

Chapter – 5

Policy on Classification of Unclaimed Deposits / Inoperative Accounts

5. Introduction:

To overcome the practical difficulties and to ensure functional convenience, banks are classifying the overdue term deposit accounts and non-operative CASA accounts as “inoperative accounts”.

Further, pursuant to the amendment of the Banking Regulation Act, 1949, RBI has established The Depositor Education and Awareness Fund (the DEAF Fund) under which the amount to the credit of any account which has not been operated upon for a period of ten years or more, or any deposit or any amount remaining unclaimed for ten years or more shall be credited to the Fund, within a period of three months from the expiry of the said period of ten years. The depositor would, however, be entitled to claim from the bank his/her deposit or any other unclaimed amount or operate his/her account after the expiry of ten years, even after such amount has been transferred to the Fund. The Bank would be liable to pay the amount to the depositor/ claimant and claim refund of such amount from the Fund i.e. from RBI.

5.1. Classification of Unclaimed Deposits and Inoperative Accounts

5.1.1. Inoperative Accounts:

A savings as well as current account shall be treated as inoperative if there are no transactions (i.e. no credit or debit other than crediting of periodic interest or debiting of service charges) in the account for over a period of two years.

5.1.2. Procedure for Classification of CASA Accounts as Inoperative Accounts:

- (i) An annual review of accounts in which there are no operations for more than one year shall be made by all the branches of the Bank. The branches shall approach such account holders and inform them in writing that there has been no operation in their accounts and ascertain the reasons for the same.

For the purpose of classifying an account as 'inoperative' both the type of transactions i.e. debit as well as credit transactions induced at the instance of customers as well as third party shall be considered. However, the service charges levied by the branch or interest credited by the branch shall not be considered.

- (ii) In case the non-operation in the account is due to shifting of the customers from the locality, they shall be asked to provide the details of the new bank accounts to which the balance in the existing account should be transferred
- (iii) If the letters are returned undelivered, Bank shall immediately be put on enquiry to find out the whereabouts of customers or their legal heirs in case they are deceased. In case the whereabouts of the customers are not traceable, branches shall consider contacting the persons who had introduced the account holder.
- (iv) Branch shall also consider contacting the employer/or any other person whose details are available with the branch. They could also consider contacting the account holder telephonically in case his telephone number/cell number has been given to the bank.
- (v) In case of Non-resident accounts, branches may also contact the account holders through email and obtain their confirmation w.r.t. details of the account.
- (vi) In case any reply is given by the account holder giving the reasons for not operating the account, branches shall continue classifying the same as an operative account for one more year within which period the account holder may be requested to operate the account. However, in case the account holder still does not operate the same during the extended period, the same will be classified as 'inoperative' account after the expiry of the extended period.
- (vii) Before classifying these accounts as 'inoperative', the customer shall be advised in advance that he should commence operation if he wishes to continue the account or he may close his account by sending to the bank the pass book and unused cheque leaves, if any. If no reply is received within the date specified in the letter sent to him, the account shall be classified as 'Inoperative Account'.

(viii) There may be instances where the customer has given a mandate for crediting the interest on Fixed Deposit account and/or crediting dividend on shares to the Savings Bank account and there are no other operations in the Savings Bank account. Since the interest on Fixed Deposit account and/or dividend on shares is credited to the Savings Bank accounts as per the mandate of the customer, the same should be treated as a customer induced transaction. As such, the account should be treated as operative account as long as the interest on Fixed Deposit account and/or dividend on shares is credited to the Savings Bank account. The Savings Bank account can be treated as inoperative account only after two years from the date of the last credit entry of the interest on Fixed Deposit account and/ or dividend on shares, whichever is later, provided there is no other customer induced transaction.

(ix) Treatment of certain savings bank accounts opened for credit of Scholarship amounts and credit of Direct Benefit Transfer under Government Schemes:

State and Central Governments have expressed difficulties in crediting Cheques/ Direct Benefit Transfer/Electronic Benefit Transfer/Scholarships for students, etc. into accounts/Accounts with zero balance opened for the beneficiaries under various Central/State Government schemes but had been classified as dormant/inoperative due to non-operation of the account for over two years.

Keeping the above in view, RBI has advised that a different “product code” may be allotted in CBS to all such accounts opened so that the stipulation of inoperative/ dormant account due to non-operation does not apply while crediting proceeds as mentioned above.

In order to reduce the risk of fraud etc., in such accounts, while allowing operations in these accounts, due diligence should be exercised by ensuring the genuineness of transactions, verification of signature and identity, etc. However, it has to be ensured that the customer is not inconvenienced in any manner.

