



## Compensation Policy

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## Compensation Policy

### Introduction

Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the Bank's endeavour to offer services to its customers with best possible utilization of its technology infrastructure. Withdrawal of the Reserve Bank of India instructions to Banks on time frame for collection of outstation cheques, payment of interest on delayed collection of outstation cheques/ instruments, with effect from 1<sup>st</sup> November 2004, had offered Bank further opportunities to increase its efficiency for better performance. This Compensation policy of the Bank is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques/instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

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

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

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

If the Bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In the event the unauthorized/ erroneous debit has resulted in a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest on savings Bank deposit or payment of additional interest to the Bank in a loan account, the Bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized/ erroneous debit, the Bank will compensate the customer to the extent of such financial losses.

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

Reversal of Erroneous Debits arising on Fraudulent or Other Transactions:

- i. In case of any fraud, if the branch is convinced that an irregularity / fraud has been committed by its staff towards any constituent, branch should at once acknowledge its liability and pay the claim.
- ii. In cases where the branch is at fault, they may compensate the customer without demur.
- iii. In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system, branches should compensate the customers as set below:-
  - a) The Bank will compensate the customer at savings Bank interest rate for the days upto which the erroneous debit remained in the account. The interest or other charges debited to the account on account of such erroneous debit will also be reversed / waived.
  - b) In case any dispute by the customer, the amount of compensation as awarded by the competent authorities, viz. Banking Ombudsman / Honourable Court, as the case may be, shall be paid by the Bank.

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

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

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

Where it is established that the Bank had issued and activated a debit card without written consent of the recipient, the Bank would reverse the charges levied, if any, immediately.

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

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

### **4. Foreign Exchange Services:**

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries, as the Bank would not be able to ensure timely credit from overseas Banks. It is the Bank's experience that time for collection of instruments drawn on Banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, would consider upfront credit against such instrument by purchasing the cheque / instrument, provided the conduct of the account has been satisfactory in the past. However, the Bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the Bank with its correspondent. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account/ due date after taking into account normal cooling period stipulated. The compensation in such cases will be worked out as follows:

- a. Interest for the delay in crediting proceeds as indicated in the collection policy of the Bank.
- b. Compensation for any possible loss on account of adverse movement in foreign exchange rate.

### **5. Remittances in India:**

The compensation on account of delays in collection of instruments would be as per the Bank's collection policy.

#### Payment of Interest for delayed Collection of Outstation Cheques:

As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned above. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the Bank's own branches or on other Banks for the purpose of payment of interest on delayed collection.

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

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

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

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

The Bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the Bank for collection by the customer would also be as per the Bank's collection policy.

Cheques / Instruments lost in transit / in clearing process or at paying Bank's branch:

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

In line with the compensation policy of the Bank the Bank will compensate the accountholder in respect of instruments lost in transit in the following way:

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

## **6. Violation of the Code by Banks agent**

In the event of receipt of any complaint from the customer that the Bank's representative / courier or DSA has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the Bank has adopted voluntarily, Bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.

## **7. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks**

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative Banks by commercial Banks resulting in dishonor of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the Bank will not honour cheques drawn on current accounts maintained by other Banks with it unless

arrangements are made for funding cheques issued. Issuing Bank should be responsible to compensate the cheque holder for non-payment/ delayed payment of cheques in the absence of adequate funding arrangement.

## **8. ATM & Other Authorised Payment Systems Failures**

8.1 Bank shall reimburse the customer, the amount wrongfully debited on account of failed ATM and other transactions using authorised Payment Systems ATM within a maximum Turnaround Time (TAT) as shown in the table given below. For any failure to re-credit the customer's account within the TAT, Bank shall pay compensation to the customer as given in the table. This compensation shall be credited to the customer's account automatically without any complaint or claim from the customer, on the same day when Bank affords the credit for the failed transactions. In the case of failed transactions by other Bank's customer, the matter shall be taken up by him through his Bank.

8.2 Bank shall endeavour towards quick resolution of such failed transactions.

8.3 Customers who do not get the benefit of redress of the failure as defined in the TAT, can register a complaint to the Banking Ombudsman of Reserve Bank of India.

