



# CUSTOMER COMPENSATION POLICY

**CUSTOMER RELATIONS DEPARTMENT**

**The South Indian Bank Ltd.**

**Head Office, Thrissur**

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CONFIDENTIAL

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## **1. Introduction**

Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the bank's endeavor to offer services to its customers with best possible utilization of its technology infrastructure. Withdrawal of the Reserve Bank of India instructions to banks on time frame for collection of outstation cheques, payment of interest on delayed collection of outstation cheques / instruments, with effect from 1st November 2004, had offered the bank further opportunities to increase its efficiency for better performance. This Compensation policy of the bank is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques / instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this policy is to establish a system whereby the bank compensates the customer for any financial loss he/she might incur due to deficiency in service on the part of the bank or any act of omission or commission directly attributable to the bank. By ensuring that the customer is compensated without having to ask for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

It is reiterated that the policy covers only compensation for financial losses which customers might incur due to deficiency in the services offered by the bank which can be measured directly and as such the commitments under this policy are without prejudice to any right the bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

## **2. Unauthorized / Erroneous Debit.**

If the bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In the event the unauthorized/erroneous debit has resulted in a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized/erroneous debit, the bank will compensate the customer to the extent of such financial losses.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, the bank shall complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit. In case, the verification involves a third party, the bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

## UNAUTHORISED ELECTRONIC BANKING TRANSACTIONS.

The compensation for unauthorized electronic banking transactions are governed by 'Board approved policy on Customer Protection' drawn in terms of RBI Circular ' Customer Protection – Limiting Liability of Customers in Unauthorized Electronic Banking Transactions'

**Reversal of Unauthorized/Fraudulent debits arising on Internet Banking / Mobile Banking / Card related transactions.** The electronic transaction is classified into categories.

1. Card Not Present (CNP) transaction i.e. transactions that do not require physical payment instruments to be presented at the point of transactions
2. Transaction other than CNP i.e. transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction.

**Customer's liability on unauthorized CNP & Non-CNP transaction shall be fixed as under.**

SL NO	PARTICULARS	LIABILITY
1	In case, where contributory Fraud / Negligence / Deficiency on the part of the bank.	No liability
2	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 <b>three working days</b> of receiving the communication from the bank regarding the unauthorized transaction	No Liability
3	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	100.00%
4	Any loss occurring after the reporting of the unauthorized transaction shall be borne by the bank.	No liability
5	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 and when there is a delay of <b>four to seven working days</b> 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 hereunder, whichever is lower.	
	5.1 BSBD Accounts	5,000.00
	5.2 All other SB accounts, 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, Pre-paid Payment Instruments and Gift Cards and Credit cards with limit up to Rs.5 lakh	10,000.00

	5.3	All other Current/ Cash Credit/ Overdraft Accounts & Credit cards with limit above Rs.5 lakh	25,000.00
<b>6</b>		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 and when there is a delay exceeding <b>seven working days in</b> notifying the bank of such a transaction.	100.00%

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 within 10 working days from the date of such notification by the customer. Further, the resolution of complaint should not exceed 90 days from the date of receipt of the complaint

### **3. NACH direct debits/other debits to account**

The bank will undertake to carry out NACH direct debit instructions of customers in time. In the event the bank fails to meet such commitments, the customer will be compensated to the extent of any financial loss the customer would incur on account of delay in carrying out the instruction / failure to carry out the instructions.

The bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. In the event the bank levies any charge in violation of the arrangement, the bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

### **4. Payment of Cheques after Stop Payment Instructions**

In case a cheque has been paid after stop payment instruction is acknowledged by the bank, the bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as provided under Para.1 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

### **5. Foreign Exchange Services**

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, at its sole discretion, upfront credit against such instrument by purchasing the cheque / instrument, 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 given for delays beyond one week from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated.

The compensation in such cases will be worked out as follows:

- a) Interest for the delay in crediting proceeds as indicated in the collection policy of the bank, and FEDAI rules.
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate.

