

# Customer Compensation Policy

**Division :** Operations Division: Customer Care Centre  
**Version :** 2021\_CCC\_1.0



## Policy Custodian

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## Policy Version Control

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## Policy Governance

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## **1. Policy Overview**

The Customer Compensation Policy is designed to compensate customer in the events of unauthorized debits or delays during banking transactions. The policy is applicable to all the products and schemes. The policy is to be followed meticulously by the field functionaries while resolving complaints.

The Bank may review the policy annually or earlier as per requirements arising out of regulatory directions. The policy will come in force from 01.04.2021.

## **2. Policy Details**

### **2.1 Policy Definition**

Reserve Bank of India through its “**Master Circular on Customer Service in Banks**” circulated vide RBI/2015-16/59 DBR No.Leg.BC.21/09.07.006/2015-16 dated 01<sup>st</sup> July 2015 requires banks to have a Board approved policy in place for compensating its customers.

### **2.2 Policy Details**

**2.2.1** Compensation Policy of Bank is designed to cover areas relating to unauthorized debiting of account, unauthorized Electronic banking transactions, Payment of interest to customers for delay in collection of cheques / instruments, payment of cheques after acknowledging stop payment instructions, remittances within India, foreign exchange services, lending etc. The policy is based on principles of transparency and fairness in treatment of the customers and regulatory guidelines.

**2.2.2** The objective of the Policy is to establish a system, whereby the customer is compensated for the financial loss due to deficiency in service or an act of omission or commission directly attributable to the Bank.

**2.2.3** The customer, as far as possible, will be compensated without having to ask for it.

**2.2.4** The Policy covers only compensation for **financial losses** which customer might incur due to deficiency in the services offered by the bank which can be measured directly and as such the commitments under the 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.

### **2.2.5. Deficiencies requiring compensation and the level of compensation**

#### **2.2.5.1 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 Fund 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 instruction due to insufficiency of balance on account of the unauthorized / erroneous debit (other than those on account of third party breaches), the bank will compensate the customer to the extent of such financial losses after taking into consideration of all relevant factors.

### **2.2.5.2 Liability of a Customer or Bank in unauthorized electronic Banking Transactions**

#### **(a) Zero Liability of a Customer**

A customer's entitlement to zero liability shall arise where the unauthorized transaction occurs in the following events:

- (i) Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).

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 three working days of receiving the communication. Here, the communication means information to customer through SMS, mails, passbook and other means

#### **(b) Limited Liability of a Customer**

**A customer shall be liable for the loss occurring due to unauthorized transactions in the following cases:**

- (i) In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials (viz. User ID, Passwords, PIN, MPIN, OTP, Card Details, Mobile Device sharing or any other credential that may be defined by the Bank), the customer will bear the entire loss until he reports the unauthorized transaction to the bank. Any loss occurring after the reporting of the unauthorized transaction shall be borne by the bank.
- (ii) 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 the customer notifies such transaction on fourth to seventh day after receiving the communication from the bank (here, the communication to customer means information to customer through SMS, mails, passbook and other means), the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.

**Table1 Maximum Liability Customer**

Type of Account	Maximum liability (₹)
• BSBD Accounts	5,000
• All other SB accounts • Pre-paid Payment Instruments and Gift Cards • 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 • Credit cards with limit up to Rs.5 lakh	10,000
• All other Current/ Cash Credit/ Overdraft Accounts • Credit cards with limit above Rs.5 lakh	25,000

(iii) Further, if the delay in reporting is beyond seventh working day, the customer liability shall be determined as under:

The customer will bear the entire loss until he reports the unauthorized transaction to the bank. Any loss occurring after the reporting of the unauthorized transaction shall be borne by the bank. However, depending on case to case basis, Bank may compensate customer an amount of maximum Rs 25000/- (if reported within 30 days) irrespective of the fact whether there is single or multiple number of transactions or transaction amount whichever is lower.

