



Customer Protection - Limiting Liability of Customers in Unauthorised Electronic Banking Transactions

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1. Introduction

CSB Bank is committed to providing safe and high quality customer experience. While we strive to bring the best of the technology infrastructure to customers, we are also aware of the need to protect customer rights.

With the increased thrust on financial inclusion and customer protection and considering the recent surge in customer grievances relating to unauthorised transactions resulting in debits to their accounts/ cards, the criteria for determining the customer liability in these circumstances have been reviewed and Reserve Bank of India (RBI) has come out with fresh guidelines on limiting customer liability in unauthorised electronic transactions. This Policy seeks to incorporate the requirements as per the directions contained in RBI Circular DBR. No. Leg. BC. 78/09.07.005/ 2017-18 dated 06.07.2017.

2. Objective

This policy seeks to communicate in a fair and transparent manner the Bank's policy on:

- i. Customer protection (including mechanism of creating customer awareness on the risks and responsibilities involved in electronic Banking transactions),
- ii. Customer liability in cases of unauthorized electronic Banking transactions
- iii. Customer compensation due to unauthorized electronic Banking transactions (within defined timelines)

3. Scope

This document covers the following aspects:

- i. Strengthening of systems and procedures
- ii. Definition of unauthorised transactions
- iii. Reporting of unauthorized transactions by customer to Bank
- iv. Limited Liability of a Customer
- v. Reversal Timeline for Zero Liability/ Limited Liability of customer

4. Strengthening of systems and procedures

The Bank is committed to ensuring that systems and procedures are placed to make customers feel safe about carrying out electronic Banking transactions. Accordingly, Bank will put in place:

- i. robust and dynamic fraud detection and prevention mechanism;
- ii. mechanism to assess the risks (for example, gaps in the Bank's existing systems) resulting from unauthorised transactions and measure the liabilities arising out of such events;
- iii. appropriate measures to mitigate the risks and protect themselves against the liabilities arising therefrom; and
- iv. a system of continually and repeatedly advising customers on how to protect themselves from electronic Banking and payments related fraud.

Erroneous transaction reported by customers in respect of credit card operations, which require reference to a merchant establishment will be handled as per rules laid down by card association. It may be noted that the Bank does not have credit card at the time of issuing this Policy.

5. Definition of unauthorised transactions

Electronic Banking transactions are divided into two categories:

- i. Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet Banking, mobile Banking, card not present (CNP) transactions, etc. Pre-paid Payment Instruments (PPI) & UPI.
- ii. Face-to-face/ proximity payment transactions (transactions which require physical payment instrument such as a Card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

6. Reporting of unauthorised transactions by customers to Bank

The Bank will ensure that customers are mandatorily registered for SMS alerts and wherever available for email alerts, for electronic Banking transactions. Bank will mandatorily send SMS alerts to the customers, while the email alerts will be sent wherever registered. Further, the Bank will not be able to offer facility of electronic transactions, other than ATM cash withdrawals, to customers who do not provide mobile numbers to the Bank. These facilities will be withdrawn for customers after due notice is provided to them.

The customers are required to notify the Bank about any unauthorised electronic Banking transaction at the earliest after the occurrence of such transaction as longer the time taken to notify the Bank, the higher will be the risk of loss to the Bank/customer. To enable this to be done in a smooth and efficient manner, the Bank will provide customers with 24x7 access through multiple channels (via website, SMS, e-mail, a dedicated toll-free helpline, reporting to home branch, etc.) for reporting unauthorised transactions that have taken place and/ or loss or theft of payment instrument such as card, etc.

Further, the Bank will provide a direct link for lodging the complaints, with specific option to report unauthorised electronic transactions in the home page of the Bank's website. Immediate response (including auto response) will be sent to the customers acknowledging the complaint along with the registered complaint number. The communication systems used by the Bank to send alerts and receive their responses thereto will record the time and date of delivery of the message and receipt of customer's response, if any, to the Bank.

On receipt of report of an unauthorised transaction from the customer, the Bank will take immediate steps to prevent further unauthorised transactions in the account. On being notified by the customer, the Bank will undertake a preliminary investigation to establish the reason for the dispute. Where the transaction does not involve a third party, the Bank will endeavor to complete the investigation within 10 working days of notification.

7. Limited Liability of a Customer

a. Zero Liability of a Customer

A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:

- i. Contributory fraud/ negligence/ deficiency on the part of the Bank (irrespective of whether or not the transaction is reported by the customer).

