

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. The Compensation Policy of the bank is 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 the 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 where 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 the right of the bank to defend its position before any forum duly constituted to adjudicate banker-customer disputes.

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 unauthorized / erroneous debit, after verifying the position. In case the unauthorized / erroneous debit has resulted in financial loss to the customer due to balance in the account going below the minimum balance for earning 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 upto 10% of the amount of the returned cheque or the amount of debit instruction, both however subject to monetary ceiling of Rs.1 lakh (cumulative if more than one cheque / debit instruction are involved) only if the amount of the cheque / debit instructions would have been covered by the balance in the account but for unauthorized / erroneous debit.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, 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 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 transaction 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.

2. ECS direct debits/other debits to accounts

The Bank will undertake to carry out ECS debit and other 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 he/she would incur on account of delay in carrying out the instructions/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.

Though the Bank is not issuing Credit cards without written request of the recipient, yet, where it is established that the 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 RBI guidelines in this regard.

3. Payment of Cheques after Stop Payment instruction:

In case a cheque has been paid after stop payment instruction is acknowledged by the Bank, the Bank will 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.

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

- a. i. Savings Bank rate for the period of delay beyond 7 days from the date of credit to Nostro Account / due date after taking into account normal cooling period stipulated (45 days) as the case may be in collection of outstation cheques.
 - i. In case of extraordinary delay, i.e., delay exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
 - ii. 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 delay, interest will be paid at the rate of 2% above the rate applicable to the loan account.

- b. Compensation for any possible loss on account of adverse movement in foreign exchange rate.

Payment of Interest for delayed credits (Foreign Inward Remittances):

Compensation as per FEDAI rule will be paid. At present, FEDAI Rule 4.A.3(II) provides for compensation @ 2% above the Savings Bank a/c rate, for amount upto USD 5000, for delay beyond 10 days from the date of receipt of remittance advice. In case amount exceeds USD 5000, for delay in sending advice to the beneficiary beyond 3 working days (reckoning Saturday as a working day) from the date of receipt of credit advice.

5. Remittances in India:

The compensation on account of delays in collection of instruments would be as indicated in the Bank's Policy on Collection of Cheques / Instruments, which is reproduced below for information:

A. 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 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 to term deposit for the respective period.
- 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 case 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 delay, 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 to instruments sent for collection within India.

B. 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 take necessary steps to ensure 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 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 above.
- b. In addition, the 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 the duplicate instrument.

6. 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.

7. Violation of the Code of Bank's Commitment to Customers by the Bank's agent:

In the event of receipt of any complaint from the customer that the Bank's representative / courier or Direct Selling Agent 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 the complaint, redress the grievance of the customer within 7 days from the date of receipt of the complaint and if need be, by compensating him/her suitably.

8. Transaction of "at par instruments" of Co-operative 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 dishonor 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 us 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.

9. Lenders liability; commitment 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 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 mortgage property at the hands of the bank the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount as decided by the bank.

10. 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, strike, bundh, sabotage, accident, fires, natural disasters or those 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.

11. ATM Failure

It is mandatory for bank to reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 12 working days from the receipt of the complaint. For any failure to re-credit the customer’s account within 12 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. Details of charge back in case of ATM transaction by a customer of the bank when he uses other bank ATM would be included.

12. Delayed payment of pension / pension arrears:

Pensioners should get their pension, hike in Dearness Relief/ Allowance etc., announced by Government in succeeding month’s pension payment itself. In case there is delay in disbursement of pension / pension arrears to the pensioners/ non-state resident pensioners in terms of the guidelines cited above, such aggrieved pensioners are to be compensated for the delayed period beyond the due date, at the Bank rate plus 2% penal interest.

This compensation shall be credited to the pensioner’s account automatically without any claim from the pensioner, on the same day when the branch affords the credit for revised pension/ pension arrears in respect of such delayed pension payments made.