

CENTRAL MADHYA PRADESH GRAMIN BANK

COMPENSATION POLICY

I. INTRODUCTION

It has been the endeavour of Bank to offer services to its customers with best possible utilization of its Human resources and Technology Infrastructure. Migration of all branches of the Bank to Core Banking Solutions (CBS) platform is great leap in this direction. In order to increase efficiency of the operations/better performance and to compensate adequately any customer who faces deficiency in Banking Services, the compensation policy has been formulated. The Compensation Policy of the Bank is designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of Cheques/instruments, payment of cheque after acknowledgement of stop payment instructions, remittance within India, lending etc. The policy is based on principles of transparency and fairness in the treatment of customers and their genuine grievances.

II. OBJECTIVES

- 1.1 The objective of the “Central Madhya Pradesh Gramin Bank Compensation Policy (Banking Services)” 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 to annul the instances of the customer approaching the Banking Ombudsman or any other Forum for redressal of grievances.
- 1.2 It is reiterated that the Policy covers only compensations for Financial losses which customers might incur due to deficiency in 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 dispute.
- 1.3 It is imperative for all the branches/offices to note and ensure that:
 - 1.3.1 Prompt and efficient customer service is rendered to all the customers at all Times.
 - 1.3.2 The Cheques/instruments are collected within the stipulated time frame in accordance with the Cheques Collection Policy.

This will not only substantially reduce the number of customer grievance/Complaints, the resultant compensation payment will also be minimized as well.

III. AREAS OF COVERAGE

The policy as such is designed to cover 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 and does not constitute admission of liability or any other issue, of any nature whatsoever for the purpose of Adjudicatory Proceedings.

2.1 Unauthorised/Erroneous Debits:

2.1.1 If the bank has raised an unauthorized / erroneous direct debit to any account, on receipt of the information the entry will be reversed immediately after verifying the position.

2.1.2 In case, the entry reported by the customer appears to be erroneous by the customer which 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 the erroneous debit.

2.1.3 On the contrary if the 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.

2.1.4 In the event of any unauthorized /erroneous debit which results in any financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on saving bank deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss.

2.1.5 If the customer has suffered any financial loss incidental to return of a Cheques 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. However, customer will not be entitled to claim any compensation for loss of reputation or loss of profit.

2.1.6 The compensation for such financial losses will, however, be restricted only to reimbursement of actual expenses incurred by the customer e.g. relodgement charges, if any, for the returned Cheques, penalty/interest for regularization of failed direct debit instructions, etc.

3.1 ECS Direct Debits/Other Debit Accounts

3.1.1 The bank will undertake to carry out direct debit/ECS (Electronic Clearing Services) debit instructions of customers in time. If bank fails to meet such commitment, customer will be compensated to the extent of financial loss the customer would incur on account of delay in carrying out the instructions/failure to carry out the instructions.

3.1.2 The compensation for such financial losses will, however, be

restricted only to reimbursement of actual expenses incurred by the customer e.g. Penalty / interest paid by the customer to regularize the schedule which got disturbed on account of delay in carrying out the instruction/failure to carry out the instruction.

- 3.1.3 The bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. In case, bank levies any charge in violation of the arrangement, the bank will reverse the charges as and 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.

4.1 NECS / ECS-Credit

Destination Bank would be held liable to pay penal interest at the current RBI Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiary's account. Penal interest shall be credited to the Beneficiary's Account even if no claim is lodged.

5. ATM Unauthorised Debit Transaction

- 5.1.1 In case of ATM based banking transactions, in the event of any monetary dispute involving the customer and the bank, Customer must be compensated for the losses arising out of unauthorized transaction in customer's Account.
- 5.1.2 Bank will pay penalty at the rate Rs.100/- per day as compensation to the card holder in a case the matter is not resolved within seven (7) working days from the date of receipt of complaint in respect of cash not dispensed but cardholder account has been debited unauthorized. The customer is entitled to receive such compensation for delay only if a claim is lodged within 30 days of the date of transactions at any branch.
- 5.1.3 The issuer Bank is entitled to claim such compensation paid to the customer from the acquirer Bank, if the delay is attributed to the latter. By the same logic the ATM network operators shall compensate the Banks for any delay on their part.
- 5.1.4 Where the Bank had issued an ATM / Debit card without written consent customer, which has been disputed by the customer without using the card, the said ATM/Debit card will be taken back by the Bank and cancelled. The Bank would reverse the charges, if levied.
6. The probability of error in deduction of tax after submission of Form 15G/15H do not exist. Moreover, the customer has a recourse to get refund of tax deducted erroneously by the Bank, if any, from Income Tax Department. In such cases, Bank will provide help by issuing required certificate, if any, free of service charges for getting refund from I.T. Dept, along with compensation by paying interest on the amount involved at the SB rate (Min. Rs.100/-) from the date of deduction of tax to the date of receipt of Refund from I.T. Dept on submission of copy of I.T Assessment order, after deducting the amount of interest paid by I.T Department, if any.

