental harassment which cannot be easily computed.

- The Scheme should be limited to banking transactions taking place in India only including internet transactions. Transactions initiated/taken place abroad need not be covered in the scheme.

- Nodal Officer is an important liaison officer between the bank and the BO office. He is responsible for supplying desired information to BO Office quickly. Nodal Officer should be competent and equipped to take decisions during the conciliatory meetings. Certain instances where Nodal Officers were not found to be competent enough were observed during the interaction with the Banking Ombudsmen. Banks must give a serious thought to the appointment of the Nodal Officers.

- In case of on-line complaints, the Complaint Tracking Software used in BO Offices should be modified suitably to divert the first resort complaint to the respective bank site online by developing link with the bank's complaint site.

- The applicability of the Scheme is limited to Commercial Banks/RRBs/ Scheduled Urban Banks. As customers of co-operative banks all over the country expressed the need for such a scheme for the co-operative sector, RBI may take up suitably with NABARD for evolving an Ombudsman Scheme suitable for redressing the grievances of the customers of the Co-operative banking institutions not covered under RBI scheme.

CHAPTER 6

ROLE OF THE BOARDS OF BANKS IN CUSTOMER SERVICE

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ROLE OF THE BOARDS OF BANKS IN CUSTOMER SERVICE

6.01. Need for Board's Involvement

6.01.01. Customer service is the backbone of banking and the banking system in India has the largest outreach for delivery of financial services. While the coverage has been expanding on a daily basis, the quality and content of dispensation of customer service is under tremendous pressure, mainly due to the increasing volumes of operations and ever increasing expectations of the customers. Commitment to hassle-free service to the customers ***under the oversight of the bank's Board*** is necessary to ensure maximum customer satisfaction. Customer centricity should be the purpose of the existence of the bank. The attitude in this regard, should flow from the top management to the front line managers. A quip by a leading banker in a meeting of the Committee that 'if you pay Udipi charges, you should not expect Oberoi service' perhaps best sums up the present attitude of many bankers to customer service. The statement missed the fact that the customers in fact desire affordable, quick and hassle free 'udipi' service and hence the disconnect becomes more obvious.

6.01.02. It is necessary that all important matters relating to customer service are deliberated by the Board of the bank to ensure that the instructions are implemented meaningfully. Reserve Bank of India, as the Regulator of the banking sector has taken several steps in bringing to fore the role of the Board of Directors in customer service area.

6.01.03. RBI has given various Guidelines to the banks on this subject. The same are summarised below:

6.01.04. Customer Service Committee of the Board - Banks are required to constitute a Customer Service Committee of the Board and include experts and representatives of customers as invitees to enable the bank to formulate policies and assess the compliance thereof internally with a view to strengthening the corporate governance structure in the banking system and also to bring about ongoing improvements in the quality of customer service provided by the banks.

6.01.05. The Customer Service Committee is also required to play a pro-active role with regard to complaints / grievances resolved by Banking Ombudsmen of the various States. With a view to enhance the effectiveness of the Customer Service Committee, the banks are required to:

a. place all the awards given by the Banking Ombudsman before the Customer Service Committee to enable them to address issues of systemic deficiencies existing in banks, if any, brought out by the awards; and

b. place all the awards remaining unimplemented for more than three months with the reasons therefor before the Customer Service Committee to enable the Committee to report to the Board such delays in implementation without valid reasons and for initiating necessary remedial action.

6.01.06. Standing Committee on Customer Service - The Committee on Procedures and Performance Audit of Public Services (CPPAPS) examined the issues relating to the continuance or otherwise of the Ad-hoc Committees and observed that there should be a dedicated focal point for customer service in banks which should have sufficient powers to evaluate the functioning of various departments. The CPPAPS, therefore, recommended that the Ad-hoc Committees should be converted into Standing Committees on Customer Service.

6.01.07. On the basis of the above recommendations, banks are required to convert the Ad-hoc Committees into a Standing Committee on Customer Service. The Standing Committee, cutting across various departments, serves as the micro-level Executive Committee driving the implementation process and providing relevant feedback while the Customer Service Committee of the Board oversees and reviews the initiatives. Thus, the two Committees would be mutually reinforcing with one feeding into the other.

6.01.08. Branch Level Customer Service Committees - The Branch Level Customer Service Committees are required to submit quarterly reports giving inputs / suggestions to the Standing Committee on Customer Service, thus enabling the Standing Committee to examine them and provide relevant feedback to the Customer Service Committee of the Board for necessary policy / procedural action.

6.01.09. Board Approved Policies on Customer Service - Banks are required to have a Board approved policy for Deposits, Cheque Collection, Customer Compensation and Customer Grievance Redressal.

6.01.10. Exclusive Time on Customer Service in the Board Meeting - The Reserve Bank of India has also made it mandatory for the Board of Directors that they devote exclusive time in the Board meeting once in every six months to review and deliberate on customer service and initiate prompt corrective action wherever service quality / skill gaps have been noticed.

6.02. Deliberations of the Committee - The Committee deliberated upon the above Guidelines and also the compliance by the banks to the above instructions. Despite the present set up and guidelines ensuring involvement of the Board in the area of customer service, the Committee's interaction with various stakeholders indicated that there is a need for improving the involvement of the Board of Directors in customer service by taking more proactive initiatives to improve the level of customer service. The Committee felt that a satisfied customer is a good business proposal and helpful in growth of the banking industry and that such a concept should be adopted by the Board in its oversight and policy framing related to customer service. Further, the Committee observed that the banks should try to find out the root cause of customer dissatisfaction and address the same systemically.

6.03. RECOMMENDATIONS - In line with the above deliberations of the Committee, the following recommendations are made:

6.03.01. The Board of Directors should play a proactive role in implementing all the customer service guidelines and instructions. Root cause analysis of the top five types of complaints of a quarter should be placed before the Customer Service Committee of the Board held in the subsequent quarter. A brief note on the discussions held on the same should be placed before the Board in its subsequent meeting. The actionable points that emanate out of such deliberations should be closed only after placing the compliance status in the subsequent meetings of the Customer Service Committee / Board (as the case may be).

6.03.02. An agenda should be placed before the Customer Service Committee every quarter on the level of implementation of the Bank's Code of Commitments to Customers. The agenda should also correlate between the Code implementation and the complaints received.

6.03.03. Another agenda to be placed in the Customer Service Committee every quarter is an overview on the grievance redressal mechanism in the bank. The aspects such as the number of complaints received and redressed, use of grievance redressal initiatives like access through toll free numbers, help-line, mails, online complaints, SMS responses and the position of complaints against the bank with the Banking Ombudsman offices/Consumer Courts/Courts. The agenda should spell out the reasons for emanation of such complaints to the Banking Ombudsman rather than getting resolved by the Bank itself.

6.03.04. The Board should ensure that the following policies are in place:

- Every bank should have comprehensive policies for Customer Acceptance, Customer Care and Customer Severance.
- The bank policies should clearly lay out its approach to Customer Care taking into account the geographic spread of its branches, segments of customers, needs of special sections like senior citizens, widows, physically challenged persons etc. This policy must also clearly define and distinguish the features for different products and services and must indicate the target customer group.
- The policy should show sensitivity for the small customers by ensuring that the pricing (bank charges) does not act as a deterrent for the small person to do banking transactions.
- The Bank's approach to Financial Education aspects are also required to be documented through a policy framework.
- **Customer Centricity:** The Bank's approach to develop 'Client First Attitude' by its employees needs to be documented and the same may include aspects such as positive attitudinal change, behavior and practices,

the skill gaps of employees, the process of re-engineering the recruitment of staff for the purpose etc. Banks Boards should evolve Human Resources policies which will recruit for attitude and train for skills.

- ❖ The Bank's policy should be framed to ensure that the prescribed response time for every type of grievance should be approved by an official not below the rank of the Top Management of the Bank.
- ❖ Banks should codify annually all its policies/operational guidelines as that would help the front line staff to serve the customers better.
- ❖ The internal inspection / audit reports of banks should adequately focus on customer service and the audit rating should appropriately reflect the importance of customer service.
- ❖ Customer service and grievance redressal should be included as a mandatory parameter in the performance appraisal report of all employees.
- ❖ Banks may consider reward, recognition and motivation programme for front-line Officers who have shown exemplary character in ensuring customer service. Non-monetary rewards such as being invited for lunch/dinner with the Board/CMD, a presentation to the Board etc. may be considered.

