

CUSTOMER SERVICE IN BANKS

GUIDELINES

Banks are required to constitute a Customer Service Committee of the Board and include experts and representatives of customers as invitees. The role of the Committee includes:

- formulation of a Comprehensive Deposit Policy
- issues such as the treatment of death of a depositor for operations of his account
- product approval process with a view to suitability and appropriateness
- annual survey of depositor satisfaction
- tri-ennial audit of such services,
- Examination/review of the Awards being issued by Banking Ombudsman in respect of complaints relating to provision of banking services and address issues of systemic deficiencies existing in banks brought out by the Awards.

Banks are also required to set up Standing Committee to review the practice and procedures prevalent in the bank and take necessary corrective action on an ongoing basis. The committee would act as a bridge between the various departments of the bank and the Board / Customer Service Committee of the Board.

Banks are further required to establish Customer Service Committee at branch level to encourage a formal channel of communication between the customers and the bank at the branch level. Besides these, each bank is expected to have a nodal department/official for customer service at H.O. and each Controlling Office with whom customers with grievances can approach at first instance and with whom the Banking Ombudsman and RBI can liaise.

Policies

Along with profit, growth, and fulfilment of social obligations, customer service is treated as priority objective of banks. Accordingly, banks are required to have in place Board approved policies in respect of:-

- a) Comprehensive Deposit Policy - covering rights of the depositors in general and small depositors in particular and aspects of operation of deposit accounts, charges, and other related issues.
- b) Cheque collection policy – covering aspects viz. (i) immediate credit for local/outstation cheques, (ii) Timeframe for collection of local/outstation instruments, and (iii) Interest payment for delayed collection (Policy dealt separately).
- c) Customer Compensation Policy – covering (i) Erroneous Debits arising on fraudulent or other transactions, (ii) Payment of interest for Delays in collection, (iii)

Payment of interest for delay in issue of duplicate draft, and (iv) Other unauthorised actions of the bank leading to a financial loss to customer.

- d) Customer Grievance Redressal Policy - To be framed based on the broad principles (dealt separately)

Banks should give adequate publicity of the policies by placing them prominently in their Websites and also the notice boards of the branches.

Financial Inclusion– Role of Banks

- a) “Basic Savings Bank Deposit Account”

Banks have been advised by RBI to offer “Basic Savings Bank Deposit Account” which will offer the minimum common facilities as under:-

- The account should be considered as a normal banking service available to all;
- No requirement of **minimum** balance;
- Facilitate deposit and withdrawal of cash at bank branch as well as ATMs;
- Receipt/credit of money through electronic payment channels or by means of cheques/ collection of cheques drawn by Central/State Government Agencies and departments;
- Account holders are permitted a maximum of **four** withdrawals in a month including ATM withdrawals;
- Facility of ATM card or ATM-cum Debit Card
- Facilities are **free of charge** and no charge would be levied for non-operation/activation of in-operative ‘Basic Savings Bank Deposit Account’;
- Holders of ‘Basic Savings Bank Deposit Account’ are **not** eligible for opening of any other savings bank accounts and existing such accounts should be closed down within a period of 30 days from the date of opening of ‘Basic Savings Bank Deposit Account’.
- Existing ‘no frills’ accounts can be converted to ‘Basic Savings Bank Deposit Account’
- The account would be subject to RBI instructions on Know Your Customer (KYC) / Anti-Money Laundering (AML) for opening of bank accounts issued from time to time.

In case the BSBDA is opened on the basis of simplified KYC norms, the account would additionally be treated as “Small Account” and further subject to the conditions applicable thereof.

- b) I.T. enables Financial Inclusion

Banks are required to increase their banking outreach to the remote corners of the country with affordable infrastructure and technology so as to lower the transaction costs to make small ticket transactions viable. Care should be taken to ensure that the solutions developed are highly secure, amenable to audit, and follow widely accepted open standards to allow inter-operability among different systems adopted by different banks.

c) Printed material in trilingual form

Banks are required to make available all printed material used by retail customers including account opening forms, pay-in-slips, pass books, etc. in trilingual form i.e. English, Hindi, and concerned Regional Language.

d) Intra-bank deposit account portability

KYC once done by one branch of the bank is valid for transfer of the account within the bank. Accordingly, customer is allowed to transfer his/her account from one branch to another branch without insisting on fresh proof of address and on the basis of a self-declaration from the account holder about his / her current address, subject to submitting proof of address within a period of **six** months.

