

# STUDENTS' ECONOMIC FORUM

*To kindle interest in economic affairs...  
To empower the student community...*



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Theme 277

## CHARTER OF CUSTOMER RIGHTS

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Theme No: 277 :CHARTER OF CUSTOMER RIGHTS:

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A well informed customer will make the policy makers as well as organisations which produce goods and services more responsive to the customer needs. This will also result in healthy competition among organisations and improve the quality of goods and services produced.

The “SIB Students’ Economic Forum” is designed to kindle interest in economic affairs in the minds of our younger generation. We highlight one theme in every monthly meeting of the “Forum”. Reserve Bank of India recently placed on RBI website the draft Charter of Customer Rights comprising five basic customer rights and explanatory notes on each right for public comments. The draft Charter of Customer Rights to deal with entities regulated by the Reserve Bank, has been framed based on global best practices of consumer protection as also discussions and interaction with various stakeholders. The Charter spells out the rights of the customer and also the responsibilities of the financial service provider (FSP). This month we discuss about the Charter of Customer Rights.

**What are the five basic customer rights explained in the draft?**

The basic customer rights explained in the draft are 1. Right to Fair Treatment; 2. Right to Transparency; Fair and Honest Dealing; 3. Right to Suitability; 4. Right to Privacy; 5. Right to Grievance Redress and Compensation

**How is the Right to Fair Treatment explained in the draft?**

The charter points out that both the customer and the FSP have a right to be treated with courtesy. The customer should not be unfairly discriminated against on grounds such as gender, age, religion, caste and physical ability when offering and delivering financial products. Customers must behave courteously and honestly with the FSP. Customers should approach the available internal resolution/ grievance redressal mechanism before approaching alternate fora.

**What are the responsibilities of the FSP on fair treatment?**

The FSP must ensure that the staff members attend to customers and their business promptly and courteously. The FSP should not discriminate unfairly against any customer on grounds such as gender, age, religion, caste and physical ability. The FSP may, however, have certain special products which are specifically designed for members of a target market group or may use defensible, commercially acceptable economic rationale for discriminating between customers. For instance, a young healthy customer and an old infirm customer may reasonably be offered different term life insurance premium rates. The FSP should provide customers with the reason for such discrimination, in case of a query.

## **What are the responsibilities of FSP on the Right to Transparency, Fair and Honest Dealing?**

The FSP should make every effort to ensure that the contracts or agreements it frames are transparent, easily understood by and well communicated to, the common person. The product's price, the associated risks, the customer's responsibilities and the terms and conditions that govern use over the product's life cycle, should be clearly disclosed. The customer should not be subject to unfair business or marketing practices, coercive contractual terms or misleading representations. Over the course of their relationship, the FSP cannot threaten the customer with physical harm, exert undue influence, or engage in blatant harassment.

## **What are the prerequisites on product terms and conditions?**

The FSP must provide customers with product terms and conditions that are in simple language, easily understandable, and with sufficient information that the customer could be reasonably expected to make an appropriate choice of product. The key risks associated with the product as well as any features that may especially disadvantage the customer should be made known to him/her. Most Important Terms and Conditions (MITC) should be clearly brought to the notice of the customer while offering the product. In general, product terms should not inhibit a customer's future choice. Features of the product that do inhibit future choice should be part of the MITC. The FSP must provide, wherever possible and when asked, directions to informational resources that allow the customer to compare product features and fees with those of similar products offered by the competition. For the poor or those with limited access to information, the FSP should endeavor to collect and share such information when requested. FSP has to communicate to customers any changes in the terms and conditions, fees, service charges, discontinuation of particular products, relocation of provider offices, changes in working hours, change in telephone numbers etc. with reasonable advance notice. Disclosure of information is an on-going process through the lifecycle of the product and must be diligently followed by the FSP. The provider may begin with web-site disclosure as a general thumb rule for all communications and graduate to other means of communication. Further, such information should be made easily accessible to the customer through a variety of channels, once the provider reaches a particular level of preparedness. A common industry supported portal may be envisaged to provide access to similar products or to enable the customer to compare products and prices. The FSP must make known to the customer the availability of the portal. FSP should advise the customer at the time of selling the product of the rights and obligations embedded in law or regulation, as well as the need to report any critical incidents that they encounter, suspect or discover.

## **What are the conditions in the draft on the Right of Transparency, Fair and Honest dealing?**

- When engaged by the customer for advice, provide advice consistent with the interests of the customer.
- FSP should not terminate a customer relationship without giving reasonable or contractual prior notice to the customer.
- FSP should assist the customer in managing their financial relationship, including by providing regular account statements and alerts.
- FSP has to ensure that all marketing and promotional material sent to the customer is

clear and not misleading to the target customer.

- The customer should not be threatened with physical harm, exert influence that is outside normal and reasonable business practice, or engage in behavior that would reasonably be construed as unwarranted harassment.

