

## Indian Overseas Bank

### Compensation Policy

#### Introduction

Technological progress in payment and settlement systems and the qualitative changes in operational systems and procedures that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the bank's endeavor to offer services to its customers with best possible utilization of its technology infrastructure. 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, 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 he/she might incur due to deficiency in service on the part of the bank or any act of omission or commission directly attributable to the bank. By ensuring that the customer is compensated without having to ask for it, the bank expects instances 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.



**Definition of Deficiency and Service:**

**Deficiency :** Sec. 2(1)(g) of the Consumer Protection Act, 1986, defines the term Deficiency as any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law for the time being in force or has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service.

**Service:** Sec.2(1)(o) of the Consumer Protection Act, 1986, defines that Service means service of any description which is made available to potential users and includes facilities in connection with banking, financing but does not include the rendering of any service free of charge or under a contract of personal service.

**1. Unauthorised / Erroneous Debit:**

a. 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 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.

b. In case verification of the entry reported to be erroneous by the customer does not involve a third party, the bank will endeavor to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit. In case, the verification involves a third party or where verifications are to be done at overseas centers, the bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.



c. Erroneous transaction reported by customers in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by card association.

The Card association referred in the document is the payment facilitating associations such as VISA, Master, NPCI, Amex etc., to which financial institutions offering credit card and Debit Card services have become members. The Bank is having licensed arrangements with Card Services with VISA International, RUPAY Card and Master Card.

VISA International, NPCI and Master Card have framed regulations internally for the members for settlement of Debit card and Credit Card transactions and also provided time- specific redressal mechanism for settlement of disputes between cardholders and merchants.

Compensation on account of erroneous transactions, if any, as provided by the card associations will be considered on case to case basis. The details of compensation is available in the VISA International website [www.visa.com](http://www.visa.com).

Notwithstanding internal regulations for the members of VISA International, NPCI and Master Cards on disputes of credit card and debit card transactions, the guidelines of Reserve Bank of India regarding provision of explanation/documentary evidence to the card holders within a maximum period of 60 days shall be followed by the Bank. ③

In case of erroneous debits arising out of Fraudulent or other transactions:

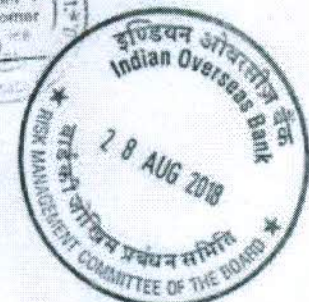
: the Bank would compensate the customer forthwith without demur, where the bank is at fault.

: Even when the Bank or the customer is not at fault, and the fault lies elsewhere in the system, then also bank would compensate the customer.

: As a measure of our Bank's commitment to speedy customer service, the customer will be compensated to the extent of amount as mentioned below where erroneous debits have taken place in the customers account, either through our fault or where the fault is elsewhere in the system after getting necessary approval from the concerned layer of



3



authority as indicated below:

- a. Regional Heads - upto Rs.25,000/- (SRM Rs.10,000/- CRM Rs.20000/-)
- b. General manager ZO - Rs.40,000/-
- c. General Manager - at CO Rs.1,00,000/-
- d. Executive Director - Rs.3,00,000/-
- e. M D & CEO - Rs.7,50,000/-

**NOTE :** This is as per the Discretionary Administrative powers (in vogue available on line under Sl. No. 11 of Annexure II vide CO circular No. EST/64/2013-14 dated 04.01.2014 issued by Banking Operations to be exercised in Individual capacity. which states that Writing off other losses including losses due to frauds (losses other than from advance portfolio)

: Clarification on Unauthorized debit/erroneous debit and compensation:

- The genuineness of Unauthorized debit/erroneous debit shall be verified and confirmed by the concerned Regional Office/Zonal Office before making any compensation within the stipulated time as specified in the above para 1 b. of the policy.
- The compensation means financial loss by way of interest or otherwise to the customer on account of Unauthorized/erroneous debits. The compensation does not include the amount of unauthorized debit which will be reversed/recredited on actual basis.

## **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 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.