Opening/operation of Deposit Accounts

Banks are required to comply with the guidelines on KYC/AML for opening of accounts.

a) **Savings bank rules**

- The Savings Bank Rules must be made available to account holders while opening the accounts.
- Photographs of all depositors/account holders whether resident or non-resident should be obtained in respect of all types of deposit accounts including fixed, recurring, cumulative, etc. except:-
 - i) Banks, Local Authorities and Govt. Departments (excl. public sector undertakings or quasi Government bodies);
 - ii) Accounts of Staff members (single/joint)
- Banks should obtain photographs of all persons authorised to operate the accounts viz. Savings Bank and Current Accounts **without** exception.
- Banks may obtain two copies of photographs and obtaining photocopies of driving licence/passport containing photographs in place of photographs **would not** suffice.
- Banks need not insist for the presence of account holder for making cash withdrawal of 'self' or bearer cheques unless circumstance so warrants.
- Photographs cannot be a substitute for specimen signatures.
- Only one set of photographs need be obtained and separate photographs need not be obtained for each category of deposit.
- Photographs of the 'Pardanishin' women **need to be** obtained

- For additional accounts, fresh photographs need not be insisted upon.
- While opening the accounts, the account holders should be informed in transparent manner the requirement of minimum balance and other charges, etc. Revision in charges also needs to be advised from to time.
- Banks may purchase cheques, drafts, etc. deposited in the account for clearing in case of suspension of clearing operations temporarily or apprehension of prolonging the suspension. This facility is extended to customers upon examining the credit worthiness, integrity, past dealing, occupation, etc. so as to guard themselves from the possibilities of such instrument being dishonored subsequently.
- Savings Bank Pass Books must be provided invariably to all customers. In case of account statement, the same should be mailed to the customers regularly. These facilities should be provided at Bank's cost. Updating the pass book periodically should also be arranged by the banks.
- Banks may avoid the usage of inscrutable entries in pass books/statement of account and ensure that brief, intelligible particulars are invariably entered in pass books / statement of account with a view to avoiding inconvenience to depositors.
- Banks are required to ensure that full address / telephone number of the branch is invariably mentioned in the Pass Books / Statement of Accounts issued to account holders.
- All cheque forms should be printed in Hindi and English irrespective of the language the customer uses including regional language.
- Cheque books are to be delivered over the counters on request to the depositors or his authorized representative.
- Cheques bearing date in Hindi as per the National Calendar (Saka Samvat) can be accepted by banks for payment, if otherwise in order. Banks can, however, ascertain the Gregorian calendar date corresponding to the National Saka calendar in order to avoid payment of stale cheques.
- Banks are required to make available the Magnetic Ink Character Recognition (MICR) code and Indian Financial System Code (IFSC), besides cheque leaf, in all passbook/ statement of account holders.
- All CBS enabled banks are required to issue only "payable at par" / "multi-city" CTS 2010 Standard cheques to all eligible customers **without extra** charges.

b) **Term Deposit Account**

- Banks are required to issue term deposit receipt indicating therein full details, such as, date of issue, period of deposit, due date, applicable rate of interest, etc.

■ Term Deposit Receipts can be freely transferable from one office of bank to another.

■ Advance instructions from depositors for disposal of deposits on maturity may be obtained in the application form itself. Wherever such instructions are not obtained, banks should ensure sending of intimation of impending due date of maturity well in advance to their depositors. Change in rate of interest should be advised well in advance to the customers.

■ Deposits repayable in less than three months or where the terminal quarter is incomplete, interest should be paid proportionately for the actual number of days reckoning the year at 365 days or 366 days in case of leap year.

■ Banks may allow premature withdrawal of Term Deposits at the request of the depositor and interest on the deposit for the period that it has remained with the bank will be paid at the rate applicable. Banks have the freedom to fix penal interest on such withdrawal. No interest need be paid where premature withdrawal takes place before completion of the minimum period prescribed.