6.03.05. The Branch Level Customer Committee meetings may be replaced with a meeting of customers of all banks of that area (say district-wise, block-wise) and be held in the presence of representatives of banks at periodic interval (monthly/quarterly). The responsibility of organising such meetings may be entrusted to eminent Consumer Organisations in the region and expenses of such meetings can be shared by the bankers of that jurisdiction. The proceedings of the meetings should be recorded (CCTV) for the purpose of review of the same in higher fora.

CHAPTER 7

SUMMARY OF RECOMMENDATIONS

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SUMMARY OF RECOMMENDATIONS

The Committee met various stakeholders pertaining to the area of customer service. Based on the deliberations with the stakeholders, the Committee has made its recommendations on the following sections:

- ❖ Customer Service in Banks.
- ❖ Grievance Redressal System in Banks.
- ❖ Banking Ombudsman Scheme.
- ❖ Customer Service and Technology.
- ❖ Role of Boards of Banks in Customer Service.

A. CUSTOMER SERVICE IN BANKS

A.1. DEPOSIT ACCOUNTS

(i) Bundling of Products - The customers had expressed a desire to pay only for the product they use, would prefer plain vanilla products and are distinctly unhappy paying for an entire bundle, most of which, they feel they would never use. The Banks should be in a position to design products suiting their requirements rather than forcing upon the bundled products on the customers.

(ii) Passbooks / Account Statements -

a. The Pass Book / Statement of Accounts should indicate the account number, name, address and ID of the customer, MICR Code, IFSC Code, Toll free Customer Care number and Ombudsman contact details etc.

b. Digitally signed e-mail statements should be sent to the customers on their request and these should be accepted by the various Government Authorities.

c. The Passbook should be a mirror of the summary of transactions as appearing in the bank's books. It should be readable with appropriate font size (Arial, 12) and define all the acronyms used.

d. The name of the payee as well as instrument number in case of debit entries and the name of payee bank / drawer of instrument as well as instrument number in case of credit entries should be provided by the banks in the Passbooks / Statement of accounts.

e. Instead of recording separately gross interest credited and TDS debited, some banks record only one figure of net interest credited. Details such as gross interest credited and TDS debited should be explicitly mentioned in the TDS Statement.

(iii) Inoperative Account - Before marking the account as inoperative, the banks must intimate the account holder by SMS. If the account holder is not traceable, banks must make efforts to trace the whereabouts of the account holder or his legal-heirs in case the account holder is deceased.

(iv) Minimum Account Balance - Banks should inform the customer immediately on the balance in the account breaching minimum balance and the applicable penal charges for not maintaining the balance by SMS/e-mail/letter. Further, the penal charges levied should be in proportion to the shortfall observed.

(v) Basic Savings Account - Bank should offer a basic bank account with certain privileges like certain number of transactions (say three per month), cheque facility, ATM Card, etc., without any prescription of minimum balance. This would be a regular account with full KYC and the bank should clearly indicate the transaction charge for each type of transaction above the permissible number of transactions. Banks may then prescribe Average Quarterly Balance of various slabs with offer of higher privileges and facilities.

(vi) Annualised Interest Yield on Deposits - All Fixed Deposit Receipts should prominently indicate the annualised interest yield to facilitate informed customer decisions. Interest rate distortions on retail deposits of varying or odd maturities

which confuse the customers should be monitored by RBI as to their relevance vis-à-vis the other financial parameters of the bank.

(vii) Uniform Account Opening Forms -

a. As customer relocation is possible and common these days, IBA should standardise the Account Opening Form (AOF) common to all banks, similar to formats available for loans & advances.

b. Additional information required for individual banks may be obtained in the annexure to AOF which should contain detailed checklist of documents to be submitted by the customer and this checklist should also be available in the websites of IBA, RBI and all Banks.

c. Account Number Portability - Customer should also be allowed to maintain the same account number in a bank even when he/she moves to another city or shifts his account to another branch in the same city.

(viii) KYC Norms -

a. KYC for additional accounts opened in the same bank should have relaxed conditions and there should not be a repeated exercise.

b. IBA may consider setting up a trusted third party KYC Data bank which can be relied upon for KYC purposes and perhaps hosted under the UID number of the customer.

c. Unique Identification No. (UID) as KYC for Opening No Frills Account - With introduction of Unique Identification (UID), it is recommended that for opening of No Frills Accounts, UID may suffice as KYC. Till the full implementation of UID project, self-attested photograph and address proof should be treated as sufficient KYC to open no frills account.

(ix) Linking Terms and Conditions of various Products to CBS - All products like PPF or any future products introduced for specific segments, say senior citizens, which are provided on an agency basis by banks should have all their terms and conditions properly integrated into the CBS.

(x) Renewal Notices for Term Deposits - The term deposit renewal notices should be sent to customers preferably in electronic form to enable them to decide the renewal terms. Statement of all deposit accounts in summary form giving details like principal amount, maturity value, maturity dates, rate of interest, annualised interest yield etc. should also be provided by banks. Further, the banks should not auto-renew the deposit accounts without customer consent in writing.

(xi) Service Charges -

- **Charges for Basic Service -** There was no uniformity in the charges across the banks. The Regulatory prescription that 'Charges should be reasonable' had not achieved its purpose and proper pricing of these basic banking services, especially for lower category of customers, had not been addressed. The service charges for select aspects should be prescribed/ implemented in the same way as the charges for NEFT usage have been prescribed.
- **Charges on Non-Home Branch Transactions -** Such charges are not justified under CBS environment. Further, routine services like pass book updation which are of informative nature should be made available to the customers free of charge. Banks can rope in services of BCs for delivery of such services through Information Kiosks in off-branch locations.
- **Intersol Charges -** There is a practice of levying intersol charges on third party banking transactions at non-home branches. In CBS environment, banks should not levy Intersol charges on self / local cheques. Further, for intercity transactions, the Intersol charges should not exceed intercity collection charges.

(xii) TDS certificate - TDS remittance details such as BSR Code, Acknowledgement Number, Challan Number and date should be made available in the TDS certificate. Similarly, aspects such as interest details in respect of Sweep In / Sweep Out Accounts, Term Deposit Account number for which interest was paid also should be available.

(xiii) A Single Form 15G/H linked to a customer ID should serve the requirement of Income Tax Authorities for all the deposits maintained by a customer in a bank during a particular financial year instead of taking a separate form for each deposit.

A.2. REMITTANCES

(i) **Small Remittances -** Customer has to pay high DD charges for a DD of a very small amount. Banks should consider having a tear away draft of definite denomination or make electronic transfer of draft amount and issue a tear away receipt which would reduce time and cost for the user and the bank. In the mean time, there should be prepaid instruments of pre-determined value available to the customers at a reasonable price.

(ii) **Prepaid Instruments -** Availability of prepaid instruments of higher value would find favour with frequent travellers/ tourists. The banks should be permitted to issue such 'all purpose prepaid cards' with a maximum withdrawal limit of ₹ 50,000/- per day.

(iii) **Online Payments -** The Users (utilities, airlines, railways etc.) of electronic bank platforms for making collections may offer small discounts to their customers to favour electronic payments. This would result in substantial savings to them in cash management.

(iv) **Travel VISA Fee payable at Banks -** The guidelines and documents required for securing drafts for getting visa of major countries like USA, UK, Australia etc. should be clearly spelt by banks on their websites and the facility should be extended from more branches.

(v) **Penalty for Returned Clearing Cheques -** While there is a broad based consensus on the need for reasonable penalty on the drawer of the cheque to both the presenting and the issuing banks, the presenting party (Payee) should be exempt from penalties. Customers should be compensated for wrong returns on the lines similar to penalty for returns imposed on the customers.

(vi) **Automatic Cheque Deposit Facility -** Cheque Drop Box should provide receipt/ acknowledgement along with the image of the cheque.

(vii) Cheque Truncation from the point of deposit in the automatic deposit machine should be allowed, thereby preventing further flow of physical cheque to Clearing Department. Cheque Deposit Machine should be installed in branches where daily cheque deposit is more than 300.

(viii) CBS should provide for matching the salary paid account through ECS with the name provided by the Organisation/Employer before entertaining the ECS mandate.