**Overall liability of the customer in third party breaches, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in the Table 2:**

**Table2 Summary of Customer's Liability**

<b>Time taken to report the fraudulent transaction from the date of receiving the communication</b>	<b><u>Customers liability (Rs.)</u></b>
Within 3 working days	Zero Liability
Within 4th to 7 <sup>th</sup> working day	The transaction value or the amount mentioned in table 1, whichever is lower.
Beyond 7 <sup>th</sup> Working day	The customer will bear the entire loss until he reports the unauthorized transaction to the bank. Any loss occurring after the reporting of the unauthorized transaction shall be borne by the bank. However, depending on case to case basis, Bank may compensate customer an amount of maximum Rs 25000/- (if reported within 30 days) irrespective of the fact whether there is single or multiple number of transactions or transaction amount whichever is lower.

### **Reversal Time line for Zero Liability/ Limited Liability of a Customer:**

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 (without waiting for settlement of insurance claim , if any) . The credit shall be value dated to be as the date of unauthorized transaction.

**Burden of Proof:** The burden of proving the customer liability in case of unauthorized electronic Banking transactions shall lie on the Bank. Such cases of Zero liability / limited liability of customers and compensation amount shall be examined and decided by DBD Division in case of unauthorized electronic transactions and by FRMD in case of fraudulent electronic transactions.

**2.2.5.3** In case verification of the entry reported to be erroneous by the customer does not involve a third party, the bank will endeavour to complete the process of verification within a maximum period of seven working days from the date of reporting of erroneous debit. In case, the verification involves a third party or where verification is 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.

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

**(b)** Where it is established that bank had issued and activated a credit card without written 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.

**(c)** The compensation on account of delays in collection of instruments would be as indicated in the bank's collection of cheques and instruments policy.

### **2.2.5.5 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 within two working days after receiving the intimation 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 2.2.5.2.

### **2.2.6 ECS direct debits / other debits to accounts**

**2.2.6.1** 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 customer would incur on account of delay in carrying out the instruction/ failure to carry out the instructions.

**2.2.6.2** The bank would debit the customer's account with any applicable service charge as per schedule of charges notified by the bank from time to time and displayed on bank's website [www.pnbindia.in](http://www.pnbindia.in), which will be a notice to the public at large. 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.

**2.2.6.3 Delay in collection of local cheques and other Negotiable Instruments:**

All cheques and other negotiable instruments payable locally would be presented through the Clearing System prevailing at the centre. Bank would give credit to the customer account on the day the clearing settlement takes place.

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

If the proceeds of cheque under collection were to be credited to Savings Bank or Current account of the customer, interest at the rate of Saving Bank Rate for the period of delay.

If 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 overdraft/loan account.

**2.2.7 Delays in Collection of Outstation Cheques and other Negotiable Instruments in India**

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 specified in banks cheque collection policy. Such interest shall be paid without any demand from customers in all type 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 at the following rates:**

**(a) If the proceeds of cheque under collection were to be credited to Savings Bank or Current account of the customer,**

- (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 but up to 90 days, interest will be paid at the rate applicable to term deposit for the corresponding period or Saving Bank rate, whichever is higher.
- (iii) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the rate applicable to term deposit for the corresponding period.



**(b) If the proceeds of cheque under collection were to be credited to an overdraft / loan account of the customer,**

If 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 overdraft/loan account.

Interest will be paid at the rate applicable to the loan account. For extraordinary delays, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India and when the amount calculated is Rs.10/- and above. Interest amount will be rounded off to the nearest rupee.

**2.2.8 Delay in Collection of Cheques / Instruments (Payable Outside India)**

The compensation on account of delays in collection of instruments would be as per the FEDAI Rules (7.1 Edition) Rule 4.5 for Cheques / Instruments which reads as under:

Authorized Dealers shall pay or send Intimation, as the case may be, to the beneficiary in two working days from the date of receipt of credit advice / nostro statement. In case of delay, the bank shall pay the beneficiary interest @ 2% over its savings bank interest rate.