■ Banks will have the discretion to disallow premature withdrawal of bulk term deposits of Rs. 1 crore and above of all depositors including deposits of individuals and HUFs. Banks should, however, notify such depositors of its policy of disallowing premature withdrawal in advance i.e. at the time of accepting such deposits (w.e.f. 01.04.2013).

■ Bank should not insist for signatures of both the depositors in respect of Fixed/term deposit accounts opened with operating instructions 'Either or Survivor' on maturity.

■ In case the mandate is "Former or Survivor", the former can operate/withdraw the matured amount when both are alive. However, the signatures of both the depositors are required in case of payment before maturity. If the former expires before the maturity of the fixed/term deposit, the 'Survivor' can withdraw the deposit on maturity.

■ In other words, in case of term deposits with "Either or Survivor" or "Former or Survivor" mandate, banks are permitted to allow premature withdrawal of the deposit by the surviving joint depositor on the death of the other, **only if**, there is a joint mandate from the joint depositors to this effect. The joint deposit holders are permitted to give the mandate either at the time of placing fixed deposit or anytime subsequently during the term / tenure of the deposit.

■ Bank can permit addition/deletion of name/s of joint account holders. However, the period and aggregate amount of the deposit should not undergo any change. Banks may also allow splitting of joint deposit, in the name of each of the joint account holders provided that the period and the aggregate amount of the deposit do not undergo any change.

■ Banks may renew the frozen accounts upon obtaining suitable request letter for renewal. No renewal receipt be issued but suitable noting may be done in the deposit

account. Renewal of the deposit may be advised to the concerned Enforcement Authority by registered post/Speed Post/Courier. Overdue interest may be paid as per the policy adopted by the banks.

- No tax should be deducted in case the depositors submit form 15-G/15-H under Income Tax Rules 1962.
- Banks are required to ensure that their branches invariably accept cash over the counters from all their customers who desire to deposit cash at the counters.
- Notwithstanding the legal provisions, opening of fixed/recurring and savings bank accounts be permitted in the name of minor with mother as guardian provided bank take adequate safeguards in allowing operations in the accounts by ensuring that such accounts are not allowed to be overdrawn and that they always remain in credit. The facility may be allowed in Recurring Deposit Accounts also.

c) **Current Accounts**

- Banks while opening current account must obtain a declaration to the effect that the account holder is not enjoying any credit facilities with any other bank. Banks must scrupulously ensure that their branches do not open current accounts of entities which enjoy credit facilities (fund based or non-fund based) from the banking system without specifically obtaining a No-Objection Certificate from the lending bank(s).
- Bank may open account of prospective customer in case no response is received from its existing bankers upon waiting for a fortnight. The situation may be reviewed with reference to the information provided by the prospective customer as well as taking needed due diligence on the customer.
- For corporate entities enjoying credit facilities from more than one bank, the banks should exercise due diligence and inform the consortium leader, if under consortium, and the concerned banks, if under multiple banking arrangement.

Reconciliation of transactions at ATMs failure

- Banks are required to resolve complaints **within 7 working days** from the date of receipt of the complaint. Failure to recredit the amount with the timeframe shall entail payment of **compensation to the customer @100/- per day** by the issuing bank. For compensation, suitable application is to be made within 30 days of date of the transaction.
- All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank **through the ATM System Provider only**. No bilateral settlement arrangement outside the dispute resolution mechanism available with the system provider is permissible. Non-adherence to the provision attract penalty under the Payment and Settlement System Act 2007.
- Banks are required to display prominently at the ATM locations that complaints should be lodged at the branches where customers maintain accounts to which the ATM is linked along with telephone numbers of help desk/contact persons of ATM owning bank, etc.

- Each bank should ensure that the process flow is modified to provide for the pin validation for every transaction including balance enquiry facilitated through ATM.
- Failure to this attract penalty. Banks are required to have in place a system of online alerts for all types of transactions irrespective of the amount involving usage of cards at various channels.