7. Payment of Cheques After Stop Payment Instruction:-

7.1.1 In case a Cheques 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 adequately compensated.

7.1.2 Such debits will be reversed within 2 working days from the date the customer intimates about the transaction to the bank.

8. . **Remittances in India / Interest for Delayed Collection of Outstation Cheques within India).**

8.1.1 Interest for delayed collection shall be at Savings Bank rate for the period of delay beyond 7 days in four major Metro Centres (Delhi/ Mumbai/ Kolkata /Chennai), beyond 10 days in other Metro Centres / State Capitals (other than North Eastern States and Sikkim) and beyond 14 days for all other centres.

8.1.2 Where the delay is beyond 14 days, interest will be paid at the rate applicable to term deposit for the respective period.

8.1.3. In the event, the proceeds of Cheques under collection were to be credited to an overdraft/loan account of the customer; interest will be paid at the rate applicable to the respective loan account.

8.1.4 Such interest shall be without any demand from the customer.

8.1.5 For the delay in remittance of proceeds by Payee Bank, we (Collecting Bank) shall not be liable to pay any interest/compensation.

8.1.6 Holidays are to be excluded for the purpose of reckoning collection period prescribed above.

8.1.7 It should be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

8.1.8 There should not be any distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

9.1 **Interest for delayed collection of Bills:**

9.1.1 In case of delay in realization of Bills sent for collection to payee bank / branch, the collecting bank shall pay interest at the rate of 2% p.a. over and above Savings rate.

9.1.2 The delayed period shall be reckoned after making allowance for normal transition period of 2 days each for dispatch of bills / presentation to drawee / remittance of proceeds / credit to beneficiary account. To the extent delay is caused by the payee bank, lodger bank may claim interest from the counterpart.

10.1 **Delayed credit/refund of NEFT transactions**

10.1.1 In case of delay in crediting the beneficiary customer's account or returning the un-credited amount to the remitter, the bank shall 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.

10.1.2 Such payment of penal interest at the stipulated rate should be suo-moto from Bank's side without waiting for claim from the customers.

10.1.3 The payment of penal interest to the affected customer shall be from the

date of transaction, not from the value date of credit in the customer's account.

10.1.4 Such Interest shall be paid without any demand from the customer.

10.1.5 In respect of wrong RTGS /NEFT credit to the account-If the money is still in the customer's account, it may be put on hold by the Bank. If the money is withdrawn by the customer, it is not responsibility of the Bank.

12.1 Cheques/Instruments/Drafts Lost in Transit/In Clearing Process /At Paying Bank Branch:

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 be as under:

- 12.1.1** In the event of a cheque/ instrument accepted for collection lost in transit the clearing process or at the paying bank branch, the bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder. This will enable the account holder to inform the drawer of instrument to stop payment at Drawee Branch 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.
- 12.1.2** The branch shall extend all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- 12.1.3** In case of instruments lost / misplaced since claimed to have been deposited in the "drop box" and customer doesn't have the receipt, bank will not be in position to decide the compensation. In such cases, the customer will have to submit a claim for the lost instrument with details including confirmation / enquiry from the drawer of the cheque/ drawee bank about the genuineness of the claim.
- 12.1.4** In such cases and in case of 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.
- 12.1.5** In addition, Bank will pay interest on the amount of cheque for a further period of 15 days at Saving Bank rate for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- 12.1.6** 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 obtained from a bank/institution who would charge a fee for issue of duplicate instrument.
- 12.1.7** The Bank would bear/reimburse to the customer such other charges incurred for marking stop payment instructions, only on production of proof of levying of such charges by the Drawer's Bank.
- 12.1.8** If the cheque/instrument is lost after it is purchased/discounted by the bank as per any prior arrangement or otherwise, the bank will immediately on coming to know about the loss, reverse the credit given to the customer's account under intimation to the customer and from the date of such intimation, it will be treated that the instrument is on collection basis and the customer will be compensated as above.

- 12.1.9 The customer is expected to extend necessary co-operation to the bank wherever required in the matter.
- 12.1.10 The Bank's policy for treatment of Cheques/instruments lost after it is purchased /discounted would be adequately made clear to the customer at the time of entering into the arrangement for purchasing/discounting of cheque or at the time of conceding the specific request of the customer for purchase of a particular cheque.
- 12.1.11 Duplicate drafts/Banker's Cheques will be issued within a fortnight on receipt of written request from the purchaser. For delay beyond the period, interest @ rate applicable to time deposit for the corresponding period to be compensated.

