

## Version 1.04

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## Compensation Policy

### 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 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.

### **1. Unauthorised / 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. This should be brought to the notice of the bank within a reasonable period of the account statements sent by the bank. 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 may compensate the customer to the extent of payment of interest at the savings bank deposit rate for such loss.

In case verification of the entry reported to be erroneous by the customer does not involve a third party and is less than a year old, the bank shall arrange to 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 or the transaction is more than a year old or where verifications are to be done at overseas centers, 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.

Erroneous transactions reported by customers in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by card association

### **1.1 Reversal of Erroneous Debits arising on Fraudulent or Other Transactions:**

- a. In case of any fraud, if the branch is convinced that an irregularity / fraud has been committed by its staff towards any constituent, branch should at once acknowledge its liability and pay the just claim.
- b. In cases where the branch is at fault, they may compensate the customer without demure.
- c. In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system, branch would compensate the customer on a case to case basis for an amount of 25% of the loss incurred by the customer or Rs. 25000/-, whichever is lower subject to the customer furnishing proper documentary evidences for having incurred the loss. The maximum amount that would be compensated per incident involving a number of customers would be limited to Rs 5 lakhs.

### **2. ECS direct debits/other debits to accounts**

The bank will undertake to carry out direct debit/ ECS debit instructions of customers in time. In the event the bank fails to meet such commitments 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 provided sufficient balance is available in the account of the customer on the date of debit and a valid ECS mandate has been registered with the bank.

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. Bank may compensate the customer to the extent of payment of interest at the savings bank deposit rate for such loss.

Where it is established that the bank had issued and activated a credit card without consent of the recipient, the bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of charges reversed as per regulatory guidelines in this regard.

### **3. 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, if any to the customer will be compensated as provided under para1 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

### **4. 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 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 normal cooling period for some major currencies have been indicated in the Cheque Collection Policy. 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.
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate.

Bank shall compensate the beneficiary of an inward remittance by payment of interest @ 2 % over the applicable Savings Bank rate of interest in case the proceeds of the inward remittance advice from abroad for remittance are not paid within 10 days from the date of receipt of



remittance advice from abroad for remittance upto equivalent USD 5000 subject to the beneficiary meeting the regulatory prescriptions, or an intimation not sent to the beneficiary within 3 working days (reckoning Saturday as a working day) from the date of receipt of credit advice in respect of remittances exceeding equivalent of USD 5000. Saturday may continue to be treated as working day except for transactions involving conversion at confirmed exchange rate (other than travel related transactions like issue / encashment of foreign currency travellers' cheques, foreign currency notes etc)

#### **5. 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 as per the Cheque Collection Policy. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between the 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 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 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 of proceeds of Cheque under collection was 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.

#### **6. Compensation for loss of instrument in transit**



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 indicated in our collection policy. The same is extracted below for information.

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

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the Cheque.

In line with the compensation policy of the bank, the bank will compensate the accountholder in respect of instruments lost in transit in the following way:

- a. In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- b. In addition, bank will pay interest on the amount of the Cheque for a further period of 15 days at savings bank rate to provide for likely further delay in obtaining duplicate Cheque / instrument and collection thereof.

The bank would also compensate the customer for any reasonable charges he / she incurs in getting duplicate Cheque / instrument upon production of receipt, in the event the instrument is to be obtained for a bank / institution who would charge a fee for issue of duplicate instrument.

#### **7. 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.

#### **8. 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, 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 loss, if any, as contemplated under this policy.

#### **9. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks**

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonour of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the bank will not honour 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 non payment/delayed payment of cheques in the absence of adequate funding arrangement.

#### **10. Lenders liability: Commitments to Borrowers:**

The bank has adopted the principles of lenders of liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to customer adopted by the bank, the bank would return to the borrowers all the securities / documents / title deeds to mortgaged property within 15 days of repayment of all dues agreed to or contracted. The bank will compensate the borrower for monetary loss suffered, if any due to delay in return of the same. In the event of loss of title deeds to mortgage property at the hands of the banks the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lumpsum amount as decided by the bank.

### **11. 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 or other labour disturbances, 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, etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

### **12. ATM Failure**

*The bank would reimburse the customer for wrongfully debited amount on account of failed ATM transaction within a maximum period of 7 working days from the receipt of complaint. For any failure to re-credit the customer’s account within 7 working days from the date of receipt of the complaint, bank shall pay compensation of Rs. 100/- per day to the aggrieved customer starting from the 8<sup>th</sup> working day onwards. Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the bank within 30 days of the date of the transaction. This compensation shall be credited to the customer’s account automatically without any claim from the customer, on the same day when bank affords the credit for the failed transactions. Details of chargeback in case of ATM transaction by the customer of the bank when he uses other bank ATM may be included.*

### **13. Delayed credit /refunds of NEFT transactions**

The Bank would pay penal interest for delay in crediting the beneficiary customer’s account or in returning the uncredited amount to the remitter in case of NEFT. The penal interest will be paid 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.