Electronic Payment Systems

The electronic modes of payment like RTGS, NEFT and IMPS have emerged as channel agnostic modes of funds transfer. In order to ensure these channels safe and secure, some additional measures are introduced as under:-

- (i) Customer induced options may be provided for fixing a cap on the value / mode of transactions / beneficiaries. In the event of customer wanting to exceed the cap, an additional authorization may be insisted upon.
- (ii) Limit on the number of beneficiaries that may be added in a day per account could be considered.
- (iii) A system of alert may be introduced when a beneficiary is added.
- (iv) Banks may put in place mechanism for velocity check on the number of transactions effected per day / per beneficiary and any suspicious operations should be subjected to alert within the bank and to the customer.
- (v) Introduction of additional factor of authentication (preferably dynamic in nature) for such payment transactions should be considered.
- (vi) The banks may consider implementation of digital signature for large value payments for all customers, to start with for RTGS transactions.
- (vii) Capturing of Internet Protocol (IP) address as an additional validation check should be considered.

Levy of Service Charges

Banks should ensure that the service charges fixed are reasonable and they are not out of line with the cost of providing such services. Customers with low volume of transactions are not penalized.

Foreclosure charges/prepayment penalty – Home Loans

Banks are not permitted to levy/charge prepayment charges/penalties on Home Loans on **floating interest rates**, with immediate effect.

RTGS charges for customers

Banks are not permitted to charge their customers for outward RTGS remittances beyond the amounts as under:-

RTGS transaction	Max. charge
Inward transaction	Free
Outward – Rs. 2 – 5 Lakh	Rs. 25 + applicable time varying tariff subject to Max. Rs. 30/-
Above Rs. 5 Lakh	Rs. 50 + applicable time varying

	tariff Subject to Max. Rs. 55/-
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Banking hours/working hours/Operation

■ Banks are required to function for public transactions at least for 4 hours on week days and 2 hours on Saturdays in the larger interest of public and trading community. Extension counters, satellite offices, one man offices or other special class of branches may remain open for such shorter hours as may be considered necessary.

■ Banks may fix, after due notice to customers, whatever business hours are convenient i.e. double shift, weekly holiday other than Sunday, or functioning Sundays also (7 days working) etc.

■ The banks' branches in rural areas can fix the business hours (i.e., number of hours, as well as timings) and the weekly holidays to suit local requirements subject to the guidelines.

■ Commencement of employees' working hours 15 minutes before commencement of business hours could be made operative by banks at branches in metropolitan and urban centres.

■ Banks are required to extend business hours for banking transactions other than cash till one hour before close of working hours. Banks can have evening counters at the premises of existing branches in metropolitan/urban centres for providing facilities to the public beyond normal business hours to bring about improvement in customer service and the transactions should be merged with the main accounts of the branch where it is set up.

■ All branches except very small branches should have "Enquiry" or "May I help You" counters either exclusively or combined with other duties located near the entry point of the banking hall. Time norms should also be displayed prominently in the banking hall.

■ All Branch branches are required to display the various products and services they provide along with various key aspects such as service charges, interest rates, time norms for various banking transactions and grievance redressal mechanism, etc. grouped in 4 heads viz. "Customer Service Information", "Service Charges", "Grievance redressal" and "Others" as indicators in the '**Comprehensive Notice Board**' as per the format provided by RBI. This would enhance the quality of customer service in banks and level of customer satisfaction.

■ Further, in addition to the above Board, the banks should also display details such as 'Name of the bank / branch, Working Days, Working Hours and Weekly Off-days' outside the branch premises.

■ Banks are further required to make available the detailed information in their Web-site

in such a manner that customers are able to easily access the same from the Home Page of the site, besides in booklet form in the touch screen by placing them in the information kiosks or Scroll Bars, or Tag Boards. Website should contain the minimum information such as Policy/Guidelines, Complaints, Opening of accounts/forms, Loans and Advances, Branches, etc.

