



# **Compensation Policy**

**February 2015**



**Table of Contents**

<b>S.N.</b>	<b>Topics</b>	<b>Page No.</b>
1	Introduction	1
2	Objectives of Policy	2
3	Scope of Policy	3
4	Unauthorised / Erroneous Debits	4
5	ECS direct debits/other debits to accounts	5
6	Delay in credit/ return of NEFT/NECS/ECS transaction	6
7	Payment of Cheques after Stop Payment Instructions	7
8	Foreign Exchange Services.	7
9	Suo-Moto Payment of Compensation on delayed collection of Inland Outstation Cheque for Collection	8
10	Delay in Clearance of Local Cheques	9
11	Cheques / Instruments lost in transit / in clearing process or at paying Bank's branch	10
12	Violation of the Code by Bank's agent(s)	11
13	Issue of Duplicate Draft and compensation for delays	11
14	Transaction of "at par instruments" of Co-operative Banks by Commercial Banks	12
15	Return of Documents of Title	12
16	ATM Failure	13
17	Compensation in case of frauds (other than Internet Banking)	13
18	Reversal of Erroneous/Unauthorised/Fraudulent debits arising on Internet Banking (Vishing/Smishing) related transactions	14
19	Other areas of deficiencies in services	14
20	Responsibility of Customers	15
21	Disclaimer Clause	15
22	Force Majeure.	15



## Compensation Policy

### 1. Introduction

1.1 Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes brought out by various players in the market have ushered in increasing competition resulting in improved efficiencies in providing better service to the users of the system. It will be Bank's endeavor to offer services to its customers with best possible utilization of its resources i.e., both human and technical.

1.2 Policies of the Bank, made at the instructions of Reserve Bank of India (RBI) on Know Your Customer / Anti Money Laundering (KYC/AML), Model Deposit, Customer Acceptance, Customer Severance etc., have enabled the Bank to increase its efficiency for better performance and to bring in transparency in dealing with customers.

1.3 RBI has advised that each Bank should have a Board approved Compensation Policy which would provide compensation in the event of various areas of interaction with client. The Policy is sequel to the said instructions.

1.4 IDBI Bank is one of the leading Banks in the country, which deploys state - of - the - art technology to provide world-class services to customers. The Vision Statement of the Bank is "To be the most preferred and trusted Bank enhancing value for all stakeholders".

1.5 As customers are the biggest stakeholders for the Bank, the Vision Statement truly reflects the commitment of the Bank to enhance value to the customers. The Compensation Policy (the Policy) of the Bank is a reflection of the Bank's on-going efforts to provide better service to customers and set higher standards for performance.

1.6 The Mission Statement of the Bank, inter alia, incorporates the following:

- a. Delighting customers with excellent service and comprehensive suite of best-in-class financial solutions;
- b. Continuing to act in an ethical, transparent and responsible manner, becoming the role model for corporate governance;
- c. Deploying world class technology, systems and processes to improve business efficiency and exceed customer's expectations;
- d. The Bank understands that one of the important requirements for customer delight is to have ethical and transparent policy in all its dealings.

1.7 Thus, the Bank acknowledges that the customer is the core constituent of the Bank and every action of the Bank should be aimed at Customer Delight and the Bank should not allow its operations to lead to any monetary loss to the customer.

1.8 However in the extraordinary circumstances of the Bank's action / service leading to any financial loss to the customer, the Bank will compensate the customer for the financial loss. Towards this end, the Bank has formulated a 'Compensation Policy' that gives the rights and responsibilities of the Customer and Bank, in matters relating to compensation for the loss, if any, incurred by the customer in their day to day operations with the Bank.

1.9 The policy is made to ensure that the staff at all levels in the Bank are aware of the policy of the Bank in this regard, so that dealings with the Customer is uniform across geography and types of customers and is based on transparent standards/procedures.

## **2. Objectives of the Policy**

2.1 To lay down a Policy Frame work for abiding by RBI guidelines on 'Compensation'

- 2.2 To ensure transparency and equality in the treatment of customers.
- 2.3 To create a system whereby the Bank compensates a customer for any financial loss that he might incur on account of any deficiency in service / omission / commission directly attributable to the Bank.
- 2.4 Pay such compensation without the customer asking for the same and thereby reducing instances where the customer has to approach forums such as Banking Ombudsman etc.
- 2.5 To enable the Customer to know before or during a relationship, his rights and responsibilities in matters relating to 'Compensation'.
- 2.6 To reiterate existing system / put in place proper system in a transparent manner so that the Customer can take an informed decision in matters relating to compensation.