8.4 All disputes regarding ATM failed transactions shall be settled by the issuing Bank and the acquiring Bank through the ATM System Provider only.

8.5 The customer can also choose to lodge complaint through Bank's ATM Helpdesk/ Branch/ Call Centre/ e-mail/ on-line grievance lodging facility.

As and when a customer dispute is received, branch shall verify the account statement of the customer to identify the disputed transaction and ensure that there is no auto reversal posted in customer account for respective transaction. If the details provided by the customer are correct, Branches can log complaint to ATM Centre.

The following fields are mandatory while logging customer disputes.

Card number,

Account number

Transaction date

Transaction amount

Amount received by customer

Unique RRN number/Ref. no./Stan number

Type of transaction (ATM/POS)



8.6 The principle behind the TAT shall be based on the following: (a) If the transaction is a 'credit-push' funds transfer and the beneficiary account is not credited while the debit to originator has been effected, then credit shall be effected within the prescribed time period failing which the penalty has to be paid to the beneficiary; (b) If there is delay in initiation of a transaction at the originator Bank's end beyond the TAT, then penalty has to be paid to the originator.

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

8.8 Terms like, Acquirer, Beneficiary, Issuer, Remitter, etc., shall have meanings as per common Banking parlance.

8.9 'T' is the day of transaction and refers to the calendar date.

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

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

**Harmonization of Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems**

o.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1	Automated Teller Machines (ATMs) including Micro-ATMs		
a	Customer's account debited but cash not dispensed.	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days.	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
2	Card Transaction		
a	<u>Card to card transfer</u> Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account.	₹ 100/- per day of delay beyond T + 1 day.

b	<u>Point of Sale (PoS) (Card Present) including Cash at PoS</u>  Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.
c	<u>Card Not Present (CNP) (e-commerce)</u>  Account debited but confirmation not received at merchant's system.		
3	Immediate Payment System (IMPS)		
a	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
4	Unified Payments Interface (UPI)		
a	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
5	Aadhaar Enabled Payment System (including Aadhaar Pay)		
a	Account debited but transaction confirmation not received at merchant location.	Acquirer to initiate "Credit Adjustment" within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
b	Account debited but beneficiary account not credited.		
6	Aadhaar Payment Bridge System (APBS)		
a	Delay in crediting beneficiary's account.	Beneficiary bank to reverse the transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
7	National Automated Clearing House (NACH)		
a	Delay in crediting beneficiary's account or reversal of amount.	Beneficiary bank to reverse the uncredited transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b	Account debited despite revocation of debit mandate with the bank by the customer.	Customer's bank will be responsible for such debit. Resolution to be completed within T + 1 day.	
8	Prepaid Payment Instruments (PPIs) – Cards / Wallets		
a	<u>Off-Us transaction</u>  The transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TAT and compensation rule of respective system shall apply.		
b	<u>On-Us transaction</u>  Beneficiary's PPI not credited.  PPI debited but transaction confirmation not received at merchant location.	Reversal effected in Remitter's account within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.

**9. Violation of the Code by Bank's agent:** In the event of receipt of any complaint from the customer that the Bank's representative / courier or DSA has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the Bank has adopted voluntarily, the Bank is committed to investigate the matter and endeavor to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified,

compensate the customer for financial loss, if any, as contemplated under this Policy.

- 10. Responsible Lending Conduct – Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans:** The Bank shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.

**Compensation for delay in release of Movable / Immovable Property Documents**

In case of delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, Bank will communicate to the borrower reasons for such delay. In case where the delay is attributable to the Bank it shall compensate the borrower at the rate of ₹5,000/- for each day of delay. In case of loss/damage to original movable / immovable property documents, either in part or in full, the Bank will assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. However, in such cases, an additional time of 30 days will be available to the Bank to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

**11. Compensation for delay in credit/return in RTGS /NEFT System**

In case if not possible to credit the funds to the beneficiary customer's account for any reason, the funds received by the RTGS member bank will be returned to the originating bank within one hour of receipt of the payment at the Payment Interface (PI) or before the end of the RTGS Business Day, whichever is earlier. Any delay in returning the failed payment, the originating customer is eligible to receive compensation at current repo rate plus 2%. If the NEFT transaction is not credited or returned within two hours after batch settlement, then the bank is liable to pay penal interest to the affected customer at the current RBI LAF Repo Rate plus two percent for the period of delay / till the date of credit or refund, as the case may be, is afforded to the customers' account without waiting for a specific claim to be lodged by the customer in this regard.