Sick/old/incapacitated account holders -- Operational Procedure

- In case the old/sick/ incapacitated account holder can put his thumb or toe impression, the same may be accepted for withdrawal of money. It should be identified by two independent witnesses known to the bank, one of whom should be a responsible bank official.
- Where the customer cannot put even his/her thumb impression and also not able to present in the bank, a mark can be obtained on the cheque/withdrawal form which should be identified by two independent witnesses, one of whom should be a responsible bank official.
- Person to whom the payment is to be made may be indicated by the customer in both the above cases and he should be identified by two independent witnesses. The person should be asked to furnish his signature to the bank.
- As per the opinion obtained by IBA, a toe impression or any mark by a customer who lost both the hands can be taken for acceptance.
- Banks are required to take necessary steps to provide all **existing ATMs / future ATMs** with ramps so that wheel chair users / persons with disabilities can easily access them and also make arrangements in such a way that the height of the ATM does not create an impediment in its use by a wheelchair user.
- Banks are required to ensure that all the banking facilities such as cheque book facility including third party cheques, ATM facility, Net banking facility, locker facility, retail loans, credit cards etc., are invariably offered to the **visually challenged without any discrimination**.
- Banks are required to make at least one third of new ATMs installed as talking ATMs with Braille keypads and place them strategically in consultation with other banks to ensure that at least one talking ATM with Braille keypad is generally available in each locality for catering to needs of visually impaired persons.
- In respect of disabled persons with autism, cerebral palsy, mental retardation and multiple disabilities Banks can rely upon the **Guardianship Certificate** issued either by the District Court under Mental Health Act or by the Local Level Committees under the above Act for the purposes of opening / operating bank accounts.

Remittance

- Remittance (DD/MT/TT, etc.) of Rs. 50000/- and above should be by debit to customer's account or against cheques only. DDs of Rs. 20,000/- and above are to be issued **with "Account Payee" crossing** only.

■ A DD is uniformly valid for a period of **three** months and procedure for revalidation after three months should be simplified.

■ Demand Drafts drawn by the branches are to be **paid immediately** without waiting for the relative advice of drawing from the respective branches. Passport and postal identification card could be deemed to be adequate identification for encashment of draft. Banks may fix ceiling Rs. 25000/-for payment of drafts against the identification.

■ Duplicate Draft in lieu of lost for amount upto and including **Rs. 5000/-** can be issued against suitable indemnity without waiting drawing advice within a fortnight from the date of receipt of the request. Delay beyond the period, penal provision to be invoked.

■ Banks may ensure that both drop box facility and the facility for acknowledgement of cheques are made available at collection centres (branches) and no branch should refuse to give acknowledge of cheques if tendered at the counters. Banks should display on the drop box itself that “Customers can also tender the cheques at the counter and obtain acknowledgement on the pay-in-slips”.

■ Banks should put in place an appropriate mechanism to confirm successful credit of funds to the beneficiaries account transferred through NEFT. In case of any delay or returning the uncredited amount, banks should pay penal interest at the current RBI LAF Repo Rate plus 2% for the period of delay/till the date of refund as the case may be to the affected customers suo moto without waiting form customers.

■ Under the NEFT Procedural Guidelines, banks are required to establish dedicated Customer Facilitation Centres (CFCs) to handle customer queries/complaints regarding NEFT transactions and the same should be made available in the website of banks as well as the website of RBI for easy availability to the customers.

■ In order to extend both the National Electronic Clearing System (NECS) and Regional Electronic Clearing System (RECL), the participating banks are advised to make efforts in bringing all their branches under NECS/RECS.

NEFT charges for customers

Maximum charges that can be levied by banks for NEFT transactions as under:-

Value Band	Max. charges (incl. Service Charges)
Up to Rs. 10,000/-	2.50
10,001 to 1 Lakh	5.00
Above 1 Lakh up to 2 Lakh	15.00
Above 2 Lakh	25.00

Mobile Banking transaction limits

The transaction limit of Rs. 50,000/- per customer per day has been done away and banks may place per transaction limits based on their own risk perception with the approval of their Boards.

Domestic Money Transfers

In order to assist migrant population who do not have access to formal banking channel for want of proof of identity/address, banks are permitted to put in place three schemes for **person to person (P2P) fund transfers** viz.

(a) **Cash Pay-out scheme** which facilitates transfer of funds from the accounts of their customers to beneficiaries not having bank accounts through the use of ATMs, BCs etc. up to **`Rs. 10,000 per transaction** subject to a monthly cap of **`Rs. 25,000** with full details of the beneficiary

(b) **Cash Pay-in scheme** where a walk-in / non-account holding customer can transfer funds to a bank account of a beneficiary etc. up to **`Rs. 5000/-** per transaction with a monthly cap of **`Rs. 25,000** with minimum details of the remitter.

