Chapter - 2

Compensation Policy

2. Objective:

The objective of the Compensation Policy is to establish a system whereby the customer is reasonably compensated, without demur, for the financial loss due to deficiency in service or an act of omission or commission directly attributable to the bank. In this regard the decision of the Competent Authority of the Bank shall be final and binding on the customer.

2.1. Scope of the Policy:

The Policy covers compensation for financial losses which customer might suffer, in respect of following cases:

- **A.** In case of any fraud, if the bank is convinced that an irregularity / fraud has been committed by its staff towards any constituents.
- **B.** In cases where branch is at fault.
- **C.** In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system.
- **D.** In case of delay in Resolution of Complaints relating to failed ATM transactions.
- **E.** In case of Unauthorized Electronic Banking Transactions with Zero/Limited Liability of Customers.

The compensation is payable only where financial loss can be measured directly to the exclusion of indirect and un-liquidated losses / damages and as such the commitments under the policy are without prejudice to any right that Bank will have in defending its position or prosecuting its cause, as the case may be, before any court or tribunal or authority or forum duly constituted to adjudicate banker – customer disputes or any other legal forum.

2.1.1 The customer, as far as, possible, will be compensated without having to ask for it.

2.2 The Policy covers the following types of erroneous transactions:

A. Irregularity / fraud committed by Bank's staff.

B. Erroneous debiting of account.

C. Payment of cheques after acknowledgement of stop payment instructions.

D. Customer's direct instructions / Standing instructions for debit to account.

E. In cases where neither the Branch nor the customer is at fault, but the fault lies elsewhere in the system.

F. Delayed collection of Cheques.

G. Foreign Exchange Services.

H. Unauthorized Electronic Banking Transactions

2.2.1. Irregularity Committed by Bank's Staff

In case of any fraud, if the bank is convinced that an irregularity / fraud has been committed by its staff towards any constituent, Bank shall pay the just claim. The authority to sanction such claims shall vest with the Executive Director / MD &CEO.

2.2.2. Erroneous Debits other than Unauthorized Electronic Banking Transactions

A. On being informed of the unauthorized / erroneous direct debit to an account other than Unauthorized Electronic Banking Transactions, Bank will immediately take steps to verify the position and reverse the entry.

B. Where verification of the position does not involve any third party, bank shall complete the process within maximum period of seven working days from the date of reporting of erroneous debit. In case verification involves a third party, bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

C. Where the unauthorized erroneous debit has resulted in a financial loss to the customer by way of reduction in the minimum balance applicable or loss of interest on Savings Fund deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss.

D. Where the customer has suffered any financial loss (excluding indirect and all inconsequential losses like goodwill etc.) incidental to return of cheques or

failure of direct debit instructions due to insufficiency of balance of account of erroneous debit, the bank will compensate the extent of compensation mentioned in **Para 2.8.**

E. The maximum amount of Compensation shall not exceed the amount erroneously debited in any case.

2.2.3. <u>Payment of Cheques after acknowledgement of Stop Payment Instructions:</u>

The Bank shall reverse the transactions within seven working days of the error coming to the notice of the Bank or customer bringing to the notice of the Bank provided that such stop payment instructions are acknowledged, noted and found in accordance with law including Bye laws, Circulars, Policies Minutes, Notifications issued by the Bank from time to time in this regard and the contractual relationship governing the Bank and its account holder / authorized signatory / customer. For the consequential loss to the customer, bank will compensate the customer to the extent of compensation mentioned in **Para 2.8.**

2.2.4. (A) <u>Customer's direct instructions / Standing instructions for debit to account</u>: Bank will carry out direct / standing debit instruction of customer in time. In the event of Bank's failing to meet such commitment, customer will be compensated to the extent of financial loss incurred on account of delay in carrying out the instruction, viz loss of interest, cheque returning charges. Bank would debit the customer's account with any applicable service charges as per schedule of charges notified by the Bank from time to time. In the event of Bank levying any charge in violation of the arrangement, Bank will reverse the charge when pointed out by the customer subject to scrutiny of agreed terms and conditions.

2.2.4 (B) <u>ECS direct debits / other debits to accounts</u>:

The Bank will undertake to carry out direct debit / ECS debit instructions of customers in time. In case Bank fails to meet such commitments, customer will be compensated to the extent of any financial loss that customer would suffer on

account of delay in carrying out the instructions / failure to carry out the instructions to the extent of compensation defined under **Para 2.8.**

2.2.5. <u>In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system (excluding the cases of unauthorized electronic banking transactions)</u>.