**12. The issue of unsolicited credit cards / upgradation and closure**

In case, an unsolicited credit card is issued / existing card upgraded and activated without the explicit consent of the recipient and the latter is billed for the same, the Bank would not only reverse the charges forthwith, but also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed. In addition, the person in whose name the card is issued can also approach the RBI Ombudsman who would determine the amount of compensation payable by the card-issuer to the recipient of the unsolicited card as per the provisions of the Ombudsman Scheme, i.e., for loss of complainant's time, expenses incurred, harassment and mental anguish suffered by him / her. Any loss arising out of misuse of such unsolicited cards would be the responsibility of the Bank only and the person in whose name the card has been issued shall not be held responsible for the same. The compensation provided under these directions shall be without prejudice to the

rights of a borrower to get any other compensation as per any applicable law.

Unsolicited loans or other credit facilities would not be offered to the credit cardholders without seeking explicit consent. In case an unsolicited credit facility is extended without the written/explicit consent of the cardholder and the latter objects to the same, the Bank would not only withdraw the facility, but also be liable to pay such penalty as may be considered appropriate by the RBI Ombudsman, if approached. Any request for closure of a credit card would be honoured within seven working days by the Bank, subject to payment of all dues by the cardholder. Subsequent to the closure of credit card, the cardholder shall be immediately notified about the closure through email, SMS, etc. Failure on the part of the Bank to complete the process of closure within seven working days shall result in a penalty of ₹500 per day of delay payable to the customer, till the closure of the account provided there is no outstanding in the account.

- 13. Compensation to customers for delayed updation/ rectification of credit information** Complainants shall be entitled to a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of thirty (30) calendar days from the date of the initial filing of the complaint by the complainant with the Bank. Bank shall pay compensation to the complainant if the Bank has failed to send updated credit information to the Credit Information Companies (CICs) by making an appropriate correction or addition or otherwise within twenty-one (21) calendar days of being informed by the complainant or a CIC. The complainant shall be advised by the Bank of the action taken on the complaint in all cases, including the cases where the complaint has been rejected. In cases of rejection, the reasons for rejection shall also be provided by the Bank.

Where the complaint has been received and registered by the Bank and there has been a delay in the resolution of the complaint, the Bank will inform the concerned CIC(s) and the complainant after the final resolution, regarding total delay (in calendar days) and the amount of compensation to be paid by the Bank and/ or CIC(s). The date of the resolution of the grievance shall be the date when the rectified Credit Information Report (CIR) has been sent by the CIC or the Bank to the postal address or email ID provided by the complainant.

The Bank will make appropriate provision in their complaint submission format (both online and offline) for enabling the complainant to submit the contact details, email ID, and bank account details/ Unified Payment Interface (UPI) ID for crediting the compensation amount. The onus of providing accurate details will lie with the complainant and the Bank will not be held responsible for any incorrect information provided by the complainant. The compensation amount shall be credited to the bank account of the complainant within five (5) working days of the resolution of the complaint.

The complainant can approach RBI Ombudsman, under the Reserve Bank- Integrated Ombudsman Scheme, 2021, in case of wrongful denial of compensation by Cis. The compensation framework will come into effect from April 26,2024.

#### **14. Linkage to Other Policies of the Bank**

This policy is to be read in conjunction with the Bank's Deposits Policy, Cheque Collection Policy, Grievance Redressal Policy and Policy on Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions.

#### **15. Force Majeure**

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the Bank's facilities or of its correspondent Bank(s), absence of the usual means of communication or all types of transportation, etc beyond the control of the Bank prevents it from performing its obligations within the specified service delivery parameters. The Bank will not be liable for any losses caused by extraneous circumstances that are beyond its reasonable control (such as market changes, performance of the product due to market variables etc) and for any losses which are indirect in nature.

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