#### **6. Payment of Interest for delayed Collection of Outstation Cheques**

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned in the bank's Policy on Collection of Cheques / Instruments. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection. Interest for delayed collection shall be paid as mentioned in the 'Policy on Collection of Cheques / Instruments'.

Interest for delayed collection shall be paid at the following rates:

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the corresponding respective period or Saving Bank rate, whichever is higher.
- c) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

#### **7. Cheques/Instruments lost in transit / in clearing process or at paying bank's branch**

The bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection by the customer would also be as indicated in the bank's „Policy on Collection of Cheques / Instruments'.

#### **8. Issue of Duplicate Draft and Compensation for delays**

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of Corresponding period will be paid as compensation to the customer for such delay.

#### **9. Violation of the Code by bank's 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, the bank is committed to investigate the matter and endeavor to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified, compensate the customer for financial losses, if any, as contemplated under this policy.

**10. Transaction of 'at par instruments' of Co-operative Banks** and other Commercial Banks The bank will not honor cheques drawn on current accounts maintained by other banks with it, unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for nonpayment / delayed payment of cheques in the absence of adequate funding arrangement.

#### **11. Lenders liability - Commitments to borrowers**

The bank has adopted the principles of lenders liability. In terms of the guidelines for lenders liability and the Code of Bank's Commitment to customers adopted by the bank, all the securities/ documents / title deeds to mortgaged property will be returned to customer within 15 days of the repayment of all dues agreed to or contracted. If any right to set off is to be exercised for any other claim bank will give due notice with full particulars about other claims and retain the securities / documents / title to mortgaged property till the relevant claim is settled / paid. In other cases bank will serve a notice either in person or by registered post; instructing the customer to redeem the securities if any.

In case of delay on part of the bank in returning the securities / documents / title deeds to mortgaged property beyond 15 days of repayment of all dues agreed or contracted; compensation will be paid at the rate of Rs.100/- per week for period beyond 15 days, subject to a maximum of Rs.500/- provided however that the bank will not be liable in the following circumstances:-

- ❖ The delay in returning original security documents is not attributable to the Bank.
- ❖ The delay is on account of non-receipt of the documents from Court / DRT.
- ❖ There are adverse / conflicting claims from the third parties / co-owners on the said property.
- ❖ All the persons having interest in the said property as per the records of the bank are not willing to execute acknowledgement / receipt.

In the event of loss of title deeds deposited with the bank due to negligence of bank or its officials /employees / agents, bank will pay an amount of **Rs.10,000/-** towards compensation, plus actual expenses for obtaining duplicate / certified copy of the documents.

#### **12. Compensation for failed transactions using Authorized Payment Systems**

A large number of customer complaints emanate on account of unsuccessful or 'failed' transactions. Failure could be on account of various factors not directly attributable to the customer such as disruption of communication links, non-availability of cash in ATMs, time-out of sessions, non- credit to beneficiary's account due to various causes, etc. Rectification / Compensation paid to the customer for these 'failed' transactions is shown in the below table.

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.

Customers who do not get the benefit of redress of the failure as defined in the TAT, can register a complaint to the Banking Ombudsman of Reserve Bank of India.

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
<b>1</b>	<b>Automated Teller Machines (ATMs) including Micro-ATMs</b>		
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.
<b>2</b>	<b>Card Transaction</b>		
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) (e-commerce)  Account debited but confirmation not received at merchant's system.		
<b>3</b>	<b>Immediate Payment System (IMPS)</b>		
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.
<b>4</b>	<b>Unified Payments Interface (UPI)</b>		
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.



Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
<b>5</b>	<b>Aadhaar Enabled Payment System (including Aadhaar Pay)</b>		
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.		
<b>6</b>	<b>Aadhaar Payment Bridge System (APBS)</b>		
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.
<b>7</b>	<b>National Automated Clearing House (NACH)</b>		
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.	
<b>8</b>	<b>Prepaid Payment Instruments (PPIs) – Cards / Wallets</b>		
a	<b>Off-Us transaction</b>  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	<b>On-Us transaction</b>  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.

### 13. Force Majeure

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, accident, fires, natural disasters or other 'Acts of God', war, damage to the 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 prevents it from performing its obligations within the specified service delivery parameters

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