### **What do you mean by the Right to Suitability?**

The products offered should be appropriate to the needs of the customer and based on an assessment of the customer's financial circumstances and understanding. The FSP should have a Board approved policy for assessing suitability of products for clients prior to sale. The policy will need to ensure proportionality, that is, a product like a simple savings bank account might be deemed universally suitable whereas a product such as a loan or insurance or third party products will require the provider to undertake the necessary due diligence prior to sale. The providers have the freedom to choose their own modus operandi for implementation.

What are the conditions on the Right to Suitability ?

- Exclusions for assessing suitability include ordinary savings bank account, current account, crop insurance for agriculture loans, KCC and other products identified from time to time
- Any customer has the responsibility to provide honestly any relevant and reasonable information that is demanded by the FSP to make a determination of suitability.
- The FSP should examine the structure of its fees / service charges / penalties to ensure that they are reasonable.

### **What is the explanation on the Right to Privacy?**

Customers' personal information should be kept confidential unless they have offered specific consent to the FSP or such information is required to be provided under the law or it is provided for a mandated business purpose. The customer should be informed upfront about likely mandated business purposes. Customers have the right to protection from all kinds of communications, electronic or otherwise, which infringe upon their privacy. Every customer's personal information is to be treated as private and confidential, and, as a general rule, will not be disclosed by the FSP to other companies for any purpose unless authorized by the customer

### **What are the conditions for allowing disclosure of personal information by an FSP?**

- Disclosure is compelled by law
- It has a duty to the public to disclose i.e. in public interest
- It has to protect its interests through disclosure
- It is for a mandated business purpose such as disclosure of default to credit information companies or debt collection agencies
- The FSP must communicate any such likely disclosures to the customer.

### **What is meant by the Right to Grievance Redressal and Compensation?**

The customer has a right to hold the FSP accountable for the products offered and to have a clear and easy way to have any valid grievances redressed. The provider should also facilitate the redress of grievances stemming from its sale of third party products. The FSP must communicate its policy for compensating mistakes, lapses in conduct, as well as non-

performance or delays in performance, whether caused by the provider or otherwise. The policy must lay out the rights and duties of the customer when such events occur.

### **What are the duties of FSP to protect the right to grievance Redressal and Compensation?**

- FSP must set up a grievance redressal procedure and clearly indicate the grievance resolution authority to be approached. The name and address of this official and the time for resolution of complaints should be clearly accessible at all service delivery locations. The complainant should be informed of the option to escalate his complaint to the Ombudsman if the complaint is not addressed within a pre-set time.
- FSP must also acknowledge a formal complaint (including complaints lodged through information technology) within three working days and work to resolve it within a reasonable period, not exceeding 30 days (including the time for escalation and examination of the complaint by the highest official responsible for grievance redress). The 30 days may be calculated after obtaining all the necessary information from the customer by the service providers.
- FSP should provide all eligible customers with the details of the Ombudsman Scheme for resolution of a complaint if the customer is not satisfied with the resolution of a dispute, or with the outcome of a dispute handling process in relation to deficiency in service by a FSP.
- FSP has to Display clearly at customer contact points the name and contact details of the Nodal Officer responsible for grievance redress, as also the name and contact details of the Ombudsman under whose jurisdiction the FSP is functioning. The Nodal Officer will be the first point of contact for redressal of customer complaints if the officials who are normally in contact with the customer are unable to resolve the customer's grievance.
- FSP has to place in the public domain its compensation policy for delays / lapses in conducting / settling customer transactions within the stipulated time and in accordance with the agreed terms of contract.
- FSP must clearly spell out at the time of establishing a customer relationship the liability for losses, as well as the rights and responsibilities of all parties, in the event of products not performing as per specifications or things going wrong. For instance, the moment a customer has informed the FSP that an electronic purse has been lost or stolen or that someone else knows the customer's PIN, the provider must take immediate steps to prevent the customer's account from being accessed. In this case, the customer may be held liable for losses if they have not informed the FSP as soon as reasonably practicable after having discovered the loss or theft, or that unauthorized transactions have been conducted on the their accounts.
- Unless the FSP can show beyond reasonable doubt to the customer and the grievances redress mechanism that the customer acted fraudulently or without reasonable care, it will refund the customer the amount of any disputed transaction together with any interest and associated charges.
- FSP will not be liable for any losses caused by circumstances that are beyond its reasonable control (such as market changes, performance of the product due to market variables etc.).

## RIGHTS OF THE CUSTOMER

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## RESPONSIBILITIES OF FSP

- ◆ **Right to Fair Treatment:**
- ◆ No discrimination on basis of gender, age, religion, caste and physical ability
  
- ◆ **Right to Transparency, Fair and Honest Dealing:**
- ◆ Contracts or agreements between financial service provider and customer should be transparent and easy to understand
  
- ◆ **Right to Suitability:**
- ◆ Products offered should be appropriate to the needs of the customer
  
- ◆ **Right to Privacy:**
- ◆ Customers' personal information to be kept confidential. No unwarranted communication, electronic or otherwise, to be sent
  
- ◆ **Right to Grievance Redress and Compensation:**
- ◆ Financial services provider accountable for products offered (including third party products). Provider to facilitate easy grievance redressal

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*Your comments and feedback on this publication may be sent to Staff Training College,  
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