### **3. Scope of the Policy**

- 3.1 This policy is applicable across all branches / business segments of the Bank, and is to be read in conjunction with related operational guidelines issued from time to time.
- 3.2 The contents of the policy shall always be read in tandem/auto-corrected with the changes/modifications that may be advised by RBI and / or by any regulator and / or by the Bank from time to time.
- 3.3 Definition of a Customer for the purpose of this Policy: Customer is defined as a person or entity that maintains an account with the Bank or availing or has availed any service in the normal course of Banking.

3.4 This Policy attempts to deal with the financial loss to the customer on account of deficiency in service / omission / commission directly attributable to Bank.

3.5 This Policy excludes compensation, if any relating to non-financial loss.

3.6 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.

#### **4. Unauthorised / Erroneous Debit**

4.1 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.

4.2 In case verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank shall endeavour 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

where verifications are to be done at overseas centres, 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.

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

5.1 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 instructions/failure to carry out the instructions.

5.2 In the event of any unauthorised / erroneous ECS/Other debit which results in any financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on saving bank deposit or payment of additional interest to the Bank in a loan account, Bank will compensate the customer for such loss.

5.3 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 unauthorised / erroneous ECS /Other debit, the Bank will compensate the customer to the extent of such financial losses.

5.4 The compensation for such financial losses will, however, be restricted only to reimbursement of actual expenses incurred by the customer e.g. penalty / interest paid by the customer to regularize the schedule which got disturbed on account of delay in carrying out the instructions/failure to carry out the instructions.

5.5 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.

## **6. Delay in credit/ return of NEFT/NECS/ECS transaction**

6.1 In terms of the NEFT / NECS / ECS Procedural Guidelines of RBI, as also the relevant circulars / instructions issued by RBI from time to time, Bank shall afford credits to the account of beneficiary or return the transactions (unaccredited for whatever reason) to the originating / sponsor bank within the prescribed timeline.

6.2 Bank would give ECS Credit on the same day of receipt subject to beneficiary details received from sponsor Bank matching with the customer records as available with Bank. In case of any delayed ECS Credit, Bank will pay compensation to the account of beneficiary.

6.3 In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the Bank in the completion of funds transfer pursuant to receipt of payment instructions by the Bank leading to delayed payment to the beneficiary, Bank shall pay compensation to the account of beneficiary.

6.4 In the event of delay in return of the funds transfer instructions for any reason whatsoever, the Bank shall refund the amount together with compensation.

6.5 The compensation shall be paid at the current RBI Liquidity Adjustment Facility (LAF) Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiaries' account. Compensation shall be credited to the Beneficiary's Account even if no claim is lodged.

## 7. Payment of Cheques after Stop Payment Instructions

7.1 In case a cheque has been paid after stop payment instruction is properly submitted and 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 to the extent of actual amount that the customer might have incurred, after ascertaining and being satisfied about the amount of such loss. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank.

## 8. Foreign Exchange Services

8.1 The Bank has Policy on Collection of Cheques including Foreign Currency Denominated Instruments. Such instruments are accepted for collection on 'best effort' basis. Bank may enter into specific collection arrangement with its Correspondent Banks for speedy collection of such instruments. The timelines for collection of such cheques are as follows:

Collection Method	Collection Timeframe
For USD / GBP/ EUR Cheques / Instruments sent under Cash Letter Arrangement (CLA) of our Correspondent Banks.	Credit to the customer's account after expiry of the cooling period i.e 21 days from the date of provisional credit in Nostro Account
For USD / GBP/ EUR Cheques / Instruments sent under Final Collection Services (FCS) / Preferred Collection Services (PCS) of our Correspondent Banks.	Immediate credit to the customer's account after sighting the funds in Nostro account.
For Cheques/Instruments sent under Direct Collection Arrangement (DCA).	Immediate credit to the customer's account after sighting the funds in Nostro account.

8.2 The above time norms are applicable irrespective of whether cheques/instruments are drawn on the Bank's own branches or branches of other Banks. The Bank may permit selective withdrawal of funds before the

expiry of the cooling period depending on the customer's credit worthiness, relationship with the Bank, KYC compliance, indemnity undertaking, etc. as per the delegation of power (DOP) for waiver of cooling period by the designated authority.