**2.2.9 Payment of Penal Interest for delayed credit/refunds of NEFT transactions**

In case of delay in crediting the beneficiary customer's account or in returning the un-credited amount to the remitter in case of NEFT, Bank shall pay penal interest 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.

Customer Facilitation Centres (CFCs) have been established to handle customer queries/complaints regarding NEFT transactions. The contact details of CFCs are available on website of the Bank as well as the website of RBI for easy availability to the customers. Further, Bank shall keep the contact details of their CFCs, setup to handle customer queries/complaints regarding NEFT transactions, updated at all times. Changes, if any, should be advised by the Bank immediately to the National Clearing Cell, Nariman Point, RBI for updating the central directory placed on RBI website. Bank shall also ensure that calls made/e-mails sent to the CFCs are promptly attended to and sufficient resources are dedicated for the same.

**2.2.10 Payment of compensation to the Exporters in respect of delayed credit relating to bills negotiated/sent on collection basis.**

On receipt of credit advice/statement of Nostro/ Vostro account and compliance of guidelines, requirements of the Bank and FEMA, the Bank shall transfer funds to the credit of exporter's account within two working days.

If the above stipulated time limit is not observed, Bank shall pay compensation for the delayed period at the minimum interest rate charged on export credit as advised by RBI from time to time.

#### **2.2.11 Delay in payment of Inward Remittance**

Bank shall pay or send intimation, as the case may be, to the beneficiary within two working days from the date of receipt of credit advice/Nostro statement.

In case of delay, Bank shall pay the beneficiary interest @ 2% over the savings bank interest rate.

#### **2.2.12 Cheques / Instruments lost in transit / in clearing process/ 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 account holder so that the account holder 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. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

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 under clause 2.4.
- 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 who would charge a fee for issue of duplicate instrument.

#### **2.2.13 Delay in Issue of duplicate draft**

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser along with submission of documents as prescribed by the bank. 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. The period of fortnight prescribed would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.

#### **2.2.14 Delay in disbursement of revised pension and arrears**

All the pensioners are compensated for the delayed period, if delay is on the part of the Bank, beyond the due date at a fixed interest rate of 8%.

Compensation shall be credited automatically without any claim from the pensioner on the same day when the bank affords the credit.

#### **2.2.15 Violation of the Code by bank's agent**

In the event of receipt of any complaint from the customer that Bank's representative/ courier or Direct Selling Agent (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 endeavour to communicate the findings to the customer within 7 working days from the date of receipt to complaint and wherever justified, compensate the customer for financial losses, if any, as contemplated under this policy.

#### **2.2.16 Transaction of "at par instruments" of Co-operative Banks**

Bank will not honour Cheques drawn on current accounts maintained by co-operative banks with it unless arrangements are made for funding cheques issued. Issuing bank shall be responsible to compensate the cheque holder for non-payment/ delayed payment of cheques in the absence of adequate funding arrangement.

#### **2.2.17 Lender's liability: Commitments to borrowers**

The bank has adopted the principles of lender's liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to Customers 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 mortgaged 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.

#### **2.2.18 Customers' Responsibility**

Bank will not be responsible for the loss to the customers due to customer's carelessness in keeping the Cheque book, passbook, cards, PIN or other security information and not following Do's and Don'ts issued by Bank, until the Bank has been notified by the customer.

Bank will not be responsible for the loss to the customer, if the customer acts fraudulently and/or acts without reasonable care which has resulted into loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords/secured or confidential information, until the time the Bank has been notified and has taken steps to prevent misuse.

**2.2.18.1** RBI directed that no changes/corrections should be carried out on the cheques. For any changes in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words) etc. excepting change in the date for validation period, fresh cheque forms should be used by customers. This will help the bank to identify and control fraudulent alterations.

**2.2.18.2** Reduction of validity of cheque /draft /pay order/Banker's cheque from 6 months to 3 months w.e.f. **01.04.2012**.

