



# **CUSTOMER COMPENSATION POLICY OF THE BANK**

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## INDEX

S. No	Subject	Page No.
1.	Introduction and Objective	1
2.	Recognition of deficiency and compensation	
	2.1 Unauthorised / Erroneous Debit	1
	2.2 ECS direct debits/other debits to accounts	2
	2.3 Payment of cheques after 'Stop Payment' instructions	2
	2.4 Payment of Interest for delayed Collection of Outstation Cheques	2
	2.5 Cheques / Instruments lost in transit / in clearing process or at paying bank's branch	3
	2.6 Payment of interest for delay in issuance of duplicate draft	3
3.	Delay in affording credit and/ or returning electronic transactions	4
4.	Harmonisation of Turn around time (TAT) and Customer compensation for failed transactions using authorized payment systems	4
5.	Other unauthorised actions of the Bank leading to a financial loss to customer	
	5.a. Delay in release of securities/ documents/ title deeds	6
	5.b Mis-selling of third party products	6
	5.c Timelines for payment of compensation amount	6
6.	Customers Responsibility	6
7.	Force Majeure	7
8.	Policy Review and Updates	7

Note\* :- The systems and procedures are subject to revision by the Bank and also modifications, if any, made by the Regulators on any aspect will automatically be made applicable, whenever considered necessary.

# **Customer Compensation Policy**

## **1. Introduction and Objective:**

Telangana State Cooperative Apex Bank Ltd. believes in fair treatment to its customers and providing responsive banking service to the society. The Bank promotes ethical behaviour based on the principles of integrity and transparency by the staff towards its customers. The Bank seeks to offer quality service to the customers and shall endeavour to ensure that the customers do not face any challenges while utilizing any of the Bank's products or services. Compensation Policy of the Bank is laid down 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, delay in issue of demand draft, 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 he/she might incur due to deficiency in service/ failure of the system which provides digital transactions 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 timely and adequately, the Bank expects that instances where the customer has to approach the Banking Ombudsman or any other forum for redressal of his/her grievances 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 may have, and can exercise in valid defense of a position or in a dispute, before any forum duly constituted to adjudicate the disputes between the Bank & the customer. The policy does not cover and is not applicable in respect of claims made by customers on account of opportunity losses or damages or claims pertaining to reputation loss.

## **2. Recognition of deficiency and compensation:**

### **2.1. 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 factual position. In the event the unauthorized/erroneous debit has resulted in a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest to the bank for 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.

## **2.2. 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 that 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 notification, 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.

## **2.3. Payment of cheques after 'Stop Payment' instructions:**

In case a cheque is debited after 'Stop Payment' instruction has been received and acknowledged by the Bank, the Bank shall reverse the transaction at the earliest.

## **2.4. 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 below. 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 upto 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days and upto 90 days, interest will be paid at the rate applicable to term deposit for the respective period or SB rate, whichever is higher.

- 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 for the relative period.
- d) In the event the proceeds of cheque under collection has to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays (i.e., exceeding 90 days), interest will be paid at the rate of 2% above the rate applicable to the relative loan account.

Note: It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India”.

### **2.5. 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 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 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 (i.e., at 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 compensate for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/ institution which would charge a fee for issue of duplicate instrument.

### **2.6. Payment of interest for delay in issuance of duplicate draft:**

In case of loss of demand draft, the Bank shall issue a duplicate draft, in lieu of lost draft within a fortnight from the receipt of such request. For any delay beyond the stipulated period, the Bank shall pay interest at the rate applicable for fixed deposit of corresponding maturity as compensation to the customer, provided the request for the duplicate demand draft is made by both the purchaser and the beneficiary jointly and the documentation formalities are completed. The compensation shall not be available if the draft is endorsed to third parties.

