



## भारतीय रिजर्व बैंक

RESERVE BANK OF INDIA

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### Banking Ombudsman Conference: Ten Action Points to improve Customer Service of Banks

1. Indian Banks' Association (IBA) will standardise most important terms and conditions (MITC) for at least ten important banking transactions and circulate among banks for adaptation.
2. Banks would initiate the process of providing one view of all bank accounts of a customer including deposits, loans, etc., with the help of available technology, such as, core banking solution. Banks would be complete the process within one year.
3. Banks would convey to the Reserve Bank, a consensus view on the recommendations of the Damodaran Committee Report on Customer Service in Banks that could be immediately implemented.
4. To create awareness about the Banking Ombudsman Scheme, the Banking Ombudsmen will annually share with local media, information regarding complaints received and resolved, including important cases and awards given.
5. A series of town-hall events will be organised by banks to generate awareness about customer service in banks. Bank customers, bank officials and Banking Ombudsmen will participate in these events.
6. The Reserve Bank/IBA would examine the issues pertaining to monetary compensation for mental harassment suffered by bank customers. Issues that may receive attention in the analysis would be:
  - Whether only actual loss should be considered for compensation
  - Whether mental harassment issues can be codified for compensation and whether compensation should be capped
  - Whether the policies of the banks' boards on compensation should include mental harassment as a ground for compensation
7. Banks should issue tax deduction at source (TDS) certificates duly completed in all respects to the account holders and despatch it to their mailing address.
8. In case of ATM/Internet based banking transactions, in the event of any monetary dispute involving the customer and the bank, the onus should be on the bank to prove the customer's negligence or mistake. Customer must be compensated for the losses arising out of customers' non-authorised transactions.
9. Banks' should initiate steps to incorporate in their code of 'Fair Practices to the Customers' the following items -
  - Insurance of some reasonable amount on their customers' credit and debit card transactions
  - Providing periodical loan statements to small borrowers
  - Borrowers should be conveyed information on the annualised all-in cost (Annual Effective Rate) on their loan accounts.

10. Banks must not recover pre-payment charges in floating rate loans. Banks may also offer long-term fixed rate housing loans to their customers and address their asset liability mismatch (ALM) issues by recourse to the Interest Rate Swaps (IRS) market. Floating rate loans pass on the interest rate risk from banks which are much better placed to manage it to borrowers and, thus, banks only substitute interest rate risk with potential credit risk. The bank will, however, be free to recover / charge appropriate pre-payment penalties in the case of fixed rate loans.

These decisions were taken at the Annual Conference of Banking Ombudsmen held in the Reserve Bank of India, Mumbai on September 5, 2011. The Conference was inaugurated by Dr. D Subbarao, Governor, Reserve Bank of India. In his inaugural remarks, he stated that, often, prevention was better than cure. In customer service area too, rendering good customer service was like 'prevention' and was better than the 'cure' which was the various grievances redressal mechanisms. He flagged various issues relating to banks' customer service for the consideration of the participants. He asked whether customer service was a criterion in evaluating the performance of a branch level official or did levying of penalty on a bank reflected in any manner on the staff which caused the levy of penalty; do all banks have customer grievances redressal officer and at what level; were the most important terms and conditions (MITC) explained to the bank customers before they signed the documents; and whether the deviation from most important terms and conditions of a banking product transparent. He urged bankers to identify ten action points to further improve their customer service.

Dr. K.C. Chakrabarty, Deputy Governor, chaired the Conference. All fifteen Banking Ombudsmen, Shri M.D. Mallya, Chairman, Indian Banks' Association and Chairman and Managing Director, Bank of Baroda, Shri Pratip Chaudhuri, Chairman, State Bank of India, Dr. K. Ramakrishnan, Chief Executive Officer, Indian Banks' Association, Smt. K.J. Udeshi, Chairperson and Shri N. Raja, Chief Executive Officer, Banking Codes and Standards Board of India (BCSBI) and senior officials of the Reserve Bank of India participated in the Conference. Shri V.K. Sharma, Executive Director, welcomed the participants and Shri Rajesh Verma, Chief General Manager in charge of Customer Service Department proposed a vote of thanks.

### **Background**

The Reserve Bank notified the Banking Ombudsman Scheme in 1995. The Scheme provides for a system of quick and inexpensive redressal of customer grievances against banks. The Banking Ombudsman Scheme covers a wide range of complaints concerning deficiency in banking service. The Scheme also allows appeals from complainants and banks in respect of decisions made by the Banking Ombudsman. The Scheme was revised twice - in 2002 and 2006 to expand its scope and coverage. The Scheme, as last amended in 2009, includes complaints for deficiencies arising out of internet banking, non-adherence to the provisions of the Fair Practices Code for lenders or the Code of Bank's Commitment to Customers issued by the Banking Codes and Standards Board of India (BCSBI) and non-observance of the Reserve Bank guidelines on engagement of recovery agents by banks. In addition, the Reserve Bank has also simplified the format for lodging complaint to the Banking Ombudsman.

The Reserve Bank organises a conference of all the Banking Ombudsmen every year. Senior officials from the Banking Codes and Standards Board of India, Indian Banks' Association, Credit Information Bureau of India Limited (CIBIL) and some leading banks are also invited to the Conference for meaningful interaction. Various issues relating to customer service and regulatory measures for improving customer service in the banking sector are discussed in the conference.

**Alpana Killawala**  
Chief General Manager