(c) **Card-to-Card transfers** up to **`Rs. 5000** per transactions subject to a monthly cap of **`Rs 25,000**.

Collection of Instruments – Rules relating thereof

■ Factoring the competitive environment, Banks have been permitted to formulate a comprehensive and transparent cheque collection policy, taking into account their technological capabilities. The policy may include immediate credit for local/outstation cheques, time frame for collection of local/outstation instruments, and interest payment for delayed collection.

■ Banks are also required to comply with the order passed by the National Consumer Disputes Redressal Commission (Case no. 82 of 2006) which inter alia includes:-

■ For local cheques, credit and debit shall be given on the same day or at the most the next day of their presentation in clearing.

■ Timeframe for collection of cheques drawn on State Capitals / major cities / other locations to be 7/10/14 days respectively. If there is any delay in collection beyond this period, interest at the rate specified in the Cheque Collection Policy (CCP) of the bank, shall be paid or at rate applicable for Fixed Deposits for corresponding maturity, etc.

■ Banks are prohibited from crediting 'account payee' cheque to the account of any person other than the payee named therein. Banks are not permitted to collect account payee cheques for any person other than the payee constituent. However, in order to mitigate the difficulties faced by the members of co-operative credit societies in collection of account payee cheques, the collecting bank may collect 'account payee' cheque drawn

for an amount not exceeding Rs. 50,000/- to the account of their customers who are co-operative credit societies, if the payees of such cheques are the constituents of such co-operative societies.

■ Banks need not make payment of cheques/drafts/pay orders/ banker's cheques bearing that date or any subsequent date, if they are presented beyond the period of **three months** from the date of such instrument (w.e.f. 01.04.12)

■ For loss of cheque in transit or in clearing process or at the paying bank's branch, the banks are required to reimburse the account holder related expenses for obtaining duplicate instruments and also interest for reasonable delays occurred in obtaining the same. The onus rests with the collecting banker and not the account holder.

Bills for collection

■ Bills for collection including bills discounted are required to be collected by the collecting bank through another bank at the realising centre. The bills are to be forwarded directly by the collecting bank to the bank at the realising centre.

■ The delayed period is reckoned after the normal transit period based on 2 days each for:-

(i) Despatch of bills; (ii) Presentation of bills of drawees. (iii) Remittance of proceeds to the Lodger's bank. (iv) Crediting the proceeds to drawer's account; the lodger's bank (collecting bank) should pay interest to the lodger of the bill at 2% over SB accounts rate. In case the delay is attributing to the drawee's bank, the lodger's bank may recover interest for such delay from that bank.

■ Banks are required to implement the recommendation of the Goiporia Committee that dishonoured instruments are returned / despatched to the customer promptly without delay, in any case within 24 hours.

■ The paying bank is required to return the dishonoured cheques presented through clearing houses strictly as per the return discipline prescribed for respective clearing house and for cheques presented directly, it should return dishonoured such cheques immediately. The collecting bank on receipt of such dishonoured cheques should despatch it immediately to the payees / holders indicating the reason for return of the cheque.

■ In order to enforce financial discipline among customers, in case of dishonour of cheque of Rs. 1 Crore and above drawn on a particular account for financial reasons on four occasions in a financial year, **no** fresh cheque book should be issued. Bank may also consider closing the account at its discretion. In respect of advances accounts such as cash credit account, overdraft account, the need for continuance or otherwise of these credit facilities and the cheque facility

relating to these accounts should be reviewed by appropriate authority higher than the sanctioning authority.

- Banks may formulate suitable policy for frequent dishonour of cheques of less than Rs. 1 Crore as also frequent dishonour of ECS mandate with the approval of respective Boards.

General

Banks are required to extend full co-operation and furnish documentary proof of dishonour for proceedings before any forum.

Banks are required to adopt with approval of their Boards appropriate procedure for dealing with dishonoured cheques.

Complaints

Banks are required to provide Complaints/suggestion box at each office besides maintaining Complaint Book/Register with perforated copies in each set. A copy of the complaint is also to be forwarded to Controlling Office along with remark of the Branch Manager within a time frame.