Where neither bank nor customer is at fault but the fault lies elsewhere in the system, bank will compensate the customer for the financial loss suffered by the customer (excluding indirect and un-liquidated losses like goodwill etc.) up to Rs. 50000/- only. Heads to be debited for making the payment and authority for sanctioning the Compensation is defined under **Para '2.8'** of this Policy. **For other cases, refer to the policy para 2.15.**

2.2.6. <u>Delayed Collection of Cheques</u>

The Compensation in this case will be as per Cheque/Instrument Collection Policy prescribed in **Chapter-3 Para 3.10 & 3.11** of this policy.

2.2.7. <u>Foreign Exchange Services</u>

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 / instruments, 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 equivalent to interest applicable on SB A/C after taking into normal cooling period of twenty one days.

2.3. <u>Force Majeure</u>

Bank shall not compensate customers for delayed credit if some unforeseen event, (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accidents fires, natural disasters or other "Acts of God"., war damage to 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, which prevents it from performing its obligations within the specified service delivery parameters.

2.4. <u>The Extent of Compensation</u>

The Compensation to be payable in case where any act of omission or commission is directly attributable to the bank (**excluding the cases of unauthorized electronic banking transactions)** is as follows:

A. The extent of compensation to be restricted to loss of interest amount or actual loss incurred subject to maximum of **Rs.50000/-.** Heads to be debited for making the payment and authority for sanctioning the Compensation is defined under **Para '2.8'** of the Policy mentioned below.

B. This will, however, not preclude a higher compensation being paid outside this policy, depending upon the merits of the case.

C. No claim will be entertained under the policy on account of reputation damages, loss of reputation in the society, loss of business, loss of income etc.

D. Any negligence on the part of the customer to avoid such loss may dilute the claim of the customer.

2.5. The decision of the Competent Authority designated under the policy, as regard to the assessment of direct financial losses suffered by the customer and the quantum of Compensation found payable in respect thereof, would be final and binding upon the customer.

2.6. The payment of compensation under the policy shall not be construed as admission by the Bank of its fault or imperfection or deficiency in rendering Banking Services and its liability in respect thereof as also qua issues and disputes emanating there-from.

2.7. Whenever the Bank pays Compensation under this policy, the customer will be called upon to execute Memorandum of discharge incorporating therein para **2.5 and 2.6** mentioned above.

2.8. Heads to be debited for making the payment and authority for sanctioning the Compensation excluding the cases of unauthorized electronic banking transactions as under:

A. The Head to be debited is "Compensation Payable Suspense Account in Cases Other Than Unauthorized Electronic Banking Transactions**"**. While inspecting the branch, the inspecting official will give a certificate that the steps were taken in accordance with the Policy for all entries debited to Compensation payable suspense account.

B. The Zonal Committee (which include the EDP official of the Zone, Zonal Manager, 2nd Man of the Zone) will sanction compensation up to **Rs.5000/-.**

C. The GMs' Committee will sanction compensation up to **Rs.35000/- .**

D. The Executive Director will sanction up-to **Rs.50000/-** on recommendation of GMs' Committee**.**

E. Any deviation in the policy matter may be referred to the Management Committee (MC).

2.9. <u>Harmonization of Turnaround Time (TAT) and customer compensation for failed transactions using authorized Payment Systems</u>

A. The prescribed TAT as per **Para 2.9.2** is the outer limit for resolution of failed transactions; and the bank shall endeavor towards quicker resolution of such failed transactions.

B. Wherever financial compensation is involved, the same shall be effected to the customer's account *suo moto*, without waiting for a complaint or claim from the customer.

2.9.1 General Instructions covering the TAT:

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

ii. 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.

iii. 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.

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

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

vi. 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.

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

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

2.9.2. Turn Around Time (TAT):

Sl. no.	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	Card to card transfer 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	Point of Sale (PoS) (Card Present)including Cash at PoS 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	Card Not Present (CNP) (ecommerce) 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	Off-Us transaction 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	On-Us transaction 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.

2.10. Lender's liability: Commitments to borrower

(a) The bank has adopted the principles of lender's liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to Customers adopted by the bank, the bank would return to the borrowers all the securities / documents / title deeds to mortgage property within 15 days of payment of all dues agreed to or contracted. The bank will adequately compensate the borrower for monitory loss suffered, if any due to delay in return of the same.