A.3. LOANS AND ADVANCES

(i) **Pricing and Non-pricing Terms and Conditions of Loans -** All pricing and non-pricing terms and conditions of loans should be in strict conformity with the Regulatory Guidelines and correctly capture the risks involved and the rating of the borrowers concerned individually or as a class. Regulation should ensure that customers clearly understand the pricing policies of banks and the Supervision should ensure strict compliance of a bank with the Regulatory Guidelines regarding pricing and non-pricing terms governing all loans.

(ii) **The CBS Software should be so enabled so as to provide the following:**

- ❖ Provision to apply for retail loan should be available in bank's portal and Internet Banking. Tracking of loan proposal status should also be made available.
- ❖ Reason for penal interest on loan accounts, rate of interest charged in loan accounts, etc. should be mentioned in Passbook/Statement of Account.
- ❖ Housing Loan Interest Certificate / Education Loan Interest Certificates are required for Income Tax purpose by the borrowers every year. CBS Software should be enabled to generate / issue such certificates in respect of all housing loan and educational loan customers in the month of April every year.

(iii) Time Schedule for Disposing of Loan Application - Banks should inform upfront the time schedule for disposal of loan applications to the borrower and take responsibility for not disposing of the loan application within that time limit.

(iv) Loan Statement - Banks must ensure that loan statements are issued to the borrowers periodically giving details of loan disbursed, demands and repayments effected along with interest and details of charges.

(v) Loan Documents - Borrower should be made aware upfront about various documents required to be produced for processing of loan application, instead of in piecemeal.

(vi) Small Loans - The delay in getting small loans from banks was diverting poor people to private money lenders. Banks should provide timely, adequate and cost effective loans to the poor.

(vii) Reporting to Credit Information Bureau - Banks should be doubly careful while reporting a borrower as defaulter to Credit Information Bureau. Banks should ensure that any representation from the customer in this matter is processed expeditiously. In case of any adverse remark in Credit Report, the bank may inform the customer for necessary clarification upfront so that errors, if any, can be corrected.

(viii) Rules of the Credit Information Bureau should clearly differentiate settlements done at a huge loss to the bank from the routine settlements, where customers dispute on fees, commissions etc and accordingly create suitable flag in the Credit Report.

(ix) Home Loans -

- ❖ All home loans must have MITC clearly stating the terms and conditions of the loan. This should also be available in the local language and in a bigger font, preferably size 12.

- ❖ In a floating interest rate scenario, when an entire class of borrowers has the same characteristic and risk level, the point of entry in time (old customers and new customers) should not create discrimination in interest rate offered to the customers. In such cases, the Spread over the base rate should not vary when individual risk rating for loans is absent, as is usually the case in Retail Loans.
- ❖ **Housing Loan Foreclosure Charges -** Banks should not impose exorbitant penal rates towards foreclosure of home loans and a policy should be devised to ensure that customer is not denied of opportunity to enhance his economic welfare by making choices such as switching to other banks/ financial entities to enjoy the benefits conferred by market competition. Further, measures to stop practices of discriminating between new and old customers with identical risk profiles on the basis of interest rate offers, must also be initiated.
- ❖ Banks should automatically provide Annual Account Statement to home loan customers without request from them. Such Statements must contain details of payments made towards principal and interest including principal outstanding.
- ❖ All home loans should permit a switchover between fixed to floating or vice-versa at least once during the loan tenure at an appropriate and reasonable fee.
- ❖ Home loans backed by insurance products, in any eventuality, should be automatically settled by the insurance amount with minimum inconvenience to the nominees and heirs. The procedure should be explained upfront to the customers.

(x) The title deeds should be returned to the customers within a period of 15 days after the loan closure and the Boards of banks should put in place a suitable compensatory policy to compensate the customer for delayed return of title deeds or where there is a loss of title deeds in the custody of the banks.

(xi) Most Important Terms and Conditions (MITC) - The banks must develop MITCs for all the important products and services focusing on the 5 - 10 items that are of critical importance to the consumers. All MITCs should be in Arial font and size 12, which would be easily readable to the customers.

(xii) Educational Loans - The banks should ensure through Government subsidy or insurance that the educational loans are properly priced so that no bright student would be denied an educational loan. The criteria for giving such loans should be well publicised through website or advertisements to ensure transparency and non-discrimination in sanction. The Board Approved Policy for educational loans should indicate the minimum percentage in value or number of such loans which will be disbursed to students from rural areas.

(xiii) Switch Over to Base Rate - Banks may bring the possibility of switch over to Base Rate to the notice of all concerned borrowers as envisaged in RBI Circular in this matter and also explain the benefits of switchover.

A.4. SPECIAL CUSTOMERS

(i) Pensioners and Senior Citizens -

- ❖ There should be prioritised service to senior citizens, physically handicapped persons by effective crowd / people management available at all branches.
- ❖ Provision of SMS alerts service about balance in the account at periodic intervals and about due dates for submission of important documents should be introduced.
- ❖ Automatic updation of the customers to the senior citizen category based on date of birth.
- ❖ Pensioner may be allowed to submit the annual life certificate at any of the (linked) branches and not necessarily at the home branch. All the life certificates may be maintained in a centralised database.

- ❖ The data relating to individual pensioners, the monthly certificates etc., that pensioners would desire should be available in a secure domain for immediate retrieval and usage.
- ❖ In line with the RBI Guidelines and Board approved Policies, there must be hassle-free settlement of amount dues to the nominee/legal heir, as and when required.
- ❖ There should be uniformity among the banks as to the age for consideration of the longevity based on which pensioner's loan is calculated.
- ❖ Banks should create awareness about Reverse Mortgage Scheme among pensioners / senior citizens.
- ❖ On demise of the pensioner, the existing 'Either or Survivor' pension account should become a single account in the name of the 'Survivor' and the family pension should automatically be credited to such accounts.
- ❖ Similarly, all joint accounts with 'Either or Survivor' clause should become single accounts of the 'Survivor' after the demise of the other joint account holder.
- ❖ Banks should streamline and fine-tune the functioning of their Centralised Pension Processing Centres to ensure timely disbursal of pension, commencement of family pension on time and error-free calculation of pension.
- ❖ Banks should make arrangements to disburse pension to sick and disabled pensioners at their door steps. Banks may make use of Business Correspondents for this purpose.

(ii) Customers in Rural and Semi urban Areas -

- ❖ Banks should ensure proper currency exchange facilities and also the quality of notes in circulation in rural areas.
- ❖ Branches should be made functioning at a time convenient to the customers (agricultural laborers, workers, artisans, etc.) i.e., morning hours and late evening hours.

- ❖ It should be ensured that the branches are opened as per the schedule times and operating them for the full hours.

(iii) SHGs -

- ❖ SHG members should not be forced to take insurance products.
- ❖ Multiplicity of loans to the same borrowers through MFIs should be avoided as the same results in poor recovery by SHGs.
- ❖ Banks can provide loans to SHGs in tranches. However, the same should take into account the business requirements of the SHG rather than depending solely on the repayment made by the SHGs.
- ❖ SHG representatives should also be given presence in the SLBC forum.

(iv) Tribal Areas / North-East -

- ❖ The business correspondent / facilitator model should be completely used for improving the banking facilities in the tribal areas.
- ❖ Banks should ensure that at least one of the staff members in the branches in tribal areas is conversant with local language.
- ❖ Financial education material in pictorial form and audio presentations in local dialect should be used in Tribal areas.
- ❖ The RBI may follow up with Government of India and the State Governments in the region for implementing the branch expansion plan that envisages coverage of all the habitats with population of 2000 or more by end of March 2012.
- ❖ The banks must pro-actively engage with the Local Governments to open more and more banking access points.
- ❖ Prominent citizens belonging to important Tribes of the region could also be considered for appointment as BC.
- ❖ RBI may take up the issue of poor VSAT based connectivity in the region with Government of India for BSNL to do the needful at the earliest.

- ❖ The banks may explore the Cash at PoS avenue, may be by trying to tie up with oil marketing companies (petrol pumps, etc) on a pilot basis.
- ❖ The KYC norms and related tax issues may be viewed from the region - specific requirements and may be on a relaxed basis for a period of five years or till such time that the average population per branch reaches the national average.
- ❖ The RBI and Government must look at providing positive impetus to staff transfers and postings to the region so that achievement of banking/ financial inclusion becomes a reality. Further, the staff so selected and posted must also focus on local talent building and development.
- ❖ The SHGs could go a long way in furthering the cause of financial inclusion in the region. The banks should facilitate the same opening of accounts for the SHGs in the region.
- ❖ Improvement is required in provision of RTGS / NEFT facility to the customers from the region.
- ❖ Banks must recognise the socio-economic importance of funding the projects, while playing by the rules and not harshly interpret and implement the sectoral exposure caps.
- ❖ The banks may not apply their internal All India norms for deciding on the permissible bank finance in the north east which requires special dispensation owing to its location and other infra-structural constraints.
- ❖ RBI may consider opening its Representative Offices/Cells in each of the States in the North East.