5.1.3. Due Diligence on 'Inoperative Accounts':

- (i) The segregation of the inoperative accounts is done from the point of view of reducing risk of frauds etc. However, the customer should not be inconvenienced in anyway, just because his account has been rendered inoperative. The classification is there only to bring to the attention of dealing staff, the increased risk in the account.

If any transaction i.e. debit or credit, is made in inoperative accounts, the same shall be allowed with exception message in CBS. The Branch Manager shall monitor the same by generating exceptional report from MIS reports on daily basis from the point of view of preventing fraud. However, it has to be ensured that the customer is not inconvenienced as a result of extra care taken by the branch.

- (ii) No penal charges for non-maintenance of minimum balances in any inoperative account would be levied.
- (iii) Interest on savings bank accounts shall be credited on regular basis whether the account is operative or not. If a fixed deposit matures and proceeds are unpaid, the amount left unclaimed with the branch will attract savings bank rate of interest or the contracted rate of interest on the matured TD, whichever is lower for the overdue period.

5.1.4. Activation of Inoperative Accounts:

- (i) Branches shall exercise abundant caution at the time of re-activating an inoperative account and allowing operations in such re-activated inoperative accounts. Operation in such accounts shall be allowed after due diligence as per risk category of the customer. Due diligence would mean ensuring genuineness of the transaction, verification of the signature and identity etc.
- (ii) While activating, branches shall ensure that fresh KYC documents are obtained, verified and all current information with regard to the customer like, address, Mobile number etc., are updated in the CBS. Adequate operational safeguards are to be exercised to ascertain that the claimants are genuine.

- (iii) Balance in inoperative accounts held at the branch may be paid to account holders /nominee / legal heirs on their request for payment as per Bank norms. In such cases the identity of the customer shall be established beyond doubt before making payment, because of the time lag between the last transactions in the account and the date on which payment is claimed.
- (iv) There would not be any charge for activation of inoperative account.
- (v) If any remittances/credits are received in the inoperative account, first the account shall be re-activated after adhering to the guidelines as given above.
- (vi) To Execute any sort of transactions (i.e. credit/debit) in such reactivated accounts, the system would require second authorization for first 3 transactions after reactivation. As such:-
 - (a) The 1st user, who makes the entry, will not be able to post it.
 - (b) The 2nd user (2nd Man/BM) will have the power to post the entry (i.e. to effect the credit/debit in the account)
- (vii) It is to be ensured that the amounts lying in inoperative accounts are properly audited by the Inspector of Branches/Statutory auditor of the bank.

5.2. Unclaimed CASA / Term Deposits

The saving & current accounts which remain in inoperative status for 8 years (i.e., 10 years from the date of last operation) and in Term deposits in ODFD accounts for 10 years period, will be marked as “Unclaimed Deposit”. Balance of such accounts will be transferred to RBI DEAF fund within a period of 1 months from the expiry of the said period of 10 years.

5.3. Process Note for Claim of Unclaimed Deposits / Inoperative Accounts

- (i) As per RBI guidelines, the list of unclaimed deposits / inoperative accounts which are inactive / inoperative for ten years or more is to be displayed on Bank's website. The list so displayed contains only names of account holders(s) and his/her address in respect of unclaimed deposits / inoperative accounts which are inactive / inoperative for ten years or more. The information on the process of claiming the unclaimed deposit / activating the inoperative account and the necessary documents for claiming the same is also furnished on the website.

- (ii) In case the account details provided by the customer match in the list available then they will contact their branch and submit their claim along with the KYC documents for activation / closure of the account. The account holders are required to furnish original documents for verification.
- (iii) The depositor whose unclaimed amount has been transferred to RBI under DEAF Scheme is entitled to claim from the bank his/her deposit or any other unclaimed amount or operate his/her account after the expiry of ten years, even after such amount has been transferred to the DEAF Fund. The procedure to be followed for claiming such amount is mentioned in H.O. P&D Circular No. 3044 dated 14.08.2014, Circular No.3429 dated 14.12.2017 & 3561 dated 08.06.2021.

5.4. Record Keeping:

Branches shall continue to preserve all signature cards and ledger records (if any) and other documents relating to such accounts as per “Document Handling & Retention Policy” of the Bank.

5.5. Periodic Review of Such Accounts:

The position of Unclaimed Deposits/ Inoperative Accounts shall be reviewed by Board on half yearly basis i.e. half year ending March / half year ending September.