



Banking Codes and
Standards Board of India
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CUSTOMER MATTERS

Vol. 5 Issue : 3

March – May 2014

BCSBI News

Since the last issue of 'Customer Matters', two Regional Rural Banks viz., Marudhara Gramin Bank and Mewar Aanchalik Gramin Bank have merged in April 2014 and become Rajasthan Marudhara Gramin Bank. With this the total number of member banks of Banking Codes and Standards Board of India (BCSBI) stands at 126.

Awareness Activities \ Programmes \ Customer Meets

BCSBI continued its efforts to increase awareness of customers and bank officials about the Codes and Standards developed by it and adopted by member banks. Officials of BCSBI participated in Awareness Programmes organized by Banks, Rural Planning and Credit Department of RBI and Banking Ombudsmen in some centres and addressed the gathering of the customers. A brief account of the above is given below.

The Chief Executive Officer, BCSBI Shri N. Raja participated in the Customer Awareness Meet organized by Syndicate Bank at Bengaluru on April 25, 2014. Shri Raja in his address highlighted important customer rights contained in the Codes which was then followed by fruitful exchanges of questions and answers.

Senior officials of BCSBI participated in the Awareness Programmes organized by Banking Ombudsman for Tamilnadu, at Thirunelveli on March 3, 2014 and by Banking Ombudsman for Karnataka, at Holalkere (Davangere Dist.) and at Davangere on April 3 and 4, 2014 respectively. More than 200 customers were present at each of these Programmes when the salient features of the Codes were highlighted.

BCSBI organized a "Customer Meet" at Coimbatore on May 26, 2014 to increase awareness of the customers about the bank's commitment as contained in the Codes. The Meet was

addressed by the Chairman and the Chief Executive Officer of BCSBI, Banking Ombudsman for Tamil Nadu and other senior bankers. A large number of customers of various banks having major presence in Coimbatore participated.

At the invitation of the Rural Planning and Credit Department of Reserve Bank of India, officials of BCSBI participated in two Awareness Programmes for Micro and Small Enterprises (Town Hall Meetings) organized by RBI at Jalna and Pune on March 6 and 20, 2014 respectively. These Town Hall Meetings were chaired by the Regional Director, RBI. Senior Bankers and District Industries Centre officials also participated in the Meets which were attended by over 400 customers. The interactions with customers were meaningful and fruitful.



Kum. N. M. Shah, Sr. VP of BCSBI participated in an Awareness Programme organized by Reserve Bank of India at Pune.

BCSBI provided faculty support to the Indian Institute of Bank Management, Guwahati in their Seminar held on April 22, 2014. Topics such as Right to Information, Banking Ombudsman Scheme and Codes formulated by BCSBI were covered during the Seminar.

PCCOs' Meet

The annual conference of Principal Code Compliance Officers representing all member banks of BCSBI was held on 20th May 2014 at Mumbai. Dr.(Smt.) Deepali Pant Joshi, Executive Director, Reserve Bank of India, delivered the inaugural address and interacted with the participants. She stressed that consumer confidence and trust in a well functioning market for financial services promotes financial stability, growth, efficiency and innovation over the long term. Financial consumer protection, when reinforced with financial inclusion and financial literacy, will lead to enhanced financial stability. From the present consumer protection principle of 'Caveat Emptor' (let the buyer beware), we have to move to the principle 'Caveat Venditor' (let the seller beware). This forces the seller to take responsibility for the product and discourages sellers from purveying products of inferior quality. The principle



Shri A. C. Mahajan, Chairman, BCSBI is seen addressing the Customer Meet organized by BCSBI at Coimbatore.



Dr. (Smt.) Deepali Pant Joshi, Executive Director, RBI speaking at the Annual Conference of Principal Code Compliance Officers. Others on the dais are (from left) Shri N. Raja, CEO, BCSBI; Shri A. C. Mahajan, Chairman, BCSBI; Smt. Rama Bijapurkar, Member, Governing Council; and Shri D. G. Kale, GM, RBI.

vests the burden of proving that the shortcoming, deficiency of service was absent on the seller of the product.

Shri A. C. Mahajan, Chairman, BCSBI, Shri N. Raja, CEO, BCSBI, Smt. Rama Bijapurkar, Member, Governing Council and Shri D. G. Kale, GM, CSD, RBI also addressed the participants.



A cross section of the audience at the PCCOs' Meet.

ELECTRONIC BANKING

Electronic banking (e banking) started in the early 1980s but it really took off with the arrival of internet and internet-related services when banks offered their customers access to their accounts online. Monitor, transact and control your bank account online seem to be the mantra of modern banking which is fast becoming popular. The educated middle class with upwardly mobile aspirations use credit/ debit cards, are comfortable with online banking and are taking to e-commerce platforms for buying a variety of goods.

Electronic banking generally refers to the provision of banking products and services through electronic channels such as the PC, through landline and mobile phone connection or through ATMs. To access a bank's online facility, a customer with internet access would need to register with the bank for the service and set up a user id and password.