(v) Standardisation of Product Packages for Defense Personnel - There is a need to have uniformity in the packages developed for defence personnel across the banks.

(vi) Disabled Persons -

- ❖ Disability Audit should form a part of the internal audit to ensure compliance with the provisions of Disabilities Act, 1999.

- ❖ Banks may consider channelising funds to disabled persons through their All India bodies.

A. 5. INSTITUTIONAL ARRANGEMENTS

a. The awareness about the BCSBI Codes even after five years since the incorporation of BCSBI has not penetrated to the desired level and banks need to make every effort in that direction. A full and proper implementation of the Codes is an important and urgent requirement to fulfill the commitment made to the bank customers.

b. Failure to discharge what is expressly stated in the Compensation Policy of a bank should have an Automatic Penalty which will enhance the compliance thereof.

c. In transactions involving frauds where banks allege negligence by the customer as a reason for the fraud, the onus of proving negligence should be with the bank.

d. The banks should train and familiarise all the staff in following and implementing the Codes.

e. A commitment and close monitoring by the CEOs as well as the Board of Directors of all banks should be ensured for proper and effective implementation of provisions of Codes in letter and in spirit at the grass root level.

f. RBI should examine the reasonableness of the banks' Stand / Products / Pricing in the areas that have been deregulated or left to the discretion of the bank. There should be a Regulatory Prescription similar to that of administered charges for remittance transactions (NEFT/RTGS) on pricing by fixing an upper cap for small transactions to ensure that such transactions are not discouraged by high thresholds.

g. Regulation should plug all anomalies which create doubts about fairness regarding pricing which should be transparent, non-discriminatory and also

objective. There should be explicit Regulatory Prescriptions and a closer Regulatory Oversight of such actions by banks which raise customer issues clogging the Grievance Redressal Mechanisms.

h. Every bank Board should evolve a policy which ensures fair treatment to customers in all their dealings with the banks.

i. Every bank (Public, Private, Foreign, Scheduled Urban Co-operative Banks, RRBs) should prepare a fresh "Bank Customers' Charter" incorporating all the aspects of RBI Guidelines, Principles of Citizens' Charter and Codes of BCSBI. This Charter should be displayed on the bank's website/notice board of every branch.

A. 6. CUSTOMER EDUCATION

(i) Special efforts are required to educate the customers in the use of technology in banking. Banks should make use of Print media, Television, All India Radio for this purpose. Short training programmes at the branch level can also be arranged for the customers.

(ii) Banks should ensure full transparency to the customer in levying of various fees/ service charges and penalties.

(iii) Banks should establish a proper Customer Grievance / Assistance Centre which works in an integrated manner across channels like – branches, call centres, IVR, internet and mobile. The personnel in the Call centres who receive the grievances should be empowered to make decisions.

(iv) Use of various technology channels for customer education and gathering suggestion for improving service should be made.

(v) All banks should implement a relevant Customer Relationship Management system to capture and track customer issues and complaints.

(vi) Branches should be provided with dedicated phones / computers with internet connection so that customers can avail themselves of the facilities such as Call Centre, Internet Banking and Phone Banking at the branch itself.

(vii) For imparting customer education participation from all the concerned players is necessary. In this regard, Lead banks should involve customer associations, consumer organisations in revisiting/ evolving strategy for imparting customer education.

(viii) Call Center - IBA should consider a toll free Common Call Center number (like Dial 100) for all banks. A customer would ring that number and thereafter get diverted to the bank concerned.

A.7. COMPREHENSIVE BANKING REGULATION - A new comprehensive banking legislation suitable to technology driven modern day banking may be enacted to eliminate interpretation issues of varied existing laws.

A.8. OTHER ASPECTS

- ❖ The banks must have a well defined policy that sets out their approach to Customer Care. This also must take into account the human resources angle starting from the recruitment process to take care of attitudinal aspects.
- ❖ The staff manning positions in Customer Service Departments in banks should receive specialised training so that customer complaints are professionally handled and there is no cause of customer dissatisfaction.
- ❖ Banks should put in place an effective mechanism to ensure that rude Relationship Managers do not expose the bank and the customers to undesirable risks.
- ❖ Banks should put in place a suitable mechanism to ensure that all branches dealing forex matters as also the forex customers of the banks have access to proper advice either online or through phone.
- ❖ Branch network in North-East region needs expansion as many areas are still unbanked. RBI may have to play a developmental role and pursue the issue with the State Governments, wherever necessary.

- Banks in North Eastern region may explore a possibility of ensuring backup of alternate sources of energy for supply of power for ATM machines so as to ensure continuous service to the customers.
- The BC concept has been largely limited to payment of Government benefits to the beneficiaries. Banks need to invest in the capacity building of the BCs so as to ensure that they perform the role of bankers. Banks may consider using BCs for manning the kiosks for making small payments, pension and MGNREGS payments, updating pass books, giving pension information, giving drafts of small value or sending remittances etc.
- Standardisation of the basic stationery for use of the customers of the banks is necessary. The banks should ensure availability of stationery for the use of customers like account opening forms, loan application forms, pass-books, challans and printer cartridges in semi-urban and rural branches.
- BCSBI should be asked to rate the banks on customer service and also come out with a minimum benchmarking of banking services.
- The deposit insurance cover should be raised to ₹ 5,00,000/- so as to encourage individuals to keep all their deposits in a bank.
- A possibility may be explored to enable full insurance cover for bank deposits by making necessary amendments in the relevant Acts.
- In case of sick banks where the accounts are frozen, a possibility to enable customer to immediately avail a part of their insured deposit before the final fate of a sick bank is decided may be explored.
- The layout of the branch premises and the people manning it play an important role in motivating a customer with positive thoughts. The needs of the senior citizens and the physically challenged persons must also be an important input in deciding on the branch locale and its access.
- The 'May I Help You' counters at branches should be invariably manned.
- There must be specific and proper queue management system at branches where there is heavy crowd, with basic facilities of seating arrangements, drinking water etc.

- There must be a completely transparent process in the allocation of locker facility. RBI may revisit the guidelines in this regard to ensure that the activity itself is not dis-incentivised, the customers continue to have availability of lockers at an affordable charge and the customers are not forced to buy other products of the bank which they may not need.
- IBA should examine the possibility of pooling the information on fraudulent accounts and making it available to banks.
- Banks have to reconcile certain issues regarding 'one-man' branches by putting in place proper safeguards which ensure 'four eyes' principle, safety of cash and also continuity of services in case of leave, etc.
- The Bank Guarantees should not be cancelled without the consent of the customers.
- On expiry of the Bank Guarantees, banks must release the margin money and securities held against the Guarantee immediately after the expiry of the no-claim period. For the period of delay in refund of margin money beyond no-claim period, the banks may pay interest at fixed deposit rate.
- There should be an auto-closure of Guarantees after a month of expiry of the Guarantee which would facilitate automatic release of the margin money. Auto closure notice should also be sent to the beneficiary.
- In case of frauds in the accounts of the customers, the banks should implement the RBI Guidelines that require immediate provision of credit to the customers after obtaining due affidavit to ensure that customers are not out of funds.
- Exchange facilities for soiled/torn notes is a right of every citizen using such facilities and RBI, through its agents, should ensure that no holder of sovereign currency note is turned away at a bank counter when exchange facility is desired, irrespective of the person tendering the note is a customer or not. All banks should implement the Citizens' Charter on exchange facilities of notes and coins adopted by the Department of Currency Management, RBI.

- ❖ The quality of currency notes, especially of lower denominations be made more durable by adopting international practices in this regard to ensure a longer life without compromising on the quality.
- ❖ No bank should refuse to accept small denomination notes and coins tendered at the counters for transactions.
- ❖ All exchange facilities of notes and coins should be extended free of charge.
- ❖ All branches with large cash transactions should provide Cash Counting Machines at the counters for the customers.
- ❖ Clean Note Policy of RBI should be scrupulously followed by all banks to ensure supply of clean currency notes to the general public.