(b) Such compensation, in the event of loss of title deeds to mortgaged property at the hands of the banks is restricted to expenses incurred for obtaining a certified duplicate copy of the original Title Deed from the Office of Sub- Registrar. Bank will also bear the cost of issuing a public notice/ advertisement in local newspaper about the loss of the original Title Deed. In case of delay in return of Title Deed for any other reason the compensation is restricted to the Extent as given in Clause 5 of this Compensation Policy.

2.11. Delay in issuance of duplicate draft

The Bank shall issue duplicate Demand Draft to the customer within a fortnight from the receipt of such request. For delay beyond the stipulated period, interest @ applicable for the fixed deposit for the corresponding period will be paid as compensation to the customer for such delay. The period of fortnight prescribed would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.

2.12. Payment of penal interest for delayed credit /refunds of NEFT transactions

In case of delay in crediting the beneficiary customer's account or in returning the uncredited amount to the remitter in case of NEFT, the bank will pay penal interest at the current RBI LAF Repo Rate plus two percent for the period of delay / till the date of refund as the case may be to the affected customers suo moto, without waiting for claim from customers.

2.13. Transaction of "at par instruments" of Co-operative Banks

Bank will not honour Cheques drawn on current accounts maintained by co-operative banks with it unless arrangements are made for funding cheques issued. Issuing bank shall be responsible to compensate the cheque holder for non-payment / delayed payment of cheques in the absence of adequate funding arrangement.

2.14. 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.

2.15. Reversal of Unauthorized Electronic Banking Transactions with Zero/Limited Liability of Customers

2.15.1 Broadly, the electronic banking transactions can be divided into two categories:

A. 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), Pre-paid Payment Instruments (PPI), and

B. Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

2.15.2. Zero Liability of a Customer

A customer's entitlement to zero liability shall arise where the unauthorized electronic 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 unauthorized electronic transaction.

2.15.3 Limited Liability of a Customer

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

A. 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 unauthorized transaction to the bank. Any loss occurring after the reporting of the unauthorized transaction shall be borne by the bank.

B. The amount of compensation payable in cases where the responsibility for the unauthorized electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system shall be as under:

i. Customer's **liability will be Zero** in the cases where customer reports the fraudulent transaction **within 3 working days**.

ii. Customer's liability will be limited to the transaction value or the amount mentioned in Table (A) whichever is lower in the cases where customer reports the fraudulent transaction **within 4 to 7 working days**.

Table (A)

P.	Type of Accounts	Customer's Liability (Rs.)
(a)	Basic Savings Bank Deposit Account (BSBDA)	**5000**
(b)	All other SB accounts, Pre-paid Payment Instruments, 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,	**10000**
(c)	All other Current/ Cash Credit / Overdraft Accounts	**25000**

C. Further, if the delay in reporting is beyond **seven working days**, the customer liability shall be full. For such inordinate delays (beyond seven working days) the Customer shall bear the full liability/ loss and the Bank will not bear any loss or liability.

2.15.4 Overall liability of the customer in third party breaches, as detailed above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized as under:-

Table (B)

Summary of Customer's Liability

P.	Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's Liability (Rs.)
(a)	Within 3 working days	**Zero liability**
(b)	Within 4 to 7 working days	The transaction value or the amount mentioned in **Table (A)**, whichever is lower.
(c)	Beyond 7 working days	Full liability equal to the amount involved in the unauthorized electronic transaction.

The number of working days mentioned in **Table (B)** shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

2.16. Procedures and Timelines for Reversal of Unauthorized Electronic Banking Transactions:

A. On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorized electronic transaction to the customer's account after due verification within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). The concerned dept. head dealing with the system involving electronic banking transactions shall allow the respective Zone to credit the shadow balance in customer's account in the eligible cases after completing due verification with fact finding reports. The credit shall be value dated (the date of the unauthorized transaction) so that they would not suffer loss of interest.

B. The amount so reversed/credited in the customer's account shall be kept under shadow balance till the time of his/her complaint is resolved but not exceeding 90 days from the date of receipts of the complaint within which the complaint is resolved and liability of the customer, if any, established and the customer to be compensated as per provisions of para **2.15.1 to 2.15.4** mentioned above**.**

C. Where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in para **2.15.1 to 2.15.4** shall be paid to the customer.

D. The amount of compensation so paid to the customer shall be equal to the amount involved in the unauthorized electronic transaction less the maximum liability amount, if any determined as per Table (A) & (B), for which the customer is liable to pay for loss occurring due to unauthorized transactions .

