

POLICY ON COMPENSATION

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 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, determining the customer liability in the event of unauthorized electronic banking transaction & compensation thereon, 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 customer 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. Un-authorized / Erroneous Debit

If the bank has passed an unauthorized / erroneous 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 due to reduction in the minimum balance required to be maintained or reduction in the 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 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, 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.

“Reversal of Erroneous Debits arising on Fraudulent or other transactions:-

- (i) In case of any fraud, if it is concluded by the bank that an irregularity / fraud has been committed by its staff towards any constituent, Bank will at once acknowledge its liability and pay the just claim.
- (ii) In case where the Bank is at fault, Bank will compensate the customer without demur.
- (iii) In cases where neither the Bank nor the customer is at fault, but the fault lies elsewhere in the system, Bank will compensate the customers up to a limit of Rs.10000/-.”

2. Un-authorized electronic banking transaction - Limited Liability of Customer

Bank will provide the electronic banking channels i.e., internet banking, mobile banking, Cards (Debit / Prepaid), BHIM UPI, SMS Banking, USSD services and any other digital channels to its customers subject to fulfilling the eligibility criteria / pre-conditions set by the bank for availing such channels. These electronic channels are being offered to customers to enhance the convenience & comfort.

Customers must register their mobile numbers & email IDs with the Bank for availing these channels. If customers do not provide / register the mobile numbers, such customers will not be offered facility of electronic transactions, except ATM cash withdrawals.

Bank will endeavor to put in place / design the appropriate systems & procedures to ensure safety & security of electronic banking transactions and to make customers feel safe about carrying out such transactions. Bank has robust & dynamic fraud detection and prevention mechanism viz., Enterprise Level Fraud Risk Management Solution put in place to arrest / prevents the suspected transactions / probable frauds, based on preset scenarios.

Bank will mandatorily send SMS / email alerts only to the registered mobile/ email ids of the customers for all the transactions carried out using electronic banking channels.

The Bank will undertake appropriate steps to educate the customers on safety & security measures to be followed while carrying out the electronic banking transactions i.e., do's & don'ts for Alternate Delivery Channels, security awareness messages & educative communications through distribution of pamphlets / SMS / email / print & electronic media / Website etc. It is the obligation on the part of customers to follow such security tips / measures while carrying out their banking transaction through electronic channels and never part with confidential credentials such as PIN/Passwords/OTP etc with anyone.

Bank will provide multiple channels for customers to lodge their grievances / report unauthorized electronic banking transactions, such as 24X7 Customer Care Centre / IVR, email, Online Grievance Redressal portal, reporting to branch etc. On reporting the unauthorized electronic banking transaction, it is the obligation on the part of the customer to surrender the physical payment instrument such as debit card, prepaid card etc. to home branch within 2 days if the customer has reported through IVR / email. If the customer is reporting the unauthorized transaction at branch, the physical payment instruments has to be surrendered on same day. Failure to do so, or undue delay in surrendering the same without proper reason acceptable to Bank, will be treated as customer negligence.

“In the case of unauthorized/ fraudulent electronic banking transaction exceeding Rs.1,00,000/-, Bank shall obtain a copy of FIR filed with the local police by the customer”.

In the event of unauthorized electronic banking transaction in an account, as per the guidelines of Reserve Bank of India as set in its circular DBR.No.Leg.BC.78/09.07.005/2017-18 dated July 6, 2017 or any other guidelines / directions issued on the subject matter, the liability of a customer & compensation thereon if any, will be determined as under;

(a) Zero Liability of a Customer

A customer's entitlement to zero liability will 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).
- ii. Third party breach where the deficiency lies neither with the bank nor with the customer but lies in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorized transaction.

(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, 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 will 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 when there is a delay (of four to seven working days after receiving the communication from the bank) on the part of the customer in notifying the bank of such transaction, the per transaction liability of the customer will be limited to the transaction value or the amount mentioned in below table, whichever is lower;

Type of Account	Maximum Liability (Rs.)
<ul style="list-style-type: none">• BSBD Accounts	5,000.00
All other SB accounts <ul style="list-style-type: none">• 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	10,000.00
All other current / cash credit / Overdraft Accounts	25,000.00

Further, if the delay in reporting is beyond seven working days, the entire liability / loss shall be borne by the customer, unless otherwise decided by the Bank Management.

Overall liability of the customer in third party breaches, as detailed in paragraph 2.a) (ii) and paragraph 2 b) (ii) above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in the below table:

Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's liability (Rs.)
Within 3 working days	Zero Liability
Within 4 to 7 working days	The transaction value or the amount mentioned in the above table, whichever is lower
Beyond 7 working days	Customer is wholly liable, unless otherwise decided by the Bank Management.

The number of working days mentioned in above table will be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

Reversal Timeline for Zero Liability/ Limited Liability of customer

On being notified by the customer, the bank will 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. The credit will be value dated i.e., as of the date of the unauthorized transaction.

