


STUDENTS' ECONOMIC FORUM

A monthly publication from South Indian Bank

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

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Student's Corner

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INTEGRATED OMBUDSMAN SCHEME

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The “SIB Students’ Economic forum” is designed to kindle interest in the minds of younger generation. We highlight one theme in every monthly publication. Topic of discussion for this month is “**Integrated Ombudsman Scheme**”

History of Ombudsman

Sweden is considered to be the native land of the institution of Ombudsman. The King of Sweden, Charles, during his exile in Turkey closely observed the working of Dewan-i-Mazalim. On restoration, he ordered the establishment of a similar institution in Sweden. In Sweden, the office was institutionalized in the year 1809 with the title of Justitieombudsman.

‘Ombudsman’ is a Swedish term that has been used for centuries to elucidate a person who represents or protects the interests of the public at large. The word was originally obtained from the medieval Germanic tribes where it was applied to a third party whose task was to collect fines from remorseful culprit families and give them to the aggrieved families of victims.

Introduction of the Ombudsman in India

Ever since Independence, the banking industry has seen a rise in the number of customers, innovations, volume of business as well as transactions. During this period many new banks have entered the banking space and while some have exited, others have merged with similar existing entities. This is an industry which needs frequent updation of the best practices available and at the same time is highly regulated, all done keeping in mind the interests of the stakeholders. With all of the above, there has been a rise in the number of concerns and grievances raised by the customers and this tends to erode the confidence which is entrusted by the public over the banking system of our country. Considering the fact that banks are in the epicentre of the economy, no government or the central bank can afford to have its citizens lack trust over the banking system.

Therefore, the Government of India and the Reserve Bank of India as part of their moral obligation to support and develop the nation and its people, have taken necessary steps to ensure that customers/consumers are being treated fairly. As part of doing so, one of the key initiatives is the introduction of the Banking Ombudsman Scheme in 1995 by the RBI under Section 35 A of the Banking Regulation Act, 1949. The primary role of the Ombudsman is to resolve grievances escalated by the customers while they engage with

the financial institutions which come under the purview of the Reserve Bank of India.

Also, for an internal mechanism within banks, The Internal Ombudsman Scheme (2018), was launched on 03rd September 2018 with the object of enabling and ensuring a proper and speedy resolution of complaints of bank customers at the bank level by an independent apex level authority within the bank.

About the Earlier Ombudsman Schemes

The RBI earlier had 3 Ombudsman schemes namely –

1. The Banking Ombudsman Scheme (2006)

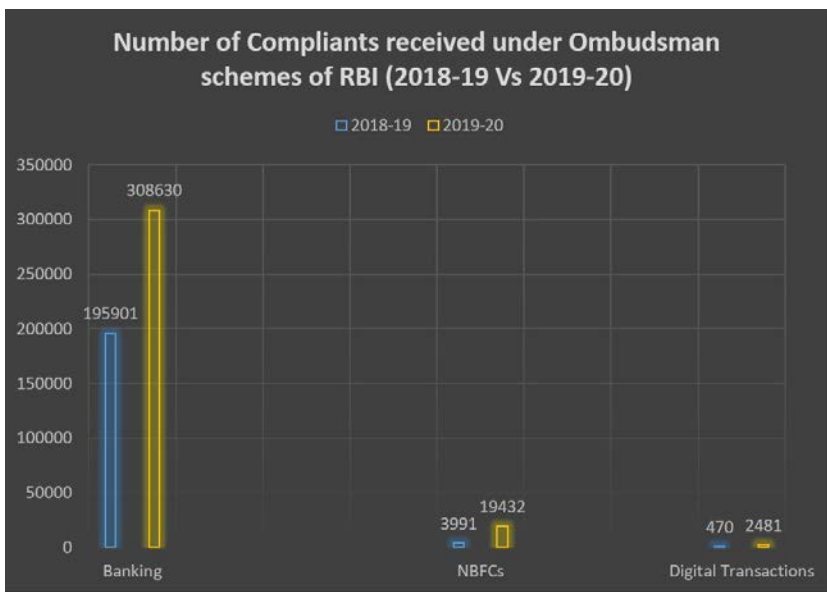
The Banking Ombudsman Scheme is an expeditious and inexpensive forum for bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme was introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995. The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services covered under various grounds of complaint. Twenty banking Ombudsmen were appointed with their offices located mostly in state capitals.

