



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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Annual Conference of Banking Ombudsmen 2014

The Annual Banking Ombudsmen Conference was held at the Reserve Bank of India, Mumbai on January 30, 2014 and was inaugurated by Dr. Raghuram G. Rajan, Governor, Reserve Bank of India. The Governor delivered the keynote address and expressed that customer protection is at the core of the central Banks' concerns. He released the [Annual Report of the Banking Ombudsman Scheme for year 2012-2013](#). The Annual Report contains the highlights of the performance of 15 Offices of Banking Ombudsmen across the country and is available on the RBI website: www.rbi.org.in

All fifteen Banking Ombudsmen, CMDs/CEOs of major public/ private sector banks, representatives of major foreign banks, Chief Executive of Indian Banks' Association, Chairman of BCSBI, MD & CEO of NPCI, MD of CIBIL, Member SEBI, Director, CAFRAL attended. Dr. K.C. Chakrabarty chaired the conference, addressed the Banking Ombudsmen and also held structured interactions with those present.

Dr. Nachiket Mor, Director, Central Board of RBI, a Guest Speaker discussed the idea of suitability of products and services and other recommendations of the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households chaired by him. Ms Monika Halan, Editor Livemint, another Guest Speaker, spoke on the need for protecting the rights of small and vulnerable customers.

Action Points for Improving Customer Protection

1. Banks and IBA to work together on rolling out a wide impact media campaign for improving financial literacy, creating awareness of products and commitment of banks to Fair Practices Codes. The Depositors' Education and Awareness Fund and banks' own advertisement budget may be used for the purpose.
2. IBA may issue instructions at the earliest to banks to discontinue levy of pre-payment penalty on **all** floating rate loans and ensure that fixed rate loans are truly fixed and are not referenced to any floating rate benchmark.
3. Banks may discontinue the practice of levying penalty for non-maintenance of minimum balance in ordinary savings bank accounts and instead consider converting such accounts to Basic Savings Bank Deposit accounts. IBA/RBI may issue the necessary operational instructions to banks in this regard.

4. Interest rates charged on credit card overdue were inordinately high and out of alignment with other products with similar risk profiles. There should be reasonableness of such charges. Banks to revisit the charges levied to ensure reasonableness, fairness and transparency in pricing. IBA to issue detailed operational guidelines to banks in this regard.
5. Banks and IBA to formulate policy on **zero liability** of customer in electronic banking transactions, where the bank is unable to establish customer level negligence. The onus of proving customer level negligence would be on the bank and when such negligence is not established beyond doubt, the benefit of such doubt may be given to the customer. IBA and banks should strive to put in place policies, systems and processes to secure electronic banking systems, protect customer's interest to bring it 'at par' with traditional delivery channels.
6. Banks and IBA to revisit the 'reasonableness' of the proposed levy of charge for transactions done by customers at banks' own ATMs.

Background

The Reserve Bank notified the Banking Ombudsman Scheme in 1995. The Scheme provides for a system of quick and inexpensive redress 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 Deputy Governor is the appellate authority under the Scheme. 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/directions.

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