Complaint form along with name of the nodal officer for complaint redressal be provided in the Homepage of Website to facilitate submission by customers. Complaints received are to be reviewed by Board for taking corrective steps wherever required. The details are to be disclosed in the financial results giving the number of complaints received, redressed, Awards by Ombudsman, etc.

Banks are also required to put in place a proper Grievance Redressal Mechanism and examine on an on-going basis whether it is found effective in achieving improvement in customer service in different areas.

Erroneous Debits arising on fraudulent or other transactions

While opening and allowing operation in deposit accounts, banks should remain vigilant to avoid lapses to safeguard against unscrupulous persons opening accounts mainly to use them as conduit for fraudulently encashing payment instruments, etc. In such cases, banks should compensate the customer upon completion of departmental action or police interrogation as part of their approved Customer Relation Policy.

Safe Deposit Locker/Safe Custody Article Facility

- Banks have to refrain from restrictive practices such as linking the lockers facility with placement of fixed or any other deposit beyond what is specifically permitted. Banks may obtain Fixed Deposits to cover 3 years rent and charges of breaking open the locker to take care of an eventuality that the locker-hirer neither operates the locker nor pays rent.

- Bank branches are required to maintain a wait list for the purpose of allotment of lockers and ensure transparency in allotment of the lockers. A copy of the Agreement may be passed on to the locker-hirer at the time of allotment of the locker.
- Banks may carry out customer due diligence for both new and existing customers at least to the levels prescribed for customers classified as medium risk. If the customer is classified in a higher risk category, customer due diligence as per KYC norms applicable to such higher risk category should be carried out.
- Where the lockers have remained unoperated for more than three years for medium risk category or one year for a higher risk category, banks should immediately contact the locker-hirer and advise him to either operate the locker or surrender it. This exercise should be carried out even if the locker hirer is paying the rent regularly.
- Nomination facility is available to locker hirer which would provide for nomination and release of contents of safety lockers/safe custody article to the nominee and protection against notice of claim of other persons (Sec. 45ZC to 45 ZF of B.R. Act 1949)

Banking Companies (Nomination) Rules 1985

The Banking Companies (Nomination) Rules 1985 together with the new Sections 45ZA to 45ZF of the Banking Regulation Act, 1949 regarding nomination facilities came into force w.e.f. 1985 provide for:-

- a) Nomination Forms for deposit accounts, articles kept in safe custody and contents of safety lockers.
 - b) Forms for cancellation and variation of the nominations.
 - c) Registration of Nominations and cancellation and variation of nominations, and matters related to the above.
- Nomination facility can be made available in respect of deposits held in the name of individuals (single/Joint accounts) including sole proprietorship concerns and Safe Deposit Locker/Safe Custody. Nomination shall be made only in favour of individuals and a nominee cannot be an Association, Trust, Society or any other Organisation or any office-bearer thereof in his official capacity
 - There cannot be more than one nominee in respect of a joint deposit account. In the case of a joint deposit account the nominee's right arises only after the death of all the depositors.
 - Banks may allow variation/cancellation of a subsisting nomination by all the surviving depositor(s) acting together. This is also applicable to deposits having operating instructions "either or survivor".

■ Banks are required to acknowledge in writing to the depositor(s)/ locker hirers (s) the filing of the relevant duly completed Form of nomination, cancellation and / or variation of the nomination.

■ Banks may introduce the practice of recording on the face of the passbook the position regarding availment of nomination facility with the legend "Nomination Registered". This may be done in the case of term deposit receipts also.

Deceased Depositors – Settlement of claims – Procedure thereof

Accounts with survivor/nominee clause

In case there exists a valid nomination and the deposit account is opened with the survivorship clause (“either or survivor” or “anyone or survivor” or “former or survivor” or “latter or survivor”), bank can make payment of the balance in the deposit account to the survivor(s)/nominee of a deceased deposit account holder which is considered as a valid discharge of the bank’s liability provided:-

- a) The bank has exercised due care and caution in establishing the identity of the survivor(s)/ nominee and fact of death of the account holder through appropriate documentary evidence; there is no order from the competent court restraining the bank from making the payment from the account of the deceased; and
- b) Survivor(s)/nominee has been advised in clear terms that he would be receiving the payment from the bank as a trustee of the legal heirs of the deceased depositor.