E. In cases where the responsibility for the unauthorized electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in

the system, the amount of compensation payable shall be as per para **2.15.1 to 2.15.4.**

F. GL Head to be debited for Reversal of unauthorized electronic banking transactions and competent authority for sanction is as under:

i. The Head to be debited is **"Compensation payable Suspense Account for Reversal of Unauthorized Electronic Banking Transactions"**. While inspecting the branch, the inspecting official will give a certificate that the steps were taken in accordance with the policy for all entries debited to Compensation payable suspense account.

ii. The Zonal Committee (which include the EDP official of the Zone, 2nd Man of the Zone and Zonal Manager) may sanction compensation up to **Rs. 25000/- .**

iii. GMs' Committee may sanction up-to Rs.**75000/-.**

iv. The Executive Director may sanction compensation **above Rs.75000/-** on recommendation of GMs' Committee.

v. Any deviation in the policy matter may be referred to the Management Committee (MC).

2.17. Mechanism for Reporting and Monitoring of unauthorized electronic banking transactions

A. Customers are required to lodge their complaints through any of the available multiple channels i.e. website, phone banking, SMS, e-mail, toll-free helpline, reporting to home branch, etc. which shall be dealt as detailed in the Bank's Customer Grievance Redressal Policy being displayed on Bank's website from time to time. Upon receipt of the complaint from customers, the concerned HO/ZO/BO should take immediate proactive steps like hot-listing of debit card through provided channels or freezing/blocking debit transactions in the account to mitigate the risk and protect Bank against the liabilities assigned thereafter. The Bank's Complaint Cell at HO P&D Department shall look into the Redressal of grievances on account of unauthorized electronic banking transactions.

B. All complaints related to the unauthorized electronic banking transactions received from the customers through various channels shall be referred to the respective HO Department dealing with the system involving electronic banking transactions i.e. HO IT/ATM Cell/FI Cell/ ADC Department/Mobile Banking/Internet Banking/UPI Cell who shall subsequently report the cases to HO FMD Department for examining the cases from fraud angles and HO RMD Department for placing the same before ORMC.

C. HO RMD Department shall place the consolidated report of cases involving Unauthorized Electronic Banking Transactions and liability of customers arising thereon before "Operational Risk Management Committee (ORMC) for determining the root cause analysis of such incidences. 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.

D. The liability of the customers, if any, in case of unauthorized electronic banking transactions shall be examined/ monitored by HO IT/ATM Cell/ FI Cell /ADC Department in coordination with respective Zonal/Branch offices. The cases of unauthorized electronic banking transactions and the action taken thereon by HO IT/ATM Cell/ FI Cell/ ADC department shall be periodically reviewed by the Standing Committee on Customer Service. The Bank's internal auditors shall ensure to report all such unauthorized electronic banking transactions in their inspection Report.

2.18. <u>Customers' Responsibility</u>:

Bank will not be responsible for the loss to the customers due to customer's carelessness in keeping the Cheque book, passbook, cards, PIN or other security information and not following Do's and Don'ts and other guidelines issued by the Bank from time to time, until the Bank has been notified by the customer. Bank will not be responsible for the loss to the customer, if the customer acts fraudulently and/or acts without reasonable care which has resulted into loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords/secured or confidential information, until the time the Bank has been notified and has taken steps to prevent misuse.

2.19. <u>Some Protection Measures in Customer's Interest</u>:

- **The SMS alerts shall mandatorily be sent to the customers for all transactions.**

- **The banks may not offer facility of electronic transactions, other than ATM cash withdrawals, to customers who do not provide mobile numbers to the bank.**

- **For any debit transaction, customer is notified through instant SMS alert. Customers can instantly respond to that SMS in case of unauthorized electronic banking transaction at the earliest after the occurrence of such transaction. The longer the time taken to notify the bank by the customer, the higher will be the risk of loss of involved amount.**

- **In case of unauthorized transaction/ fraud, customer can instantly report the same by clicking on the link provided in SMS alert for immediate response. Once the customer reports any unauthorized transaction through SMS link, the same shall be acknowledged and registered complaint number is sent to customer through SMS.**

- **Customers are made aware of the risks and responsibilities involved in electronic banking transactions and customer liability through SMS, website, ATM etc.**