- ii. Third party breach where the deficiency lies neither with the Bank nor with the customer but lies elsewhere in the system, and the customer notifies the Bank within **three working days** of receiving the communication from the Bank regarding the unauthorised transaction.

b. Limited Liability of a Customer

A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:

- i. In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the Bank. Transactions where a Password / PIN / OTP (One Time Password) has been used or where the transaction has been performed with information available only with the customer or can be done only with the knowledge of the customer will be treated as 'transaction performed due to customer negligence'. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the Bank. ii. In cases where the responsibility for the unauthorised electronic Banking transaction lies neither with the Bank nor with the customer, but lies elsewhere in the system and when there is a delay (of **four to seven working days** after receiving the communication from the Bank) on the part of the customer in notifying the Bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1 below, whichever is lower.

Table 1
Liability of a Customer under paragraph 7 (b) (ii)

| Type of Account | Maximum Liability (₹) |
|---|-------------------------|
| BSBD Accounts | 5,000 |
| All other SB accounts | 10,000 |
| Pre-paid Payment Instruments and Gift Cards | |
| Current/ Cash Credit/ Overdraft accounts of MSMEs | |
| Current Accounts/ Cash Credit/ Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh | |
| Credit cards with limit up to Rs.5 lakh | |
| All other Current/ Cash Credit/ Overdraft Accounts | 25,000 |
| Credit cards with limit above Rs.5 lakh | |

- ii. Further, if the delay in reporting by the customer is beyond seven working days, the customer shall be liable for the entire value of the transaction(s) involved.

The number of working days will be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

The overall liability of the customer in third party breaches, as detailed in paragraph 7. (a) (ii) and paragraph 7 (b) (ii) above, where the deficiency lies neither with the Bank nor with the customer but lies elsewhere in the system, is summarised in the Table 2 below:

Table 2
Summary of Customer's Liability

| Time taken to report the fraudulent transaction from the date of receiving the communication | Customer's liability (₹) |
|---|---|
| Within 3 working days | Zero liability |
| Within 4 to 7 working days | The transaction value or the amount mentioned in Table 1, whichever is lower |
| Beyond 7 working days | The customer's liability will be to the extent of the value of the transaction(s) |

8. Reversal Timeline for Zero Liability/ Limited Liability of customer

On being notified by the customer, the Bank will credit the amount involved in the unauthorized electronic transaction to the customer's account within 10 working days from the date of such notification by the customer. The credit will be value dated to be as of the date of the unauthorized transaction. The credit will be provided as a shadow credit, which means that the customer will not be able to use the funds credited by way of temporary/shadow credit till the dispute is resolved in favour of the customer.

Further, the Bank will ensure that:

- i. a complaint is resolved and liability of the customer, if any, established within a period not exceeding 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions of paragraph No 7 above
- ii. where Bank is unable to resolve the complaint, or determine the customer liability, if any, within 90 days, the compensation as prescribed in paragraph No 7 above will be paid to the customer; and
- iii. in case of debit card/ Bank account, the customer does not suffer loss of interest.

For all disputed cases, customers shall be required to provide the supporting documents namely, dispute form, copy of the FIR, etc. within the stipulated timeframe. In case the customer is unable to provide the documents or there is a delay on part of the customer in submitting the documents within the stipulated timeframe, post due follow up by the Bank, the Bank shall term such disputes as unable to conclude and the liability of the unauthorized transactions in such cases will remain with the customer only.

9. Linkage to other Customer Service Policies of the Bank

This Policy on Customer Protection in Limiting Customer Liability in Unauthorised Electronic Banking Transactions shall be read in conjunction with the Compensation Policy and Grievance Redressal Policy approved by the Bank.

10. Reporting and Monitoring Mechanism

Customer liability cases shall be periodically reviewed in the Customer Service Committee of the Board on a quarterly basis. The reporting shall, inter alia, include volume/ number of cases and the aggregate value involved and distribution across various categories of cases viz., card present transactions, card not present transactions, internet Banking, mobile Banking, ATM transactions, etc.

The Standing Committee on Customer Service shall periodically review the unauthorized electronic Banking transactions reported by customers or otherwise, as also the action taken thereon, the functioning of the grievance redress mechanism and take appropriate measures to improve the systems and procedures.

All such transactions shall be reviewed by the Bank's internal auditors/statutory auditor also.
