



## **Bank's Compensation Policy**

### **GENERAL OPERATIONS DEPARTMENT**

#### **Document Information**

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## **BANK'S COMPENSATION POLICY**

### **1. 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 endeavour 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.

Accordingly, this Compensation Policy of the Bank is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delay in 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

### **2. Objective of the Policy:**

The objective of this policy is to establish a system whereby the bank compensates the customer for any reasonable direct financial loss, the customer might incur due to deficiency in service on the part of the bank or any act of omission or commission solely or directly attributable to the bank. By ensuring that the customer is reasonably compensated without having to ask for it, the bank upholds the principles of fair practice and expects instances of customer approaching Banking Ombudsman or any other Forum for redressal of grievances to come down significantly.

### **3. Framework:**

It is reiterated that the policy covers only compensation for the reasonable direct financial losses which customers might incur due to deficiency in the services offered by the bank and solely attributed to the Bank or its employee, 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.

### **4. Unauthorised / Erroneous Debit by the Bank:**

**4.1.** 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 bank deposit or payment of additional interest to the bank in a loan account, the bank will reasonably compensate the customer for such loss.

Further, if the customer has suffered any financial loss incidental to return of a cheque by the bank without reason 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 reasonable direct financial losses on account of the same, subject to production of documentary proof of direct financial loss.

**4.2.** In case verification of an erroneous entry reported by the customer does not involve a third party, the bank will endeavour 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 centres, the bank shall complete the verification process within a maximum period of one month from the date of reporting of unauthorised / erroneous transaction by the customer.

**4.3.** Unauthorised Erroneous transaction reported by customers (card holder) in respect of debit / credit card operations, which require reference to a merchant establishment will be handled as per rules laid down by card association / card service providers.

<https://bankofindia.co.in/documents/20121/0/ CPP.PDF>

**4.4.** Customer (Card holder) claims arise due to usage of Card at ATMs, involving net-work of ATMs / any other arrangement made in future, process of verification shall be undertaken as per rules laid down by National Payment Corporation of India, MasterCard Incorporated, VISA Inc. / Other Card Service Providers or the arrangement amongst the member banks, as the case may be, to settle the claims.

## **5. Unauthorised Electronic Banking Transactions reported by Customers**

As per the Notification no. DBR.No.Leg.BC.78/09.07.005/2017-18 dated July 06, 2017 issued by the Reserve Bank of India, Bank has formulated a Board Approved Customer Protection Policy to deal with the unauthorised electronic Banking transactions reported by customers. The policy inter alia, cover in detail, the liability of customers in different scenarios depending on whether compromise was at the Bank's end, customer's end or elsewhere in the system.

The extent of liability of customer in unauthorised electronic banking transaction would be decided as per the Bank's Customer Protection Policy.

## **6. ECS direct debits/other debits to accounts**

**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 reasonable direct financial loss, the customer would incur on account of delay in carrying out the instruction / failure to carry out the instructions.

**6.2.** 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 bank's guidelines from time to time, the bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions.

**6.3.** Where it is established that the bank had issued and activated a credit card without request / consent of the recipient, the bank would not only reverse the charges levied, but also pay a penalty to the recipient amounting to twice the value of charges reversed as per regulatory guidelines in this regard.

## **7. Payment of penal interest for delay in credit/ return of NEFT / NECS / ECS transactions**

**7.1** In terms of NEFT/ NECS/ ECS procedural guidelines / relevant circulars / instructions issued from time to time by Reserve Bank of India, we at Bank of India need to afford credits to beneficiary accounts or return transactions (uncredited for whatever reason) to the originating / sponsor bank within the prescribed timeline.

**7.2** The Bank will pay interest to its customers on account of delay in Credit / Return of NEFT / NECS / ECS transactions solely attributable to the Bank or its employees. The interest will be paid at the rate of prevailing RBI LAF Repo Rate plus two percentage from the due date of credit till the date of actual credit for any delayed credit to the beneficiary account for reasons solely attributable to the Bank.

## **8. 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 direct financial loss to the customer on account of above will be compensated as provided under para 4 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

## **9. Payment of Interest for delayed Collection of Local / 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 specified in banks 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 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 3 days for local cheque.
- b) Saving Bank rate for the period of delay beyond 7 days for outstation cheques payable at CTS centre and 10 days for outstation cheque payable at Non CTS centre.
- c) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the corresponding respective period or Saving Bank rate, whichever is higher.
- d) 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.
- e) In the event the proceeds of cheque under collection was to be credited to an overdraft / loan account of the customer and credit is delayed beyond the time period of three days for local cheque, seven days for outstation cheque payable at CTS centres and ten days for non CTS centres, interest for such delay will be paid at the rate applicable to the loan account. For extraordinary delays i.e. delay exceeding 90 days, interest will be paid at the rate of 2% above the rate applicable to the loan account.
- f) The interest will be paid only when such amount is Rs.10/- or more.