8.3 Bank takes adequate care for prompt and expeditious despatch and realisation of all clean instruments. In view of different clearing rules and legal provisions prevailing in different countries with regard to the collection of clean instruments, it is difficult to ascertain the exact due date of payment towards the FC denominated Cheques/Instruments sent for collection. However, in case of delay in applying the credit after sighting the funds in the Bank's Nostro account or after the expiry of the cooling period as the case may be, the depositor will be paid interest for the delayed period at the rate applicable to the Savings Bank deposit. If the Cheque/Instrument amount is kept as Foreign Currency Deposit in the same currency, the deposit will be value dated as the date of the Nostro credit.

## **9. Suo Moto Payment of Compensation on delayed collection of Inland Outstation Cheque for Collection**

9.1 The compensation on account of delays in collection of outstation instruments would be as indicated in the Bank's collection policy, which is reproduced below:

- a. Bank shall pay interest on the amount of collection instrument, in case there is delay in giving credit beyond the prescribed time period without any demand from the customer. The following time norms are applicable for Cheques and other instruments sent for collection to outstation centres within the country:
  - i. Cheques drawn on Banks located at State Capitals: Maximum period of 7 days.
  - ii. Cheques drawn on Banks located at Major cities: Maximum period of 10 days.

- iii. Cheques drawn on Banks located at other locations: Maximum period of 14 days.
- b. The Bank will pay interest if there is delay in giving credit beyond the time period mentioned above. The interest is to be paid for delayed period beyond 7/10/14 days, excluding maximum permissible period as mentioned above, as the case may be, at the following rates:
  - i. Savings Bank rate for the period of delay beyond 7/10/14 days, as the case may be, in collection of outstation Cheques.
  - ii. Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.
  - iii. 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.
  - iv. In the event the 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.

9.2 As per the Bank's Code for Commitment to Customers, 2009, monitored by BCSBI, Bank shall make payment of the said compensation to the customers, in case of delay in realization of outstation Cheques, beyond the prescribed period, without any demand from the customer and through computer automated process. However, due to system limitations, compensation / interest would be paid to CC / OD / Loan accounts for delayed realization through manual intervention.

## **10. Delay in Clearance of Local Cheques**

10.1 The compensation on account of delays in collection of Local Cheques would be as indicated in the Bank's collection policy, which is reproduced below for information:

*“Local cheques are subjected to clearing process as per the clearing cycle of the respective location. Thus the cheques accepted across counter and cleared from drop boxes before the cut off time shall be sent on clearing on the same day while those accepted beyond the cutoff time shall be taken up for clearing the next day. “*

10.2 If there is any delay in collection of local cheques beyond the period mentioned above, the Bank will pay interest equal to savings bank rate for the period of delay.

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

11.1 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 our collection policy. The same is extracted below for information:

11.1.1 When 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 dishonored due to non-credit of the amount of the lost cheques / instruments.

11.1.2 The Bank shall provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque, if required. In case of an international cheque being lost, the Bank shall also advise the correspondent/ drawee Bank all particulars of lost cheques/ instruments for exercising caution. The Bank shall arrange to get payment of the international instrument based on the photocopy/ scanned image of the instrument wherever the practice is prevalent.

11.1.3 In line with the compensation policy of the Bank the Bank will compensate the account holder 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 in para 9.1 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.
- c) 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 from a Bank/ institution, which would charge a fee for issue of duplicate instrument.
- d) Bank shall bear all the cost for obtaining duplicate instrument when a cheque, which has been discounted, is lost. But the customer will assist in obtaining duplicate instrument. His/ her liability under Negotiable Instrument Act will not be extinguished till Bank receives the proceeds of Cheque.

## **12. Violation of the Code by Bank's agent**

12.1 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, Bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.

## **13. Issue of Duplicate Draft and compensation for delays**

13.1 Duplicate draft will be issued within a fortnight from the receipt of request complete with all documentation to that effect from the purchaser of the Draft. For delay beyond the said period, interest at the rate applicable for Fixed

Deposit of the corresponding period will be paid as compensation to the customer for such delay.

#### **14. Transaction of “at par instruments” of Co-operative Banks by Commercial Banks**

14.1 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.

