

Annexure- I

Revised Compensation Policy of the Bank

1. Introduction

The compensation Policy of the Bank is a reflection of our on-going efforts to provide better service to customers and set higher standards of performance and bring about transparency and fairness in relations with our customers.

2. Objective

The objective of the Policy is to establish a system whereby the customer is reasonably compensated, without demur, for the financial loss due to deficiency in service or an act of omission or commission directly attributable to the bank in which regard the decision of the Competent Authority of the Bank shall be final and binding on the customer.

3. Scope of the Policy

3.1 The Policy covers Compensation for Financial Losses which customer might incur, in respect of following cases:

- (a) In case of any fraud, if the bank is convinced that an irregularity / fraud has been committed by its staff towards any constituents.
- (b) In cases where branch is at fault.
- (c) In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system.
- (d) In case of delay in Resolution of Complaints relating to failed ATM transactions.
- (e) In case of Unauthorized Electronic Banking Transactions with Zero/Limited Liability of Customers.

The compensation is payable only where financial loss can be measured directly to the exclusion of indirect and un-liquidated losses / damages and as such the commitments under the policy are without prejudice to any right that Bank will have in defending its position or prosecuting its cause, as the case may be, before any court or tribunal or authority or forum duly constituted to adjudicate banker – customer disputes or any other legal forum.

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

3.3 The Policy covers the following types of erroneous transactions:

1. Irregularity / fraud committed by Bank's staff.
2. Erroneous debiting of account.
3. Payment of cheques after acknowledgement of stop payment instructions.
4. Customer's Direct instructions / Standing instructions for debit to account.
5. In cases where neither the Branch nor the customer is at fault, but the fault lies elsewhere in the system.
6. Delayed collection of Cheques.
7. Foreign Exchange Services.
8. Unauthorized Electronic Banking Transactions

3.4.1 Irregularity Committed by Bank's Staff

In case of any fraud, if the bank is convinced that an irregularity / fraud has been committed by its staff towards any constituent, Bank shall pay the just claim. The authority to sanction such claims shall vest with the Executive Director / Chairman – cum Managing Director.

3.4.2 Erroneous Debits other than Unauthorized Electronic Banking Transactions

(a) On being informed of the unauthorized / erroneous direct debit to an account other than Unauthorized Electronic Banking Transactions, Bank will immediately take steps to verify the position and reverse the entry.

(b) Where verification of the position does not involve any third party, bank shall complete the process within maximum period of seven working days from the date of reporting of erroneous debit. In case verification involves a third party, bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

(c) Where the unauthorized erroneous debit has resulted in a financial loss to the customer by way of reduction in the minimum balance applicable for payment of additional interest to the bank in a loan account, the bank shall compensate the customer for such loss.

(d) Where the customer has suffered any financial loss (excluding indirect and all inconsequential losses like goodwill etc.) incidental to return of cheques or failure of direct debit instructions due to insufficiency of balance of account of erroneous debit, the bank will compensate the extent of compensation (Refer Clause 5).

(e) The maximum amount of Compensation shall not exceed the amount erroneously debited in any case.

3.4.3 Payment of Cheques after acknowledgement of Stop Payment Instructions

The Bank shall reverse the transactions within seven working days of the error coming to the notice of the Bank or customer bringing to the notice of the Bank provided that such stop payment instructions are acknowledged, noted and found in accordance with law including Bye laws, Circulars, Policies Minutes, Notifications issued by the Bank from time to time in this regard and the contractual relationship governing the Bank and its account holder / authorized signatory / customer. For the consequential loss to the customer, bank will compensate the customer to the extent of compensation (Refer Clause 5).

3.4.4.1 Customer's direct instructions / Standing instructions for debit to account

Bank will carry out direct / standing debit instruction of customer in time. In the event of Bank's failing to meet such commitment, customer will be compensated to the extent of financial loss incurred on account of delay in carrying out the instruction, viz loss of interest, cheque returning charges. Bank would debit the customer's account with any applicable service charges as per schedule of charges notified by the Bank from time to time. In the event of Bank levying any charge in violation of the arrangement, Bank will reverse the charge when pointed out by the customer subject to scrutiny of agreed terms and conditions.