**Non CTS cheques will be presented in the clearing house at the prescribed intervals which is presently once in a month on second Wednesday of the month or as decided by RBI, from time to time.**

Keeping in view the global practices due to technological progress, payment and settlement systems and the qualitative changes in operational systems and processes single set of rules may not be appropriate and RBI has issued guidelines where interest payment for delayed collection have been left to the banks discretion.

#### **10. Compensation for loss of cheque/ instrument in Transit / in clearing process or at paying bank's branch**

The bank's Compensation Policy for the delay in collection, loss of cheque / instrument etc. is dealt with in the Bank's Policy on Collection of Cheque / Instruments and Dishonour of Cheque & Debit Mandates.

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 for local and outstation cheque ( 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 in para 9 of the policy.

**(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.

#### **11. 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 provided all the required documentation as per bank's procedure in vogue is completed by the party, while making such request. For delay beyond the above stipulated period solely attributable to the Bank or its employee, interest at the rate applicable for Fixed Deposit of Corresponding period will be paid as compensation to the customer for such delay.

#### **12. Delay in Payment of Pension**

Bank shall compensate the pensioner for delay in crediting pension/arrears thereof at a fixed interest rate of 8 percent per annum for the delay after the due date of payment and the compensation will be credited to the pensioner's account automatically without any claim from the pensioner on the same day when the bank affords credit for revised pension/pension arrears, in respect of all delayed pension payments.

### **13. 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, 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 of complaint and Bank shall compensate the customer for reasonable direct financial loss, subject to production of documentary proof of direct financial loss, if any

### **14. Transaction of "at par instruments" of Co-operative Banks by Commercial 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 dishonour 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 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. ATM Failure:**

Pro-active reversal (R) of failed transaction i.e. the amount wrongfully debited on account of failed ATM transactions shall be re-credited to customer account within a maximum period of T+5 days. For any failure to re-credit the customer's account within T+5 days, bank shall pay compensation of Rs.100/- per day beyond T+5 days to the account of customer. 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 transaction. For claim lodged after 30 days no compensation will be paid.

### **16. 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, may 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 **due date**, i.e. after taking into account normal cooling period stipulated on credit to NOSTRO Account. The compensation in such cases will be worked out as follows:



**i. Interest for the delay in crediting proceeds shall be as under.**

- a) Saving Bank rate for the period of delay beyond 7 days from the due date
- b) Where the delay is beyond 14 days from due date, interest will be paid at the rate applicable for term deposit for the corresponding respective period or Saving Bank rate, whichever is higher.
- c) In case of extraordinary delay, i.e. delays exceeding 90 days from due date, interest will be paid at the rate of 2% above the corresponding Term Deposit rate
- d) In the event the proceeds of cheque under collection was to be credited to an overdraft / loan account of the customer and credit is delayed beyond the time period of seven days from due date, interest for such delay will be paid at the rate applicable to the loan account. For extraordinary delays i.e. delay exceeding 90 days from due date, interest will be paid at the rate of 2% above the rate applicable to the loan account

- ii. Compensation also be considered for any possible loss on account of adverse movement in foreign exchange rate due to delay in crediting cheque proceeds.

**17 (Lenders liability; Commitments to borrowers)**

The bank has adopted the principles of liability lenders. In terms of the guidelines for lenders' liability, and the Code of Bank's Commitment to customers, the bank will return /release all the original movable/immovable property documents to the borrowers and remove charges registered with any registry as below:

**17.1** (Where the release of original movable/immovable property documents falls due on or before November 30, 2023)

The bank would return to the borrowers all the securities/documents/title deeds to the mortgaged property within 15 days of repayment of all dues to the satisfaction of the Bank, provided that the bank has not exercised any lien thereon on account of any other dues to the party. The bank will compensate the borrower for the reasonable monetary loss suffered, if any due to delay in return of the same without any reasonable cause. In the event of loss of title deeds to mortgaged property at the hands of the banks, the compensation will cover actual expenses for obtaining duplicate documents plus a reasonable lump sum amount as under or as may be decided by the bank from time to time. The penalty/compensation in respect of the following items will be as under;

For Delay in return of all the Securities / Title deed to the mortgaged property:

16th day to 30<sup>th</sup> day : Rs.1000/-; Lump sum

31st day to 45th day : Rs.2500/-; Lump sum

46th day to 60th day : Rs.5000/-; Lump sum

From 61st day: Rs.1000/-: per day, in addition to the lump sum amount of

Rs.5000/-, subject to **MAXIMUM Rs.1 Lac**



**17.2** (Where the release of original movable/immovable property documents falls due on or after December 1, 2023)

The bank would return/release all the original movable/immovable property documents to the borrowers and remove charges registered with any registry within a period of 30 days after full repayment/settlement of all dues to the satisfaction of the Bank, provided that the bank has not exercised any lien thereon on account of any other dues to the party.

In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with the relevant registry beyond 30 days after full repayment/settlement of the loan, the bank shall communicate to the borrower the reasons for such delay. In the case where the delay is attributable to the bank, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.

In case of loss/damage to original movable/immovable property documents, either in part or in full, the bank shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. However, in such cases, the delayed period penalty will be calculated after 60 days ( as an additional time of 30 days will required to complete the procedure of obtaining duplicate/certified copies of the movable/immovable property documents.