### **3. Delay in affording credit and/ or returning electronic transactions:**

If the Bank fails to meet the prescribed timelines of RBI /NACH (National Automated Clearing House) with respect to NEFT/ NACH transactions, the Bank shall compensate the customer to the extent of penal interest at the applicable RBI LAF (Liquidity Adjustment Facility) Repo Rate plus 2% from the due date of credit till the date of actual credit for any delayed credit to the customer's account. Penal interest shall be credited to the beneficiary's account, even if no claim is lodged for the same.

- In case of delay in credit on the same day for RTGS transactions, compensation shall be paid to the customer for one day. In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the Bank in the completion of funds transfer pursuant to receipt of payment instruction by the Bank, leading to delayed payment to the customer, the Bank will pay compensation at applicable RBI LAF Repo Rate plus 2% for the period of delay.
- In the event of delay in return of the funds transfer instruction for any reason whatsoever, the Bank will refund the amount to the remitter together with interest at the applicable RBI LAF Repo Rate plus 2% till the date of refund. In case of delay in return of funds on the same day for RTGS transactions, compensation shall be paid to the remitter for one day.

### **4. Harmonization of Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems:**

A 'failed transaction' is a transaction which has not been fully completed due to any reason not attributable to the customer such as failure in communication links, non-availability of cash in an ATM, time-out of sessions, etc. Failed transactions shall also include the credits which could not be effected to the beneficiary account on account of lack of complete information or lack of proper information and delay in initiating a reversal transaction. The framework for TAT for failed transactions and compensation payable to the customers are hereunder:

S. No.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
1	2	3	4
<b>1</b>	<b>Automated Teller Machines (ATMs)</b>		
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.
<b>2</b>	<b>Card Transaction</b>		
a	<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-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.
b	<u>Card Not Present (CNP) (e-commerce)</u>  Account debited but confirmation not received at merchant's system.		
<b>3</b>	<b>Immediate Payment System (IMPS)</b>		
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.
<b>4</b>	<b>Unified Payments Interface (UPI)</b>		
a	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond 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 days.
<b>5</b>	<b>National Automated Clearing House (NACH)</b>		
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.	

- The financial compensation shall be credited to the customer's account suo moto, without waiting for a complaint or claim from the customer.

**5. Other unauthorized actions of the Bank leading to a financial loss to customer:**

**a) Delay in release of securities/ documents/ title deeds:**

The Bank shall return the original security documents submitted by the borrower within 15 days of repayment of all dues by the borrower, including principal amount, interest, EMI, costs, service charges, and all other amounts incidental to and due as per the loan agreement. The Bank shall retain the right to set off for settlement of any other claim, after giving due notice with full particulars about the pending claims and shall retain the securities/ documents/ title to mortgaged property till the relevant claim is settled/paid. In case of delay beyond the stipulated period in returning the title documents to the borrower, the Bank shall pay Rs.100/- per week subject to a maximum payment of Rs.500/-

**b) Mis-selling of third party products:**

With respect to mis-selling, the Bank shall take appropriate steps to investigate any disputes related to insurance/ investment distribution etc., and ascertain if there were any violations of the Policy on Mis-selling. The Bank shall compensate the customer to the extent of the direct financial loss suffered by him/her on account of the transaction, post ascertaining all the facts and documents available. However, the Bank shall not in any event compensate for any notional losses that may arise on account of the transaction.

**c) Timelines for payment of compensation amount:**

If the Bank is liable to pay any compensation under this policy, the same will be paid to the customer within 7 days from the completion of the investigation, the investigation shall be completed within one month from the date of complaint by the customer.

**6. 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.



## **7. Force Majeure:**

The Bank shall not be liable to compensate customers for delayed credit if the Bank's or its correspondent bank's facilities are damaged due to unforeseen events like civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to Bank's facilities etc., due to which the Bank is not able to perform its obligations within the specified service delivery parameters.

## **8. Policy Review and Updates:**

This Board approved policy will be reviewed as and when required for incorporating changes and regulatory updates, if any, in overall grievance redressal mechanism, to improve customer experience and satisfaction. Bank reserves its right to change or to modify the policy or any of its provisions from time to time.

The above Customer Compensation Policy will be placed in the website of the Bank for information of customers.

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