B. TECHNOLOGY AND CUSTOMER SERVICE

B.1. INTERNET BANKING

- ❖ There should be a secure total protection policy / zero-liability against loss for any customer induced transaction utilising technology through ATMs/ PoS/Online banking etc. A customer should not be made to be out of funds when any loss is suffered on account of Net/ATM banking transactions. All the rules in respect of internet banking should be so designed as to encourage consumers to feel safe about electronic transactions. In all the above scenarios, an immediate temporary credit, pending investigation, should be afforded.
- ❖ Banks have to necessarily ensure that all internet banking is made fail-safe by putting in place robust and dynamic fraud detection and prevention systems. Computerised / network delivery channels have enhanced customer ease of operations and reduced costs for banks. Banks have to put in place fail-safe security systems for access / transactions to increase the confidence of the bank customers to enable migration to electronic medium from conventional banking. The banks must ensure that the customers have the confidence in the systems that are being offered to them.

- Banks may introduce mechanisms whereby a customer has a choice of restricting account to account transfers to be done only from particular IP addresses or a choice of addresses. A customer should also have the option of requesting blocking the transaction if the IP address is from a different country. In fact, this should be the default option. Any change of option should be possible with ease through the Call centre or Online.
- Banks may introduce systems whereby fund transfer facilities can be activated by the Call centre on a need basis and deactivated once the transfer is completed. The facility should also be auto-closed (deactivation) after certain time (say 30 minutes).
- Banks in their systems should have facility of customer behaviour/purchase pattern analysis and any attempt from an unknown address / suspicious outlier debit transaction should be first blocked and then informed over SMS to the customer (Provision of dynamic scoring models with inbuilt processes and controls to trigger transactions which are not normal). The transaction should be allowed only after the customer authorises the transaction.
- Banks should put in place secure systems like Multi-factor Authentication to minimise the fraud instances.
- There must be multi-lateral arrangements amongst banks to deal with on-line banking frauds. Presently, there is lack of such an arrangement amongst banks and the customer is required to interact with different banks / organisations when more than one bank / organisation is involved. IBA could provide such type of arrangements for all the banks.
- Banks may restrict the amounts that can be transferred online by way of prescribing a day cap or by way of prescribing a ceiling amount per transfer. Additional factors of authentication should be taken and higher amounts should also be permitted for online transfers.
- It was felt that additional factors of authentication should be taken and higher amounts should also be permitted for online transfers as the present limits are seen to be restrictive for encouraging online money transfers.

- Banks should create customer access to banking for withdrawal of cash and for transactions by creating a chain of human ATM network of business correspondents of banks which will help enhance banking access all over the country. This is possible by hand-held devices and mobile phones working online/offline with CBS systems of banks.

- **Compensation**

  - The international best practices regarding Cash not delivered at ATMs, withdrawal through cloned cards, Credit card debits not authorised by customers, Internet banking frauds etc., should be followed and the customer should be afforded a temporary credit immediately, after taking a suitable undertaking.

  - Further, the banks should facilitate early reporting of the above, by prescribing appropriate rules that will allow/ provide a temporary credit which refunds the full amount pending detailed investigation. The reporting timelines can also be linked with an amount which would act as the maximum customer liability. For instance, the maximum loss that a customer can suffer for a transaction reported within two working days should be capped at say, ₹ 10,000/-. This would mean that if a customer has been automatically credited the full amount on reporting a disputed transaction, after investigation into the matter has concluded, the maximum liability on the customer should not exceed ₹ 10,000/-. To cover the damages on refunds etc., banks should have insurance in place so that customer refunds are done in a hassle-free manner without fear of losses. The Electronic Platforms have significantly reduced the operating costs for the banks and hence putting in place an appropriate insurance mechanism should be possible. The international best practices in this regard usually limit customer liability to a nominal amount if the issue is referred to within 60 days after occurrence.

- ❖ Frauds involving Cloned cards, unauthorised online transactions, ATM transactions not done by the customer etc. cannot be valid transactions as they are not authorised by the customers. Instead of the bank putting the onus on the customer to prove that he has not done the transaction or caused it to happen, the onus should be on the bank to prove that the customer has done the transaction. Negligence, if any, on the part of the customer does not deprive him of customer / consumer rights.

B.2. ATM / DEBIT CARD TRANSACTIONS:

- ❖ **Issue of Photo Based Cards -** To avoid identity issues, all credit and debit cards (including Chip cards) should be Photo Cards with the scanned signatures laminated on the Card. Banks should also include the address of the Cardholder in the laminated portion to serve as a tool for KYC compliance for any other bank product. When UID is introduced, the Cards issued thereafter should include the UID number also.
- ❖ **Unique ID for Every ATM -** Every ATM should have a unique ID for reference. This would facilitate easy identification of the ATM when redressing the grievance. The ATM ID should appear on the transaction slip and also on the bank statement.
- ❖ **Blocking of ATM Card -** If an ATM card has been misused by another person, on receipt of SMS about use of the Card, the customer should be able to immediately send return SMS to block the Card (if he observes misuse) with a single word like 'BLOCK' to prevent further withdrawals (the SMS is being received from the mobile number registered with the bank). It is observed that considerable time is lost in locating the numbers of accounts, phone numbers etc., which gives the fraudsters more time to commit fraud.
- ❖ The transaction in such cases should be automatically reversed and the amount should be credited back to the account (temporary credit). Even if auto-reversal does not happen, banks should pro-actively identify such cases and give charge–back.

- In case of doubt about the success / failure of an ATM transaction, the copy of the JP log is called for from an acquiring bank. The preceding and succeeding transactions should also be included in the copy.
- Further, in case of a lost Card, hot listing should be allowed online / over phone. However, a fresh debit card should not be issued online / over phone by banks.
- **Chip Based Card (EMV) -** Banks should in a phased manner switch over to the use of Chip based card (EMV) instead of the current magnetic strip based ones, in order to prevent skimming and damage / erosion of data due to wear and tear and misuse. This would accordingly entail necessary changes at all the front end machines like ATMs/PoS etc.
- As the switch over to Chip based card would happen over a period of time, till the switch over is complete, the Chip Cards should, as at present, have a magnetic strip to enable transactions in the ATMs which have not switched over to Chip Cards.
- **Merchant Discount/ Fee for Debit Cards –** To encourage acceptance of debit cards by the Merchant Establishments and thereby support electronic payments, Card service providers and banks should follow a differential merchant fee policy in favour of debit cards which will over a period of time reduce the dependence on cash for payments.
- **Biometric ATM Cards -** Illiterate customers and senior citizens generally find it difficult to remember ATM PIN. Banks may issue Biometric ATM cards to senior citizens and illiterate customers who are not at ease while using ordinary ATM cards. The necessary hardware changes at the front end devices may be made accordingly.
- ATM cards may be issued at the option of the customers on written request. Customers not desiring technology facilitation should not be forced to do so.
- **Camera Placement in ATMs -** ATM cameras should be so placed as to take a clear picture of the person doing the ATM operations and the

lighting inside the ATM booth should facilitate the same. An additional small camera should take a snapshot of the customer picking up the money from the bin so as to assist customers when cash disbursement does not take place. Whenever a complaint on ATM withdrawal is received, the bank should ensure to preserve the CCTV recordings till the grievance is fully redressed.

- The Cash bin in ATMs may be so designed that the cash withdrawn falls into a bin which the customer picks up and this act should be recorded by the small camera.
- **PIN Based Authorisation -** For debit / credit card transactions at the PoS, instead of signature based authorisation, PIN based authorisation should be made mandatory without any looping. There should be a phased withdrawal of non-pin based PoS machines.
- Two-Factor Authentication for Internet Banking and Debit card transactions at PoS should be introduced. This will provide one additional layer of security.
- Additional Factors like Grids etc. should not be printed on the back of the Card but given separately so that a photocopy of the card does not give away all the information required for making an online payment.
- **Mobile Banking -** Tiered security for different parameters: Transaction Value, Destination of transaction (two level authorisation for non-routine destinations), security based on hand-sets, frequency of payments should be introduced.
- All grievances of mobile banking should be addressed by the banks only, without referring the customer to the service providers. The agreements of the banks with the telecom service providers should incorporate suitable provisions to address mobile banking grievances.
- Mobile banking coupled with digitisation of records can revolutionise everyday life for the vast majority. Economically weaker section shall be brought into the banking system by combining No Frills Account / Micro Finance / Government subsidies and payments.