3.4.4.2 ECS direct debits / other debits to accounts

The Bank will undertake to carry out direct debit / ECS debit instructions of customers in time. In the event the bank fails to meet such commitments, customer will be compensated to the extent of any financial loss the customer would incur on account of delay in carrying out the instructions / failure to carry out the instructions to the extent of compensation mentioned in clause 5.

3.4.5 In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system (excluding the cases of unauthorized electronic banking transactions).

Where neither bank nor customer is at fault but the fault lies elsewhere in the system, bank will compensate the customer for the financial loss suffered by the customer (excluding indirect and unliquidated losses like goodwill etc.) up to Rs. 50000/- only. Heads to be debited for making the payment and authority for sanctioning the Compensation is defined under Para '9' of this Policy.

3.4.6.1 Policy of compensation on Delayed collection

The Compensation in this case will be as per Cheque Collection Policy of the Bank. The existing guidelines are as under:

Cheques to be collected at major Metropolitan centers in 10 days and other centers 14 days. The Bank will pay interest to its customers on delayed collection as applicable on Saving Bank deposit for the delayed period beyond the prescribed period i.e. 10 / 14 days, as the case may be.

3.4.6.2 Cheques / Instruments lost in transit

The Compensation in this case will be as per Cheque Collection Policy of the Bank. The existing guidelines are as under:

In the event a cheque or an instrument accepted for collection is lost in transit or in 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 or not dishonored due to non-credit of the amount of the lost cheque / instruments. The Bank would pay interest as Saving Bank rate if the notice of cheque / instrument having been lost is given after the maximum period for collection of outstation cheques i.e. 10 / 14 days as applicable. Such interest will be paid for the number of days the delay occurred in giving notice to the customers beyond these prescribed 10 / 14 days as applicable.

3.4.7 Foreign Exchange Services

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the bank would not be able to ensure timely credit from overseas banks. It is the bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, would consider upfront credit against such instrument by purchasing the cheque / instruments, 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 equivalent to interest applicable on SB A/C after taking into normal cooling period of twenty one days.

4. Force Majeure

Bank shall not compensate customers for delayed credit if some unforeseen event, (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accidents 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 the Bank prevents it from performing its obligations within the specified service delivery parameters.

5. The Extent of Compensation

The Compensation to be payable in cases mentioned in para 3.1 (b) i.e. in case where any act of omission or commission is directly attributable to the bank (**excluding the cases of unauthorized electronic banking transactions**) is as follows:

- The extent of compensation to be restricted to loss of interest amount or actual loss incurred subject to maximum of **Rs.50000/-**. Heads to be debited for making the payment and authority for sanctioning the Compensation is defined under Para ‘9’ of this Policy.
- This will, however, not preclude a higher compensation being paid outside this policy, depending upon the merits of the case.
- No claim will be entertained under the policy on account of reputation damages, loss of reputation in the society, loss of business, loss if income etc.
- Any negligence on the part of the customer to avoid such loss may dilute the claim of the customer.

6. The decision of the Competent Authority designated under the policy, as regard the assessment of direct financial losses suffered by the customer and the quantum of Compensation found payable in respect thereof, would be final and binding upon the customer.

7. The payment of compensation under the policy shall not be construed as admission by the Bank of its fault or imperfection or deficiency in rendering Banking Services and its liability in respect thereof as also qua issues and disputes emanating there-from.

8. Whenever the Bank pays Compensation under this policy, the customer will be called upon to execute Memorandum of discharge incorporating therein Clause 6 and 7.

9. Heads to be debited for making the payment and authority for sanctioning the Compensation excluding the cases of unauthorized electronic banking transactions as under:

(i) The Head to be debited is “**Compensation Payable Suspense Account in Cases Other Than Unauthorized Electronic Banking Transactions**”. While inspecting the branch, the inspecting official will give a certificate that the steps were taken in accordance with the Policy for all entries debited to Compensation payable suspense account.

(ii) The Zonal Committee (which include the EDP official of the Zone) may sanction compensation up to **Rs. 5000/-** .

(iii) The GMs' Committee may sanction compensation up to **Rs.20000/-** .

(iv) The Executive Director may sanction up-to **Rs. 35000/-** on recommendation of GMs' Committee.

(v) CMD may sanction Compensation up-to **Rs. 50000/-** after examination by GMs' Committee and recommended by ED.