### **17.3 Force Majeure events**

- (a) If there is a delay on the part of the Borrower(s) / Guarantor(s). For e.g.: if any of the Borrower(s) / Guarantor(s) is not available or does not have required Identity Proof/or other required documents to prove that he/she is the same person.
- (b) If the Borrower(s) / Guarantor(s) have changed their residential / mailing address/phone numbers and have not intimated the bank and bank is not able to contact them for collection of original title documents. (Intimation by way of phone, letter, or email to any one of the Borrower(s) / Guarantor(s) will be deemed intimation to all Borrower(s) / Guarantor(s).)
- (c) In case the Bank receives any complaint/claim/demand from the Borrowers/Guarantors, Legal Heirs, Executors, Successors, Joint Owners/holders, etc. intimating the Bank about inter se disputes and/or not to hand over the title documents or hand over the same to particular persons, etc., then bank shall direct the parties to resolve their disputes and thereafter approach the Bank with a joint application signed by all concerned for release of such title documents or obtain necessary direction from Competent Authority/Hon'ble Court for a particular/specific course of action. Till such time and in such/similar circumstances, the Bank shall not be liable to release the title documents to the Borrowers/Guarantors (as the case may be) and shall not be liable to pay any compensation to any party.
- (d) BANK OF INDIA, in its endeavor to serve its customers with more dedication, has adopted the "Bankers' Fair Practice Code" of the Indian Banks' Association. The Code envisages the dissemination of information in respect of various activities of the Bank relating to the customers for promoting better understanding and appreciation. Commitments under this Code are applicable under normal operating environments and in the event of force majeure, the Bank may not be able to fulfill the commitments under this Code.

## 18. Wealth Management Products:

Bank is a corporate Agent and distributor of Insurance and Mutual Fund products respectively. For any deficiencies in services bank will reasonably assist customers to raise their grievances with the tie-up partners.

For any deficiencies in services at bank level raised by customer, the issue will be examined by the bank and if the lapse on the part of the bank is confirmed (mis-selling) customer will be reasonably compensated for the loss.

## 19. Loss of Contents of the Locker

### **(a) Liability of bank arising from natural calamities like earthquake, flood, thunderstorm, lightning etc. or due to sole negligence of the customer**

The bank shall not be liable for any damage and/or loss of contents of locker arising from natural calamities or Acts of God like earthquake, floods, lightning and thunderstorm or any act that is attributable to the sole fault or negligence of the customer. Banks shall, however, exercise appropriate care to its locker systems to protect its premises from such catastrophes

### **(b) Liability of bank arising from events like fire, theft, burglary, dacoity, robbery, building collapse or in case of fraud committed by the employees of the bank**

It is the responsibility of branches to take all steps for the safety and security of the premises in which the safe deposit vaults are housed and to ensure that incidents like fire, theft/ burglary/ robbery, dacoity, building collapse do not occur in the branch's premises due to its own shortcomings, negligence and by any act of omission/commission. **As bank cannot claim that they bear no liability towards their customers for loss of contents of the locker, in instances where loss of contents of locker are due to incidents mentioned above or attributable to fraud committed by its employee(s), the banks' liability shall be for an amount equivalent to one hundred times the prevailing annual rent of the safe deposit locker.**

## 20. Other areas of deficiency in services

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 sundry account at Saving Bank Rate, if the customer has not been duly informed.

## 21. Force Majeure:

Notwithstanding anything contrary contained in this policy, 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 the bank's facilities or of its correspondent bank(s), lack of connectivity, absence of the usual means of communication or all types of transportation, etc. beyond the control of the bank or prevents it from performing its obligations within the specified service delivery parameters.

## **22. Disclaimer Clause:**

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

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

## **23. Sunset Clause**

The above Bank's Compensation Policy will be in force until the next review. The policy will be reviewed biennial or at an earlier date, as may be required by the Bank.

“Post the approval of the Policy, any changes made by the RBI on the rules and regulations in respect of Compensation Policy shall form an integral part of the Policy, pending their formal inclusion at the time of the next renewal of the Policy.”

**Delegation of Powers to compensate the customers:**

- i. Claims related to compensation matters to be settled and payment of expenses under inconvenience/ penalty/ compensation for delay in return of all the securities/title deeds to the mortgaged property (refer para no. 16 – Lenders liability; Commitments to borrowers) in terms of Branch Circular/Circular issued from time to time on Delegation of Powers on Non-Credit Matters Letters (Item No.1 of Table II-D - Non Credit Matters (Other Expenditure which is partly or fully Reimbursable and Reversible- Customer Service- Reversal of Erroneous Debits arising on account of Fraudulent or Other Transactions) or / and as mentioned specially in relevant Policy documents / Circulars, etc.
  
- ii. **INTERNAL OMBUDSMAN:** The Internal Ombudsman (IO) is an independent authority placed at apex position in the Internal Grievance Redressal Machinery of the Bank. The IO shall be guided by the Bank's Compensation Policy, as published from time to time, while deciding on the adequacy or otherwise of the compensation paid or payable by the Bank.