2. The Ombudsman Scheme for Non-Banking Financial Companies (2018)

This scheme is an expeditious and cost free apex level mechanism for resolution of complaints of customers of NBFCs, relating to certain services rendered by NBFCs. The Scheme was introduced under Section 45 L of the Reserve Bank of India Act, 1934, with effect from February 23, 2018. The NBFC Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against NBFCs for deficiency in certain services covered under various grounds of complaint. Four NBFC Ombudsman were appointed with their offices located at Chennai, Kolkata, New Delhi and Mumbai.

3. The Ombudsman Scheme for Digital Transactions (2019)

This scheme is an expeditious and cost-free apex level mechanism for resolution of complaints regarding digital transactions undertaken by customers of the System Participants as defined in the Scheme. The Scheme was introduced under Section 18 Payment and Settlement Systems Act, 2007, with effect from January 31, 2019. The Ombudsman for Digital Transactions is a senior official appointed by the Reserve Bank of India to redress customer complaints against System Participants as defined in the Scheme for deficiency in certain services covered under various grounds of complaint. Twenty one Ombudsman for Digital Transactions have been appointed with their offices located mostly in state capitals.



Source – RBI

About the Integrated Ombudsman Scheme

The Integrated Ombudsman Scheme was launched on 12th November 2021 by Hon'ble Prime Minister Shri Narendra Modi in virtual mode. As the name suggests, this scheme integrates all of the schemes mentioned above into one scheme. This schemes also brings Non-Scheduled primary Co-operative Banks with a deposit size of Rs 50 crore and above under its purview. It is done with the objective to provide cost – free redressal of customer complaints involving deficiency in services rendered by entities regulated by RBI (Public sector banks, private sector banks etc) , if it is not resolved to the satisfaction of the customers or not replied to within a span of 30 days by the regulated entities.

Features of the Scheme

- i. It will no longer be necessary for a complainant to identify under which scheme he/she should file complaint with the Ombudsman.
- ii. The Scheme defines 'deficiency in service' as the ground for filing a complaint, with a specified list of exclusions. Therefore, the complaints would no longer be rejected simply on account of "not covered under the grounds listed in the scheme".
- iii. The Scheme has done away with the jurisdiction of each ombudsman office.
- iv. A Centralized Receipt and Processing Centre has been set up at RBI, Chandigarh for receipt and initial processing of physical and email complaints in any language.
- v. The responsibility of representing the Regulated Entity and furnishing information in respect of complaints filed by customers against the Regulated Entity would be that of

the Principal Nodal Officer in the rank of a General Manager in a Public Sector Bank or equivalent.

Vi. The Regulated Entity will not have the right to appeal in cases where an Award is issued by the ombudsman against it for not furnishing satisfactory and timely information/documents.

Benefits of the Integrated Ombudsman Scheme

1. Single point to refer and contact – Since all the schemes are under one scheme and now that registration of complaints have been centralised, complainants need not refer to various instructions to log in a complaint.
2. Greater coverage – Now, complaints will no longer be rejected simply by stating “not covered under the grounds listed in the scheme”. The integrated Ombudsman Scheme provides greater coverage regarding the scope of the scheme.
3. Consistency in resolutions provided – Since complaints are managed and recorded in a centralised system, it is now possible for back end analysis of past decisions and there fore provides greater uniformity and consistency.
4. Fewer rejections- Earlier, the complaints used to get rejected on grounds that it was not filed under the right scheme. Also, they had to ensure that the complaints fall under the specified and limited grounds of complaint. This has now been rectified.

References:

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