- At present, there is better penetration of post office and mobile telephony in rural areas. In immediate future, post offices accounts should be linked with modern communication networks which can act as a platform for inter-operability of service providers like banks / MFIs, Mobile Network Operators and Mobile Application Providers.
- The ATM / PoS withdrawal using applications involving mobile phones is a more secure mode compared to withdrawal through bearer cheque as in this case both the parties viz. the account holder and the mobile owner are already subjected to full KYC and complete audit trail is available at both the ends. Hence, such transactions could be encouraged both at ATM as well as PoS up to the ceiling for withdrawal applicable for ATM and PoS respectively.
- **Over the Limit Charges -** The facility of 'Over the limit' for Credit card customers and that of simple overdraft for ATM card holders may be given on choice, the extent of 'Over the limit/Overdraft' may be informed to the customer in advance and the charges for the same should not exceed the actual excess drawn.
- **Personalisation of Accounts -** Banks should design online programmes on their websites enabling customers to automate money transfers, maintain balance levels and get non-standard account statements and a host of other such facilities which would improve their information levels and make cash management more efficient.
- **Self Personalisation of Cards –** Call centres as well as the online systems through net banking should enable a customer to:
    - Fix individual transaction limits for debit/credit card use.
    - Debar or fix limits for purchase of electronic or jewellery items
    - Manipulate the limits for add on cards
    - Activate/deactivate use of card internationally.
    - Limit the use of card to any particular state or a defined area.

The above processes should be similar to electronic locking of STD or ISD facilities in telephone system and akin to international roaming in cell-phones.

- ❖ Banks should encourage formation of user communities to get feedback on the banks and also to enhance the efficiency of their products and design new products.

B.3. SMS / E-MAIL ALERTS

- ❖ Free SMS / e-mail alerts should be sent for every transaction such as date of maturity of deposit, ECS credit received, credit of pension, credit / receipt of money through RTGS etc.
- ❖ SMS alert to be sent for all cheques returned irrespective of the amount or amount fixed at account level.
- ❖ Account Statement in PDF format should be sent by e-mail, if customer requests so (**password encrypted document**).
- ❖ Current account holders with high transactions should be sent e-mail giving the balance position at agreed periodicity viz., daily, weekly, fortnightly etc.
- ❖ SMS alerts on card usage should be sent allowing the customer to reply back in case card is not used.
- ❖ SMS or e-mail alert informing the change in interest rate on loan availed due to change in base rate etc.

B.4. COMPENSATION IN-BUILT IN CBS

- ● The compensation that can be allowed for transaction deficiencies should be in-built into the CBS software and not left to the discretion of the branch staff.
- ● Systems should be in place to ensure automatic credit and there should be provision for double the credit in case a complaint is received.

B.5. ECS MANDATE MANAGEMENT SYSTEM - Bank should ensure that ECS Mandate Management System is working effectively to comply with the mandate given by the customer in respect of limit of debit amount, expiry date, withdrawal of mandate, etc. Withdrawal of mandate for any ECS debit payment should not be left to the mercy of the beneficiary.

B.6. MOVING TOWARDS PAPERLESS FUND TRANSFERS - Customers may be encouraged and given incentives to reduce cheque based transfers and migrate to other channels of fund transfers like NEFT, RTGS, ECS (debit/credit), Internet Banking and Mobile Banking. For the residual cheques in the system, cheque truncation should be implemented all over the country.

B.7 BUSINESS PROCESS RE-ENGINEERING

Banks should ensure that the CBS addresses the following major issues which were not integrated into CBS at its inception.

- ❖ Automatic updation of age records and then conferring senior citizen benefits wherever applicable once a customer becomes a senior citizen.
- ❖ Minor customer turning a major.
- ❖ Cheques not being collected and honoured for the second account holder
- ❖ System not allowing the survivor to continue an 'Either or Survivor' joint account after demise of one of the account holders.
- ❖ System not allowing conversion of a single account to a joint account.
- ❖ Specialised Government Scheme accounts like PPF, Senior Citizen Special Deposit Schemes etc., not being updated in the system resulting in fresh deposits being collected even after expiry of Schemes.
- ❖ Tax deducted at source not being communicated to the IT department for appropriate credit to the assesse's accounts.
- ❖ Registering and issuance of acknowledgements to the account holders in respect of nominees.

- Diarisation for receipt and reminder for submission of Life Certificate by pensioners.

C. INTERNAL GRIEVANCE REDRESSAL SYSTEM IN BANKS

- **Online Grievance Redressal System -** Bank should provide for online registration of grievance in its website. The Online Grievance System should provide access to the customer also for recording the complaint, complaint status tracking and receiving response from the bank.
- **Customer Service during Internal Audit -** The bank / branch inspection should review also the systemic ways of complaint resolution rather than looking at the mere number of cases resolved.
- **Time frame for Grievance Redressal -** The time frame for redressal of different types of grievances in terms of the intensity and nature should be displayed on the notice board of every branch.
- **Escalation of Complaints -** Banks must ensure that minor complaints that could be resolved at the branch level itself are not escalated to the next level. There must be a clear segregation of grievances in terms of the ones that need to be escalated and the others that must necessarily be resolved at branch level. There is also a need for proper monitoring of internal redressal mechanism so that a minimum number of complaints are escalated to BO Office. This would help in strengthening customer confidence in the Internal Redressal Mechanism.
- **Appealing to Higher Fora -** Where policy issues are not involved, banks should carefully weigh the cost aspects before appealing against the decision of lower legal fora like a Consumer Court/ Lower level Civil Court.

D. BANKING OMBUDSMAN SCHEME

D.1. THE POSITION OF THE BANKING OMBUDSMAN IN THE INTERNAL GRIEVANCE REDRESSAL SET UP

- There is a need for the banks in developing their Internal Grievance Redressal Mechanism to ensure only the minimum number of cases get escalated to the Banking Ombudsman and the Scheme is strictly utilised only as an appellate mechanism.
- The above can be made possible by having an official within the bank in the form of an internal Ombudsman which is in vogue in some countries like Canada and France. The Boards of banks should appoint a Chief Customer Service Officer (CCSO) not less than the rank of a retired General Manager of a Scheduled Commercial bank preferably from outside the bank (under advice to RBI). The person so appointed should have necessary exposure in working of operational side of banking. The Audit Committee of the Board would have an oversight over the CCSO. He should be reporting directly to the Chairman/CMD/CEO of the bank. The initial term of appointment may be kept for 2-3 years and necessary extension may be granted as per suitability criteria.
- A person aggrieved with a banking service as hitherto will first complain to the bank and if within a month does not receive a reply or is unsatisfied with the reply will appeal to the CCSO of the bank. In view of CBS environment and latest technology available in communication it is expected that bank's CCSO would resolve the grievance within 30 days of the receipt of complaint including the period required for conciliation meeting etc. On failure to get a reply within a month from the CCSO or if unsatisfied with the reply of the CCSO, the complainant can appeal to the Banking Ombudsman of the relevant jurisdiction. The decision of the BO shall be final and no further appeal will be allowed.
- The appeal to the BO may be made only on banking services on which complaints are presently entertained under the BO Scheme.

- ❖ Once the appointment of the CCSO is cleared and stabilised, the role of Banking Ombudsman would be that of an Appellate Authority. The above arrangement would also ensure that the RBI Top Management is not involved with individual complaints / decisions.
- ❖ The nodal administrative department at the RBI Central Office level, viz: the Customer Service Department should ensure uniformity of decision making among the Banking Ombudsmen by active consultation and exchange of information. Thus, a customer aggrieved with the decision of BO can go to the formal fora like Consumer Courts, Civil Courts etc. The banks aggrieved with a BO decision may seek the advice of the Customer Service Department before approaching the Courts.
- ❖ Moreover, before challenging any such award or decision in higher Court every bank must examine the cost implications of such a decision from the bank's perspective.
- ❖ Further, any decision or Award given by BO or any Grievance Redressal Forum must be internally examined by the bank concerned for initiating possible Class Action in the branch/bank.