**2.2.18.3** Dishonour/Return of cheques: Bank needs to mention the 'Date of Return' & sign/ initial the Cheque Return Memo and the Objection Slip is to be signed/initialled giving therein a definite and valid reason for refusing payment, as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.

### **2.2.19 Disclaimer Clause**

Notwithstanding anything contained hereinabove, the Bank shall not pay any compensation in the following cases:-

- i) Any deficiency in regard to loans and advances activities of the Bank.
- ii) Dishonour of at par payment agreement with other banks, due to non-funding and security compliance.
- iii) 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.
- iv) Where the issues are sub-judice and pending before Courts, Ombudsman, Arbitrator, Government and matter put on hold due to stay.

### **2.2.20 Wealth Management Products**

Bank is a corporate agent and distributor of insurance and mutual fund products respectively. For any deficiencies in services bank will assist customers to raise their grievances with the tie-up partners. For any deficiencies in service at bank level raised by the customer, the issue will be examined by the bank and if the lapse on part of the bank is confirmed (mis-selling) customer will be compensated as per the provisions of these policies.

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

**2.2.21.1** Where loan has been allowed against Bank's own Fixed Deposit Receipt and the Branch, after maturity of the FD does not adjust the loan account and thereby interest is charged on the loan outstanding, excess interest charged thereof in the loan account will be refunded to the customer.

**2.2.21.2** Where the Branch after adjustment of the loan account does not remit/ credit the remaining amount of the pledged FD to the customer's account but keeps the balance in Sundry Account, the Bank will compensate to the customer the

interest as payable for the amount kept in the Sundry account at Savings Bank Rate, if the customer has not been duly informed.

**2.2.21.3** 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.

### **2.2.22 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, lockout, strike or other labour disturbances, accident, fires, natural disasters or other “Acts of God”, war, damage to 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 Bank prevents it from performing its obligations within the specified service delivery parameters.

### **2.2.23 Amendment/ modification of the Policy**

The bank reverse the right to amend/modify this policy, as and when deemed fit and proper, at its sole discretion. However the bank shall endeavour to review the policy at annual intervals.

## **2.3 Exclusions**

For any change in the Policy, Domain-ED is empowered to take a decision and place the same for information to the Board.

## Appendix

### **A. List of Acronyms and Definitions**

- FRMD: Fraud and Risk Management Division
- DBD: Digital Banking Division
- ECS: Electronic Clearing System
- FEDAI: Foreign Exchange Dealers Association of India
- LAF: Liquidity Adjustment Facilities
- FEMA: Foreign Exchange Management Act

### **B. List of references including related policies/forms, RBI circulars, etc.**

RBI “Master Circular on Customer Service in Banks” circulated vide RBI/2015-16/59/DBR No.Leg.BC.21/09.07.006/2015-16 dated 1<sup>st</sup> July 2015.

### **C. Frequently Asked Questions**

Sr. No.	FAQ	Reply
1	What is the compensation if the cheques under collection were to be credited to a SB a/c gets delayed beyond prescribed time frame?	Interest at SB rate will be paid as compensation for the period of delay. In case of delay beyond 14 days but up to 90 days, interest will be paid at rate applicable to term deposit or SB rate whichever is higher for the corresponding period.  In cases of delay beyond 90 days, interest will be paid at the rate of 2% above the term deposit for the corresponding period.
2	What is the compensation if the cheques under collection were to be credited to an overdraft/loan a/c gets delayed beyond prescribed time frame?	Interest will be paid at the rate applicable to the loan account. For extraordinary delay, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the rate applicable to the loan account.
3	What is the prescribed period for issue of a duplicate draft?	Duplicate draft can be issued within a period of a fortnight.
4	What is the compensation for delay in the disbursement of revised pension and arrears?	All the pensioners are compensated for the delayed period, if delay is on the part of the Bank, beyond the due date at a fixed rate of 8%.