Further, Bank will ensure that:

- i. A complaint is resolved and liability of the customer, if any, established within 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions mentioned above;
- ii. Where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed will be paid to the customer.

Reporting & Monitoring Requirements

- The report on customer liability cases, if any, will be submitted to Customer Service Committee of the Board on Half Yearly basis.
- The standing Committee on Customer Service will review, on half yearly basis, the unauthorized electronic banking transactions reported by the customer or otherwise, as also the action taken thereon, the functioning of the grievance mechanism and take appropriate measures to improve the systems and procedures.
- Further, such transactions will be reviewed by the Bank's internal auditors.

3. 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.

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 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 beyond one week after expiry of normal cooling period stipulated from the date of credit to Nostro account. 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.

6. Remittances in India

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

Payment of Interest for delayed Collection of Local (Instruments getting cleared within the grid)/ Outstation Cheques:

As part of the compensation policy of the bank, the bank shall 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 Cheque Collection Policy. 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 including local cheques for the purpose of payment of interest on delayed collection.

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

A. For Local Cheques / Instruments:

As per the time frame detailed in Cheque Collection Policy, compensation will be paid at applicable savings bank interest rate for the corresponding period of delay.

B. For Outstation Cheques / Instruments:

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

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

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 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.

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 (07/10/14 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.
- c) In the event the instrument is to be obtained from a Bank/institution who would charge a fee for issue of duplicate instrument, such a reasonable charge incurred by the customer will be compensated by the Bank on production of proof of such payment.

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

8. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks

Once the Bank has entered into an arrangement with a Co-operative Bank to pay its instruments 'at par' the Bank will honour all such cheques payable 'at par' irrespective of the fact whether such instruments have been funded by the Co-operative Bank or not. In case prior funding is not made, the Bank will take up the issue separately with the issuing Bank. However, before entering into such an arrangement with Co-operative Bank the Bank shall make proper funding arrangement as well.

9. Customer compensation for failed transactions using authorized payment systems:

Bank shall pay compensation for failed transactions as per RBI circular DPSS.CO.PD No.629/02.01.014/2019-20 dated 20.09.2019. The details of compensation payable to customers as per the above referred circular are furnished below:

SI No.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1	Automated Teller Machine(ATMs) including Micro-ATMs		
	<p>i) 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.</p> <p>ii) All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank through the ATM system provider only. No bilateral settlement arrangement outside the dispute resolution mechanism available with the system provider is permissible.</p> <p>iii)The scope of concurrent audit covers cases of delay in reimbursing the customers for failed ATM transactions.</p>		
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
2	Card Transaction		

a	<u>Card to Card transfer</u> 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	<u>Point of Sale(POS) (Card Present) including cash at PoS</u> Account debited but confirmation not received at merchant location i.e., charge-slip not generated	Auto-renewal within T+5 days	₹100/- per day of delay beyond T+5 days
c	<u>Card Not Present (CNP) (e-commerce)</u> Account debited but confirmation not received at merchant's system.		
3	Immediate Payment System(IMPS)		
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.
4	Unified Payments Interface(UPI)		
a	Account debited but the beneficiary account is not credited(transfer of funds)	If unable to credit to beneficiary account, auto	₹100/- per day if delay is beyond T+1 day.

		reversal (R) by the beneficiary bank latest on 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 day.
5	Aadhaar Enabled payment System (including Aadhaar Pay)		
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		
6	Aadhaar Payment Bridge System (APBS)		
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.
7	National Automated Clearing House(NACH)		
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.	
8	Prepaid Payment Instruments(PPIs)-cards /Wallets		
a	<u>Off-Us transaction</u> 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	<u>On-Us transaction</u> 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.

9. Delay in return of original security documents and title deeds on repayment of the Loan.

The original security documents submitted by the borrower would be returned to the borrower within 15 days of repayment of all dues by the borrower, including principal amount, interest, EMI, costs, service charges and all other due as per the terms and conditions in the loan agreement signed by the borrower subject to the following conditions that

- 1) The borrower/co-obligant makes a valid and formal demand for return of the documents.
- 2) The bank in receipt of documents from the court/DRT, in case the same have been lodged with the court by the bank.
- 3) There is no adverse claim from the third parties on the said property.
- 4) The bank receives discharge/ receipt of the documents from all the persons having interest in the said property as per the records of the bank.

The borrower would be paid an amount of Rs. 100/- per week in case of any delay in returning of the documents beyond 15 days of loan repayment, subject to a maximum payment of Rs.500/-.

10. Delay in credit / return of NEFT / NECS / ECS transactions.

The bank will undertake to carry out credit / return of NEFT / NECS / ECS transactions in time. In the event of delay, the bank would pay penal interest at the current RBI 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. Penal interest shall be credited to the Beneficiary's Account even if no claim is lodged.

11. Force Majeure

The bank shall not be liable to compensate customers if some unforeseen event (including but not limited to civil commotion, sabotage, accident, fires, nature 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.