13.1 Other areas of deficiencies in service

1. Where loan has been allowed against Bank's own Fixed Deposit Receipt. and the Branch, after maturity of the FD do not adjust the loan account thereby interest is charged on the loan outstanding, excess interest charged thereof in the loan account will be refunded to the customer.
2. Where Bank after adjustment of the loan amount do not remit/credit the remaining amount of FD to the customer's account but keeps balance in sundry creditors account. Bank will compensate to the customer, the interest as payable for the amount kept in the sundry creditor's account at savings bank interest rate, if and only if the customer has not been duly informed.
3. Where loan has been -allowed against NSCs, KVPs, LIC policy and the Branch, after maturity of the instruments do not collect the proceeds of the instruments in question-from the Concerned Post. Offices/ LIC offices thereby. charging of interest in the loan account is continued, excess interest so charged in.-the loan account will be refunded to the customer.

14.1 Lender's Liability – Commitment to Borrowers (Loss of Title Deeds)

- 14.1.1 In case of loans against mortgage of property/property taken as collateral security, the original Title Deeds should be returned to the customer within a period of 15 days from date of loan closure. Delay in return of Title Deeds and/ or where there is a case of loss of Title Deed from the custody of the Bank, the customer must be adequately compensated. The compensation payable to the Borrowal party beyond 15 days from the date of loan closure may be pegged at Rs.100/- per day (maximum Rs.5000/-).
- 14.1.2 Such compensation is in addition to the expenses incurred for obtaining a certified duplicate copy of the original Title Deed from the Office of Sub-Registrar. Bank will issue a public notice/advertisement in local newspaper about the loss of the original Title Deed, the cost of which will be borne by the Bank. In case of any genuine reason if the Title documents cannot be delivered to the party, the matter should be escalated to the next higher authority i.e. Regional Manager.
- 14.1.3 The payment of compensation will be approved by the authority as per the delegation of power.

15.1 Violation of Code by Bank’s Agent.

15.1. In the event of receipt of any complaint from the customer that Bank’s representative /courier/Direct Selling Agent (DSA) has engaged in any improper conduct or acted in violation of the Code of Bank’s Commitment to Customer which the bank has adopted voluntarily, the bank shall take appropriate steps to investigate the matter and endeavour to communicate the findings to the customer within seven working days from the date of receipt of complaint and wherever justified compensate the customer for financial losses. Such compensation will be restricted to reimbursement of actual expenses.

16.1 Force Majeure:

16.1.1 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/other labour disturbances accident, fires, natural disasters or other “Acts of God” war, damage to bank’s facilities or of its correspondent bank(s), absence of all types of usual modes of transportation, etc.) beyond the control of the bank prevents it from performing its obligation within the specified service delivery parameters.

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.

Non-Lending Powers relating to Payment of Compensation:

In terms of the provisions of the cheque collection policy and compensation policy, customers are to be compensated for any financial loss they may incur due to deficiency in service on the part of the Bank or any action of omission or commission directly attributed to the Bank- e.g. delay in collection of Cheques, loss of instruments in transit, payment of cheque after receipt of stop payment instructions etc.

As a part of grievances redressal mechanism and to speed up the disposal of complaints,

The non-lending powers proposed and recommended are as under:

<u>Delegates</u>	<u>Proposed Powers (Amount in Rs.)</u>
<u>Regional Managers</u>	<u>2500/- per case</u>
<u>General Managers</u>	<u>10000/-per case</u>
<u>Chairman</u>	<u>Full</u>

- The branches should promptly seek sanction from Regional Manager other competent authorities by providing complete detail of the individual cases.
- The controlling authorities at different levels shall ensure prompt disposal of such claims for compensation.

- Staff accountability, needles to state, should be examined and in case any staff member is found negligent resulting in the payment of compensation, the same should be recovered from the concerned staff member.
- The compensation paid during a calendar month should be reported to Controlling Office.

To be submitted by	To whom	Latest by
Branches	Regional Office	1 st week of the succeeding month
Regional Office (Consolidated statement in the prescribed format)	<u>P & D Department at Head office</u>	15 th of the succeeding month.

- Regional Offices shall submit a consolidated monthly statement both branch wise and account wise by 15th of succeeding month to Head Office, P & D Dept. with details of payment made.

(Compensation Policy is approved by the Honourable Board of Directors in their 29th Board meeting held on 16.08.2017)