Through online banking, a customer can perform a variety of transactions like fund transfers, making utility bill payments, creation of fixed deposits, ordering cheque books, drafts, setting up standing instructions, viewing account balances or transactions, etc. as also making loan applications and credit card applications.

Although e banking affords a host of advantages, it is not without its attendant risks to the customers. The **Code of**

Bank's Commitment to Customers contains provisions as well as some do's and don'ts for customers to carry out transactions in a secure environment. Here's a brief summary:

PINs and Passwords

- The banks are committed to conform to internationally accepted standards for methods of generation, storage and terminal security relating to PINs and Passwords to ensure their confidentiality and security for customer protection.
- The customers must safeguard their PIN and Password

Safety measures to be followed by customers

Not:

- allow anyone else to use the card, PIN, password or other security information.
- write down or record PIN, password or other security information.
- store password in mobile / browser.
- give account details, password / PIN or other security information to anyone, including those who claim to be authorised representatives of the bank.
- fall prey to fictitious offers / lottery winnings / remittance of cheap funds in foreign currency from abroad

Always:

- memorize PIN, password and other security information and destroy the written communication, if any, received.
- choose new PIN carefully, if current PIN is changed.
- take reasonable steps to keep the card safe in personal custody as also PIN, password and other security information secret at all times.
- take care to ensure that no-one sees while entering PIN when card is used at ATMs or at Points of Sale (POS) counters.
- notify the bank for immediate preventive measures, in case someone else knows the PIN or other security information.

In addition to the above, banks are committed to – in the case of :

Internet Banking

- Take all necessary steps to put in place security systems to enable safe access to and transacting through internet banking.
- Take appropriate measures to ensure that their Internet Banking system and technology are secure and are regularly reviewed and updated for this purpose.
- Undertake various initiatives to educate the customers on online security
- Inform the customers of what procedures they must use to report unauthorized access to their information,

accounts or disputed transactions using Internet Banking service and make available to them contact particulars for quick reporting of unauthorised activity.

- Not hold the customers liable for losses caused by transactions before their access to Internet Banking facility is activated / made operational.
- Reimburse/ compensate the customers for any loss caused or contributed due to a security breach of the Internet Banking system as a result of negligence of the bank.

Mobile Banking

- Take appropriate measures to ensure that their mobile applications are secure and regularly reviewed and updated for this purpose.
- Inform the customers prior to their registration
 - i. security procedure adopted for user authentication;
 - ii. applicability or otherwise of stop payment instructions and the terms and conditions for the acceptance, if any, for the same.

ATM / Debit and Credit Cards

- Offer their customers an ATM / Debit Card if it is normally issued with the type of account they have opted for.
- Send a service guide/member booklet giving detailed terms and conditions and other relevant information with respect to usage of the card along with the first card.
- Advise customers of the current transaction limits that apply at POS counters and ATMs
- Advise customers of the fees and charges that apply to the card.
- Provide 'Online Alerts' to customers for all card transactions, irrespective of the amount.

Credit Card

- Explain to the customers the relevant terms and conditions such as fees, interest and other charges, billing and payment, method of computation of overdues, financial implications of paying only 'the minimum amount due', renewal and termination procedures and any other related information
- Give the customers a copy of the Most Important Terms and Conditions (MITC) at the time of application.
- Issue a deactivated (not ready to use) credit card if the customer's profile is considered appropriate for issuing credit card and such deactivated card will become active only after the customer conveys his / her acceptance of the card.
- Extend a loan / credit facility or enhance the credit limit on the card only with the customer's consent in writing.
- Issue an add-on card(s) to the person(s) nominated by the customer.

- Inform the customer if the limit on the credit card is proposed to be reduced.
- Ensure to comply with customer's request for cancellation and confirm cancellation / closure of the credit card within 7 working days of the request being received in writing or through an e-mail Id registered with the bank.

Customers should also ensure to:

- Avoid accessing internet through a link from another site
- Ignore any email asking for password or PIN
- Log off when net banking session is complete
- Not to leave the mobile which is logged on to banking unattended
- Notify the bank if the mobile is lost or the card has been stolen or lost or someone else knows the PIN, password or other security information
- Inform the bank if the mobile number or email id is changed

EXEMPLARY CASES

- * A customer complained against his bank for not charging the rate of interest as per the terms of sanction letter. The bank's contention was that the sanction letter contained a clause which allowed it to alter/ amend/ vary terms of sanction including the rate of interest. Accordingly, the bank changed the spread from time to time and the rate of interest was charged accordingly.

On examination, the action of the bank to change the rate of interest arbitrarily under the plea that the sanction letter permitted such change in terms of sanction including the rate of interest was found by the Banking Ombudsman to be against the spirit of fairness and transparency in terms of extant RBI guidelines and also the BCSBI Code to which the bank was committed to as a member. An award was issued against the bank as its action was considered an unfair practice and a deficiency of service on its part. [Source: Annual Report 2012-13, BO, Mumbai]

- * A customer tried to withdraw ₹20,000/- using ATM card. He could get only ₹14,500/- while rest of the amount was retracted. But his account with the bank was debited for ₹20,000/- On being referred to the Banking Ombudsman, the required documentary evidence was called for from the bank.