#### **15. Return of Documents of Title**

15.1 Security documents of title shall be returned to customer within 15 working days of repayment of all dues by the borrower, including principal amount, interest, EMI, costs, service charges, and all other amounts due. This is subject to there being no outstanding under any other loan / overdraft / other financial facility availed by the borrower from the Bank. Unreasonable delay on the part of the Bank in returning such documents will lead to compensation at the rate of Rs100/- per day to be paid to the customer.

15.2 For loss of property documents a compensation not exceeding Rs. 25000/- subject to actual expenses towards release of advertisements, lawyer's fees and incidentals, if any, thereto will be paid.

15.3 In cases of loss of property documents, in addition to the above, Bank will compensate a lumpsum amount of Rs 5000/- for loans upto Rs 20 lakhs and Rs 10,000/- for loans above Rs 20 lakhs on account of hardship to the customer.

## **16. ATM Failure**

16.1 Bank would reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 7 working days from the receipt of the 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. 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 ATM transactions.

16.2 Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing Bank within 30 days of the date of the transaction.

## **17. Compensation in case of frauds (other than Internet Banking)**

17.1 The following is laid down for all the fraud cases other than those pertaining to Internet Banking Frauds. Typically these frauds are of the following types:

- Lottery
- Job Rackets
- Transfer of Funds towards emails received.

(a) In case of any fraud, if the Bank is convinced that an irregularity / fraud has been committed by its staff towards any constituent, the Bank shall at once acknowledge its liability and pay the just claim.

(b) In case where Bank is at fault, the Banks shall compensate customers without demur,

(c) In case where neither the Bank is at fault nor the customer is at fault, but the fault lies elsewhere in the system, the Bank will compensate the customer upto a limit of Rs 10000/- . Such compensation would be paid only once in the lifetime of an account / Customer.

## **18. Reversal of Erroneous/Unauthorised/Fraudulent debits arising on Internet Banking (Vishing/Smishing) related transactions**

18.1 For cases where the Bank has acted in good faith, in normal day to day conduct of business, but the customer has either acted fraudulently or inadvertently compromised his Internet Banking security details (example: ID, passwords, date of birth, mother's maiden name etc.) or acted without reasonable care (which includes not taking steps to protect computers from hackers) Bank/Customer will be bound by the revised code of commitment by Banking Codes and Standards Board of India which stipulates that Banks are not responsible for losses caused by a third party when customers have acted without reasonable care.

18.2 However, in exceptional circumstances, Bank may compensate the customer for cases where the customer has not compromised any personal and confidential security parameters required to complete an Internet banking transaction and based on deliberation of various facts such as:

- a. Justification given by the customer
- b. Immediate or delay in reporting by the customer based on SMS alert, account statement, mini statement, etc. received by the customer

## **19. Other areas of deficiencies in services**

19.1 Where loan has been allowed against NSCs, KVPs, LIC policy and the Branch after maturity of the instruments does not collect the proceeds of the instruments in question from the concerned Post Offices/ LIC Offices, thereby charging interest in the loan account is continued, excess interest so charged in the loan account will be reversed to the customer immediately.

19.2 In case of affecting reversal of excess interest charged in the borrowal accounts due to non-adjustment of liquid securities like Fixed Deposits/ NSC/KVP/ LIC policy etc in time, the concerned Branch will have to obtain prior permission /approval from the controlling Regional Offices.

## **20. Responsibility of Customers**

20.1 Customer shall be responsible for safe keeping of Cheque book, passbook, Cards, PIN, passwords or other security information.

20.2 Customer shall be responsible for the losses arising out of misuse of lost PIN, compromise of passwords/secure or confidential information, suffered by the customer until the time the Bank has been notified and has taken steps to prevent misuse.

## **21. Disclaimer Clause**

21.1 Bank shall not pay any compensation in the following cases:-

- i. Loss of reputation or loss of profit.
- ii. Any deficiency in regard to loans and advances activities of the Bank.
- iii. Dishonour of at par payment agreement with other banks, due to non-funding and security compliance.
- iv. Delays on account of non-functioning of business due to factors beyond the control of the bank the period covered by such events shall be omitted for calculation of delay etc.
- v. Where the issues are sub-judice and pending before Courts, Ombudsman, arbitrator , Government and matter put on hold due to stay.

## **22. Force Majeure**

22.1 The Bank shall not be liable to compensate customers due to unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike 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 or all types of transportation, etc. The aforementioned instances, (beyond the control of the Bank) prevents the Bank from performing its obligations within the specified service delivery parameters.

\*\*\*\*\*