D.2. PUBLIC AWARENESS ON THE SCHEME - RBI and BO Offices are trying to educate the public about the BO Scheme through awareness campaigns, outreach programmes, publicity through print media, All India Radio and Doordarshan. However, these efforts need to be complemented by the banking industry. All the communications sent by the banks should have an insert on the Banking Ombudsman Scheme and its applicability.

D.3. STAFF HANDLING COMPLAINTS -

- ❖ The base-level dealing Officers of the Banking Ombudsman Office (other than the BO, Secretary to the Scheme and the sub-staff), should be staffed by the Officers of commercial banks in the region preferably from the three largest banks in the region.

- ❖ The cost of deputation of such Officers should be suitably reimbursed to the banks by RBI.
- ❖ To ensure quality of the Officers deputed by the banks, suitable monetary incentives, similar to those given to members of faculty of the RBI's training colleges, should be given.
- ❖ It should also be ensured that no staff of a BO office shall handle a complaint pertaining to his/her parent bank.

D.4. TYPES OF CUSTOMERS APPROACHING THE BANKING OMBUDSMEN - The ambit and scope of the Scheme should be restricted to common individuals, retail customers, small borrowers and Micro and Small Enterprises (as per the Government of India definition) only.

D.5. LOCATION OF BO OFFICES - Presently there are 15 Banking Ombudsman Offices in major State Capitals having jurisdiction over the entire country. Several States do not have a BO office. The bank customers in Jammu and Kashmir and the North-Eastern States have stated that it was not possible to interact with the far away BO offices in New Delhi and Guwahati respectively. RBI should therefore ensure that there is an office of Banking Ombudsman in the State of Jammu and Kashmir and a representative BO office of a lower level in each of the other States of the country.

D.6. OTHER RECOMMENDATIONS

- ❖ An appeal / complaint under BO Scheme should pertain to a transaction which has occurred within two years of the date of appeal as it is very difficult to resolve very old disputes on the basis of records which at times are difficult to trace. Thus, complaints which are older but redressal delayed in correspondence with a bank cannot be referred to BO citing the last reply received from the bank. Thus, the Clause 9 (3) (b) which reads 'The complaint is made not later than one year after the complainant has received the reply of the bank to his representation or where no reply is received, not later than one year and one month after the date of the

representation to the bank' is required to be amended as 'The complaint is made not later than two years after the occurrence of the transaction which has resulted in the complaint'.

- The Clause 12 (5) of BOS 2006 reads 'Notwithstanding anything contained in sub Clause (4), the Banking Ombudsman shall not have the power to pass an award directing payment of an amount which is more than the actual loss suffered by the complainant as a direct consequence of the act of omission or commission of the bank, or ten lakh rupees whichever is lower' is required to be amended as "Notwithstanding anything contained in sub Clause (4), the Banking Ombudsman shall not have the power to pass an award directing payment of an amount which is more than the actual loss suffered by the complainant as a direct consequence of the act of omission or commission of the bank, or ten lakh (excluding the amount of dispute) rupees whichever is lower."
- Further, the compensation allowed should be restricted to actual loss only as the Banking Ombudsman not being a Judicial Forum; he may not give compensation for any mental harassment which cannot be easily computed.
- The Scheme should be limited to banking transactions taking place in India only including internet transactions. Transactions initiated/taken place abroad need not be covered in the scheme.
- Nodal Officer is an important liaison officer between the bank and the BO office. He is responsible for supplying desired information to BO Office quickly. Nodal Officer should be competent and equipped to take decisions during the conciliatory meetings. Certain instances where Nodal Officers were not found to be competent enough were observed during the interaction with the Banking Ombudsmen.
- In case of On-line complaints, the Complaint Tracking Software used in BO Offices should be modified suitably to divert the first resort complaint to the respective bank site online by developing link with the bank's complaint site.

- ❖ The applicability of the Scheme is limited to Commercial Banks/RRBs/ Scheduled Urban Banks. As customers of Co- Operative banks all over the country expressed the need for such a scheme for the Co- Operative sector, RBI may take up suitably with NABARD for evolving an Ombudsman Scheme suitable for redressing the grievances of the customers of the Co-Operative banking institutions not covered under RBI scheme.

E. ROLE OF BOARDS OF BANKS IN CUSTOMER SERVICE

E.1. The Board of Directors should play a proactive role in implementing all the customer service guidelines and instructions. Root cause analysis of the top five types of complaints of a quarter should be placed before the Customer Service Committee of the Board held in the subsequent quarter. A brief note on the discussions held on the same should be placed before the Board in its subsequent meeting. The actionable points that emanate out of such deliberations should be closed only after placing the compliance status in the subsequent meetings of the Customer Service Committee / Board (as the case may be).

E.2. An agenda should be placed before the Customer Service Committee every quarter on the level of implementation of the Bank's Code of Commitments to Customers. The agenda should also correlate between the Code implementation and the complaints received.

E.3. Another agenda to be placed in the Customer Service Committee every quarter is an 'Overview on the Grievance Redressal Mechanism in the Bank'. The aspects such as the number of complaints received and redressed, use of grievance redressal initiatives like access through toll free numbers, help-line, mails, online complaints, SMS responses and the position of complaints against the bank with the Banking Ombudsman offices/ Consumer Courts/Courts. The agenda should spell out the reasons for emanation of such complaints to the Banking Ombudsman rather than getting resolved by the bank itself.

E.4. The Board should ensure that the following policies are in place:

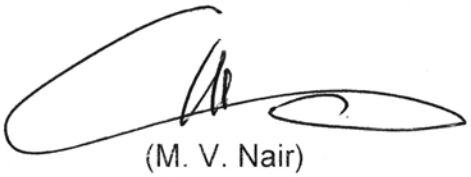
- A comprehensive policy for Customer Acceptance, Customer Care and Customer Severance.
- The policies should clearly lay out approach to Customer Care taking into account the geographic spread of branches, segments of customers, needs of special sections like senior citizens, widows, physically challenged persons etc. This policy must also clearly define and distinguish the features for different products and services and must indicate the target customer group.
- The policy should show sensitivity for the small customers by ensuring that the pricing (bank charges) does not act as a deterrent for the small person to do banking transactions.
- The Bank's approach to Financial Education aspects are also required to be documented through a policy framework.
- **Customer Centricity -** The bank's approach to develop 'Client First Attitude' by its employees needs to be documented and the same may include aspects such as positive attitudinal change, behavior and practices, the skill gaps of employees, the process of re-engineering the recruitment of staff for the purpose etc. Bank Boards should evolve Human Resources policies which will recruit for attitude and train for skills.
- The bank's policy framed to ensure the prescribed response time for every type of grievance should be approved by the Top Management of the bank.
- Banks should codify annually all its policies/operational guidelines as that would help the front-line staff to serve the customers better.
- The internal inspection / audit reports of banks should adequately focus on customer service and the Audit Rating should appropriately reflect the importance of customer service.

- ❖ Customer service and grievance redressal should be included as a mandatory parameter in the Performance Appraisal Report of all employees.
- ❖ Banks may consider reward, recognition and motivation programme for front-line Officers who have shown exemplary character in ensuring quality customer service. Non-monetary rewards such as being invited for lunch/ dinner with the Board/CMD, a presentation to the Board etc. may be considered.

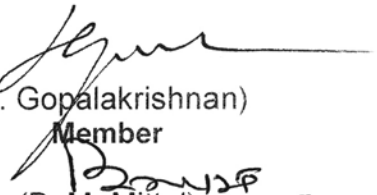
E.5. The Branch Level Customer Committee meetings may be replaced with a meeting of customers of all banks of that area (say district-wise, block-wise) and be held in the presence of representatives of banks at periodic interval (monthly/quarterly). The responsibility of organizing such meetings may be entrusted to eminent Consumer Organisations in the region and expenses of such meeting can be shared by the bankers of that jurisdiction. The proceedings of the meetings should be recorded (CCTV) for the purpose of review of the same in higher fora.