(vi) Any deviation in the policy matter may be referred to the Management Committee (MC).

10. Compensation due to delay in Resolution of Complaints relating to failed ATM transactions.

Based on a review of the problems being faced by the users of ATMs and with a view to further improve the efficiency of operations, it has been decided by RBI as under:-

(a) The time limit for resolution of customer complaints by the issuing banks shall stand reduced from 12 working days to 7 working days from the date of receipt of customer complaint. Accordingly, failure to re-credit the customer's account within 7 working days of receipt of the complaint shall entail payment of compensation to the customer @ 100/-per day by the issuing bank.

(b) 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.

11. Lender's liability: Commitments to borrower

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 mortgage property with in 15 days of payment of all dues agreed to or contracted. The bank will adequately compensate the borrower for monetary loss suffered, if any due to delay in return of the same.

Such compensation, in the event of loss of title deeds to mortgaged property at the hands of the banks is restricted to expenses incurred for obtaining a certified duplicate copy of the original Title Deed from the Office of Sub- Registrar. Bank will also bear the cost of issuing a public notice/ advertisement in local news paper about the loss of the original Title Deed. In case of delay in return of Title Deed for any other reason the compensation is restricted to the Extent as given in Clause 5 of this Compensation Policy.

12. Delay in issuance of duplicate draft

The Bank shall issue duplicate Demand Draft to the customer within a fortnight from the receipt of such request. For delay beyond the stipulated period, interest @ applicable for the Fixed deposit for the 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.

13. 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 uncredited amount to the remitter in case of NEFT, the bank will 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.

14. 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.

15. Violation of the Code by banks agent

In the event of receipt of any complaint from the customer that the bank’s representative / courier or DSA has engaged in any improper conduct or acted in violation of the Code of Bank’s Commitment to Customers which the bank has adopted voluntarily, bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.

16. Reversal of Unauthorized Electronic Banking Transactions with Zero/Limited Liability of Customers

16.1 Broadly, the electronic banking transactions can be divided into two categories:

(a) Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions), Pre-paid Payment Instruments (PPI), and

(b) Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

16.2 Zero Liability of a Customer

A customer’s entitlement to zero liability shall arise where the unauthorised 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 elsewhere in the system, and the customer notifies the bank within **three working days** of receiving the communication from the bank regarding the unauthorised transaction.

16.3 Limited Liability of a Customer

A customer shall be liable for the loss occurring due to unauthorised 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 unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.

(ii) In cases where the responsibility for the unauthorised 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 a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in **Table (A)**, whichever is lower.

Maximum Liability of a Customer under paragraph 16.3 (ii)

P.	Type of Accounts	Maximum Liability (Rs.)
(a)	Basic Savings Bank Deposit Account (BSBDA)	5000
(b)	All other SB accounts, Pre-paid Payment Instruments, 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,	10000
(c)	All other Current/ Cash Credit / Overdraft Accounts	25000

Further, if the delay in reporting is beyond 7 working days up to 30 days, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in **Table (B)**, whichever is lower.

P.	Type of Accounts	Maximum Liability (Rs.)
(a)	Basic Savings Bank Deposit Account (BSBDA)	10000
(b)	All other SB accounts, Pre-paid Payment Instruments, 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,	20000
(c)	All other Current/ Cash Credit / Overdraft Accounts	50000

If the delay in reporting is beyond **30 working days**, customers shall be fully liable for the loss and their liability will be equal to the amount involved in the unauthorised electronic transaction.

16.4 Overall liability of the customer in third party breaches, as detailed in paragraph **16.2 (ii)** & paragraph **16.3 (ii)** above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarised as under:-

Table (C)

P.	Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's Liability (Rs.)
(a)	Within 3 working days	Zero liability
(b)	Within 4 to 7 working days	The transaction value or the amount mentioned in Table (A) , whichever is lower.
(c)	Beyond 7 working up to 30 days	The transaction value or the amount mentioned in Table (B) , whichever is lower.
(d)	Beyond 30 working days	Full liability equal to the amount involved in the unauthorised electronic transaction.