All the reports submitted by the bank showed the disputed transaction as successful and no cash was found excess on that particular date. However, it was observed that there was unusually high number of notes in divert tray reflected in Cash Balancing Sheet. Further, the retraction facility was not disabled on the date of disputed transaction on that particular ATM. The bank failed to provide details of notes in divert tray and was thus advised to pay the short dispensed money of ₹5,500/- to the complainant. [Source: Annual Report 2012-13, BO, Mumbai]

- * A customer alleged that an amount of ₹1,01,076/- was fraudulently withdrawn from his account through net

banking involving 16 transactions aggregating ₹1,01,076/- He did not receive any SMS alert for any of these transactions.

On the basis of the customer's complaint to the bank his account was frozen and a complaint was lodged with the Police authorities. In the conciliation meeting, the bank admitted that they had not investigated the matter as they believed that unless the customer compromised the password, such transactions could not take place.

The customer approached the Banking Ombudsman (BO) who observed that it was surprising that the bank had not investigated the matter for more than a year and further for more than three months after the complaint was lodged with the BO. He ordered that the entire amount of disputed transaction be reversed within seven days after taking an indemnity bond. As the bank did not comply, an award was passed.

The bank went in an appeal against BO's order. The Appellate Authority upheld BO's decision and stated that the bank failed in fulfilling its primary responsibility of protecting the interest of the customer as it could not secure its internet banking platform from the existing and evolving threats. The matter being under police investigation should not be a reason to let the customer be deprived of his rightful money. [Source: Annual Report 2012-13, BO, Mumbai]

DID YOU KNOW?

The Depositor Education and Awareness Fund Scheme

The Reserve Bank of India has been empowered under section 26A of the Banking Regulation Act, 1949 to establish The Depositor Education and Awareness Fund (the Fund). Under the provisions of this section the amount to the credit of any account in India with any bank which has not been operated upon for a period of ten years or any deposit or any amount remaining unclaimed for more than ten years shall be credited to the Fund, within a period of three months from the expiry of the said period of ten years.

The Fund shall be utilized for promotion of depositors' interests and for such other purposes which may be necessary for the promotion of depositors' interests as specified by RBI from time to time.

The depositor would, however, be entitled to claim from the bank his/ her deposit or any other unclaimed amount or operate his/ her account after the expiry of ten years, even after such amount has been transferred to the Fund. The bank would be liable to pay the amount to the depositor/ claimant and claim refund of such amount from the Fund.

Opening of Bank Accounts in the Names of Minors

With a view to promote the objective of financial inclusion and also to bring uniformity among banks in opening and operating

minors' accounts, banks have been advised as under:

- A savings/ fixed/ recurring bank deposit can be opened by a minor of any age through his/ her natural or legally appointed guardian.
- Minors above the age of 10 years may be allowed to open and operate savings bank accounts independently, if they so desire. Banks may, however, keeping in view their risk management systems, fix limits in terms of age and amount up to which minors may be allowed to operate the deposit accounts independently. They can also decide, in their own discretion, as to what minimum documents are required for opening of accounts by minors.
- Banks are free to offer additional banking facilities like internet banking, ATM/ debit card, cheque book facility etc., subject to the safeguards that minor accounts are not allowed to be overdrawn and that these always remain in credit.

Levy of Penal Charges

In keeping with the standard of customer protection, banks were advised to inform customers regarding the requirement of minimum balance in savings bank account and levy of penal charges for non-maintenance of the same at the time of opening the account in a transparent manner.

Banks have now been advised not to levy penal charges for non-maintenance of minimum balances in any inoperative account.

Levy of foreclosure charges

As a measure of consumer protection, banks have been advised not to levy foreclosure charges/ pre-payment penalties in all floating rate term loans sanctioned to individual borrowers.

Would you like to share any information/experience connected with customer service? If so, please feel free to write to us at C-7, RBI Building, Bandra-Kurla Complex, Mumbai-400051 or mail us at ceo.bcsbi@rbi.org.in

Form IV

Place of Publication	Mumbai
Periodicity of Publication	Quarterly
Editor, Publisher and Printer's Name, Nationality and Address	Shri P. K.Agrawal, Indian, Banking Codes and Standards Board of India, C-7,RBI Building, Bandra Kurla Complex, Mumbai- 400 051
Names and addresses of individuals who own the newspaper	Banking Codes and Standards Board of India, C-7,RBI Building, Bandra Kurla Complex, Mumbai- 400 051

I, Shri P.K. Agrawal, hereby declare that the particulars given above are true to the best of my knowledge and belief.

Sd/
P.K. Agrawal
Signature of the Publisher

Date: March 15, 2014

On behalf of the Banking Codes and Standards Board of India edited, printed & published by P. K. Agrawal. Printed at Alco Corporation, 'A' Wing, Gala No.28, Ground Floor, Virwani Industrial Estate, Vishweshwar Nagar Road, Goregaon (E), Mumbai 400 063 and published at Banking Codes and Standards Board of India, C-7, Reserve Bank of India Building, Bandra Kurla Complex, Mumbai 400 051.