COMMITTEE ON CUSTOMER SERVICE IN BANKS

(M. Damodaran)
Chairman



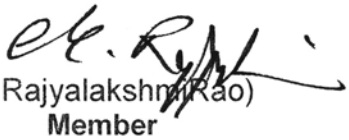
(M. V. Nair)
Member



(S. Gopalakrishnan)
Member

(B. M. Mittal)
Member

(M. S. Sundara Rajan)
Member



(M. Rajyalakshmi Rao)
Member

(Ashok Ravat)
Member

(KazaSudhakar)
Member Secretary

July 04, 2011

ACKNOWLEDGEMENTS

REFERENCES

ANNEX

ACKNOWLEDGEMENTS:

1. The Governor and the Top Management of RBI.
2. IBA Management Committee and Management of the various banks.
3. Management and Governing Council of BCSBI
4. All Apex Unions and Associations which met the Committee.
5. Customer Service Committees of the Board of ICICI Bank.
6. The Regional Directors of RBI, Banking Ombudsmen and the Nodal Officers to the BO offices all over the country.
7. Department of Payment and Settlement Systems, Department of Banking Operations and Developments, Rural Planning and Credit Department, Department of Currency Management of Reserve Bank of India.
8. Consumer Associations, NGOs, Pensioner bodies, MSME and Exporter Associations.
9. IT heads of banks who have assisted the Committee in technology related areas.
10. Shri V.Govindaraja and Shri Shiva Tadikonda of ICICI Bank, Shri Nitin Sane of HDFC Bank, Shri Robby Abraham and Shri R.Venkatesh of HSBC and Shri Rajinder Mirakhur of State Bank of India.
11. Chief Secretary, Finance Secretary and other Government Officials, Government of Tripura.
12. RBI, New Delhi for providing the required secretarial assistance to the Committee.
13. All the staff attached to Customer Service Department, RBI, CO, Mumbai.

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   - ❖ Goiporia Committee,
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   - ❖ Tarapore Committee (CPPAPS).
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   - ❖ United Nations guidelines (passed by General Assembly on April 16, 1985) for consumer protection.
   - ❖ The Financial Services Authority UK (FSA) prescribed fairness commitment to be made by the banks.
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ANNEX

Meetings of the Committee on Customer Service in Banks

Sr No.	Date	Place	Purpose/Interaction with
1	15.06.2010	New Delhi	Opening meeting - Creation of sub-groups, setting the road map for Committee's functioning.
2.	29.06.2010	Mumbai	Governor & Top Management of RBI - to get the regulator and supervisor's perspective on the subject and RBI's expectation from the Committee.
3	1.07.2010 & 02.07.2010	Chennai	1. Banks - Foreign, Private Sector and Public Sector 2. B O Chennai
4	21.07.2010	Coimbatore	Banks, pensioners, Trade & Industries Association
5	22.07.2010	Karur	Banks, pensioners, Trade & Industries Association
6	30.07.2010	Mumbai	Governing Council of BCSBI
7	30.07.2010	Mumbai	Managing Committee of IBA
8	03.08.2010	New Delhi	BOs of Northern Region
9	03.08.2010	New Delhi	Nodal Officers of banks of North region
10	04.08.2010	Mumbai	Discuss the areas of customer service by leveraging technology for customer care and protection - Heads of IT Division of all prominent banks
11	15.09.2010	Kochi	Banks, Exporter's Association, Customers and Pensioners Association
12	23.09.2010	Mumbai	Compilation of inputs for leveraging technology

Sr No.	Date	Place	Purpose/Interaction with
13	07.10.2010	Mumbai	Representatives of Bank's Associations. (NOBW, AIBOC, INBOC & AIBOA)
14	07.10.2010	Mumbai	Representatives of Workmen's Unions in banks (AIBEA, BEFI, NCBE, INBEF, NOBW & BKSM)
15	03.11.2010 & 04.11.2010	Kancheepuram, Vellore and Thirvannamalai	Banks, Pensioners Association, NGOs, MFIs, Trade and Industries association, SHGs, Weavers Societies, Tanneries Association
16	08.11.2010 & 09.11.2010	Gudiwada & Vijayawada (Andhra Pradesh)	SHGs, Farmers' Co-operatives, Pensioners, Farmers, Widows, SME Associations, Rice Millers' Associations, Bankers and Academics
17	13.11.2010	Igatpuri, Ghoti, Nashik and Deolali	Pensioners Association, Defence Pensioners, Farmers Association, Depositors, Customers and Visit to bank branches in the areas
18	22.11.2010	Patna	Bihar Chamber of Commerce & Industry, Consumers Association, Pensioners Association, SMEs Association
19	23.11.2010	Kolkata	BOs of Eastern Region, Representatives of major banks in Eastern Region, Chamber of Commerce, Federation of Small & Medium Industries, Federation of Tiny Industries, Exporters and Pensioners Association
20	29.11.2010	Ahmedabad	Nodal Officers of banks of Western Region
21	29.11.2010	Ahmedabad	BOs of Western Region

Sr No.	Date	Place	Purpose/Interaction with
22	29.11.2010	Ahmedabad	1. Customers (-Retail, Corporate and Credit Card Customers of Nationalised banks, Private sector and Foreign banks) 2. Consumer Protection organisations, Investors organisations & pensioners (CERC, Gujarat Investment Port Association, Gujarat Investors &Shareholders Association, BSNL & DOT Pensioners, Consumer Protection council, Jagrut Grahak Mandal, Jyotisangh, Grahak Surarksha Mandal, Gujarat Ex Services League) 3. Industry Association, MSME Bodies & Training Institutes (Gujarat State Small Industries Federation. GCCI, Assocham, AEMA, EXIM Club, Gem & Jewellery Promo Council, CII, FICCI, Surat Diamond Association, FIEO, MSME DI)
23	27.12.2010	Bangalore	Pensioners' Association representatives, NGOs, MFIs, representatives of Trade and Industries' Associations, SHGs, academicians and bankers.
24	27.12.2010	Jaipur	Bankers, Pensioners, Customers, NGO, trade bodies, Exporters
25	28.12.2010	Kanpur	Banking Ombudsman, Banks, Pensioners Association, NGOs, MFIs, Trade and Industries association, SHGs.

Sr No.	Date	Place	Purpose/Interaction with
26	28.12.2010	Raipur-Chhattisgarh	Bankers
27	28.12.2010	Chandigarh	Various stake holders
28	28.12.2010	Daspalla-Orissa,	Banks, Customers, Pensioners Association, Depositors Association, NGOs, MFIs, SHGs from tribal areas.
29	28.12.2010	Ranchi-Jharkhand	Bankers, Academicians, Chamber of Commerce, Industries Associations, Traders Associations, MSMEs, SHGs, MFIs from tribal areas
30	29.12.2010	Ranchi-Jharkhand	Bank Customers, Depositors Association, Central Government/ Defence/ Railway/ State Govt. Pensioners Associations from tribal areas.
31	29.12.2010	Imphal-Manipur	Bankers, Depositors Association, Pensioners Association, Senior Citizens Association
32	29.12.2010	Jatni- Orissa	Banks, Customers, Pensioners Association, Depositors Association NGOs, MFIs, SHGs from tribal areas.
33	30.12.2010	Keonjhar-Orissa	Banks, Customers, Pensioners Association, Depositors Association NGOs, MFIs, SHGs from tribal areas.
34	29.12.2010	Raipur-Chhattisgarh	Pensioners Association, MSMEs, SHGs
35	29.12.2010	Shimla	Bankers, Pensioners, Customers, SHGs, NGOs, MSMEs, Chambers of Commerce & Industry and Traders' Association

Sr No.	Date	Place	Purpose/Interaction with
36	29.12.2010	Bhopal	Banking Ombudsman, Bankers, Pensioners Association, NGOs, MFIs, MSMEs, Academics, Trade and Industries Association, SHGs.
37	3.01.2011	Bolangir - Orissa	Banks, Customers, Pensioners Association, Depositors Association NGOs, MFIs, SHGs from tribal areas.
38	3.01.2010	Dimapur-Nagaland	Bankers, Customers, Depositors, Pensioners' Association
39	4.01.2011	Titagarh - Orissa	Banks, Customers, Pensioners Association, Depositors Association NGOs, MFIs, SHGs from tribal areas.
40	5.01.2011	Aizwal-Mizoram	Bankers, Customers, Depositors, Pensioners' Association
41	6.01.2011	Guwahati	Banks, Customers, Pensioners Association, Depositors Association NGOs, MFIs, SHGs.
42	7.01.2011	Jammu	Various stakeholders
43	7.01.2011	Sikkim	Various stakeholders
44	8.01.2011	Agartala-Tripura	Banks, Customers, Pensioners Association, Depositors Association NGOs, MFIs, SHGs.

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Designed & Printed by :
Onlooker Press ✆ 2218 3544 / 2939