The number of working days mentioned in **Table (C)** shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

16.5 Procedures and Timelines for Reversal of Unauthorized Electronic Banking Transactions

(a) On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorised electronic transaction to the customer's account after due verification within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). The concerned HO Department dealing with the system involving electronic banking transactions i.e. HO IT/ATM Cell/FI Cell/ ADC shall advise the respective Zonal/ Branch Offices to credit the shadow balance in customer's account in the eligible cases after completing due verification with fact finding reports and seeking permission from GM(P&D). The credit shall be value dated to be as of the date of the unauthorised transaction so that they would not suffer loss of interest.

(b) The amount so reversed/credited in the customer's account shall be kept under shadow balance till the time of his/her complaint is resolved but not exceeding 90 days from the date of receipts of the complaint within which the complaint is resolved and liability of the customer, if any, established and the customer to be compensated as per provisions of paragraphs **16.1 to 16.5**.

(c) Where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in paragraphs **16.1 to 16.5** shall be paid to the customer.

(d) The amount of compensation so paid to the customer shall be equal to the amount involved in the unauthorised electronic transaction less the maximum liability amount, if any determined as per Table (A) & (B), for which the customer is liable to pay for loss occurring due to unauthorised transactions .

(e) The amount of compensation payable in above cases i.e. where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system, will be restricted up to 1 lakh.

(f) Heads to be debited for Reversal of unauthorized electronic banking transactions and Competent authority for sanctioning the Compensation are as under:

(g) The Head to be debited is “**Compensation payable Suspense Account for Reversal of Unauthorized Electronic Banking Transactions**”. While inspecting the branch, the inspecting official will give a certificate that the steps were taken in accordance with the Policy for all entries debited to Compensation payable suspense account.

(i) The Zonal Committee (which include the EDP official of the Zone) may sanction compensation up to Rs. **10000/-** .

(ii) GMs’ Committee may sanction up-to **Rs.50000/-**.

(iii) The Executive Director may sanction up-to **Rs.75000/-** on recommendation of GMs’ Committee.

(iv) CMD may sanction Compensation up-to **Rs.100000/-** after examination by GMs’ Committee and recommended by ED.

(v) Any deviation in the policy matter may be referred to the Management Committee (MC).

16.6 Mechanism for Reporting and Monitoring of unauthorized electronic banking transactions

Customers are required to lodge their complaints through out of any available multiple channels i.e. website, phone banking, SMS, e-mail, toll-free helpline, reporting to home branch, etc. which shall be dealt as detailed in the Bank’s Customer Grievance Redressal Policy being displayed on Bank’s website from time to time. Upon receipt of the complaint from customers, the concerned HO/ZO/BO should take immediate proactive steps like host listing of debit card through provided channels or freezing/blocking debit transactions in the account to mitigate the risk and protect Bank against the liabilities assigned thereafter. The Bank’s Grievances Cell at HO Inspection shall look into the redressal of grievances on account of unauthorized electronic banking transactions. All complaints related to the unauthorized electronic banking transactions received from the customers through various channels shall be referred to the respective HO Department dealing with the system involving electronic banking transactions i.e. HO IT/ATM Cell/FI Cell/ ADC Department who shall subsequently report the cases to HO FMD Department for examining the cases from fraud angles and HO RMD Department for placing the same before ORMC.

HO RMD Department shall place the consolidated report of cases involving Unauthorized Electronic Banking Transactions and liability of customers arising thereon before “Operational Risk Management Committee (ORMC) for determining the root cause analysis of such incidences. The reporting shall, *inter alia*, include volume/ number of cases and the aggregate value involved and distribution across various categories of cases viz., card present transactions, card not present transactions, internet banking, mobile banking, ATM transactions, etc.

The liability of the customers, if any, in case of unauthorised electronic banking transactions shall be examined/ monitored by HO IT/ATM Cell/ FI Cell /ADC Department in coordination with respective Zonal/Branch offices. The cases of unauthorised electronic banking transactions and the action taken thereon by HO IT/ATM Cell/ FI Cell/ ADC department shall be periodically reviewed by the Standing Committee on Customer Service. The Bank’s internal auditors shall ensure to report all such unauthorized electronic banking transactions in their inspection Report.

16.7 The above Policy would not have the retrospective effect and shall be valid from the date of its implementation.

17. 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 and other guidelines issued by the Bank from time to time, 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.

18. Amendment/ Modification of the Policy

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. This policy shall be valid till the time of its next review.