Banks may desist from insisting production of succession certificate, letter of administration or probate, etc., or obtain any bond of indemnity or surety from the survivor(s)/nominee, irrespective of the amount standing to the credit of the deceased account holder.

Accounts without the survivor/nominee clause

In deceased deposit accounts without the survivor/nominee clause, banks may fix some minimum threshold limit for settlement of claim without insisting on production of any documents other than a letter of indemnity.

Premature termination of Term deposit accounts would not attract any penalty and such clause may be incorporated in the opening form itself.

Any claim on the balances lying in deceased depositors received from survivor(s) / nominee(s) should be settled within a period not exceeding **15** days from the date of receipt of the claim subject to the production of proof of death of the depositor and suitable identification of the claim(s), to the bank's satisfaction.

Access to Safe Deposit Locker/Safe Custody articles (with survivor/nominee clause)

In the event of death of sole locker hirer, banks may give access to the locker with liberty to remove the contents of the locker to the nominee and in case of the locker hired jointly with operational instruction to operate under joint signatures and nomination exists, bank may give access to the locker with liberty to remove the articles jointly to the survivor(s)/nominee.

In the case of the locker was hired jointly with survivorship clause and the hirers instructed that the access of the locker should be given over to "either or survivor", "anyone or survivor" or "former or survivor" or according to any other survivorship clause, banks may follow the mandate in the event of the death of one or more of the locker-hirers.

Access to Safe Deposit Locker/Safe Custody articles (without survivor/nominee clause)

Banks are required to evolve a customer-friendly procedure drawn up in consultation with their legal advisers for giving access to legal heir(s) / legal representative of the deceased locker hirer. Similar procedure should be followed for the articles under safe custody of the bank.

Banks are also required to prepare an inventory before returning articles left in safe custody/before permitting removal of the contents of the safe deposit locker. Banks are not required to open sealed/closed packets left with them in Safe Custody or found in locker while releasing them to the nominee and surviving locker heirs/depositor of safe custody article. Banks are required to put in their website the entire procedure for improvement in customer service.

Settlement of claims in respect of missing persons

Banks are required to formulate a policy which would enable them to settle the claims of a missing person after considering the legal opinion and taking into account the facts and circumstances of each case (claims are to be settled as per provisions u/s 107/108 of Indian Evidence Act 1872).

In order to avoid inconvenience and undue hardship to the common person, banks may, keeping in view their risk management systems, fix a threshold limit, up to which claims in respect of missing persons could be settled without insisting on production of any documentation other than (i) FIR and the non-traceable report issued by police authorities and (ii) letter of indemnity.

Release of other assets of deceased borrowers to legal heirs

Banks need not insist upon legal representation for release of other assets of deceased customers irrespective of the amount involved. However, in case there are

disputes, bank may call for succession certificates from legal heirs of deceased borrowers or bank has a reasonable doubt about genuineness of the claimant/s being the only legal heir/s of the borrower.

Unclaimed deposits/Inoperative Accounts in banks

- A savings as well as current account should be treated as **inoperative / dormant** if there are no transactions in the account for over a period of **two years**.
- If credits by way of interest on Fixed Deposit account is being received in the Savings Bank accounts as per the mandate of the customer, the same can be treated as a customer induced transaction and the account can be treated as an operative account. It will become inoperative only after 2 years from the date of the last credit entry of the interest on Fixed Deposit account.
- For the purpose of classifying an account as 'inoperative' both the type of transactions i.e., debit as well as credit transactions induced at the instance of customers as well as **third party** should be considered. However, the service charges levied by the bank or interest credited by the bank should **not** be considered
- Banks need to ascertain the whereabouts of the account holder(s) by letters, telephone calls, or contacting legal heirs, or contacting the introducers or employers as available record or any other means suited to them in case of no operations (credits other than periodic interest or debiting service charges) for more than one year.
- Periodical interest should continue to be credited in the inoperative accounts and proceeds of FDR unpaid, the amount left unclaimed should attract Savings Bank rate of interest. Inoperative accounts should get audited periodically. There should not be any charge on activation of an inoperative account.

Directions on inoperative/dormant accounts

Considering the increase in the amount of the unclaimed deposits with banks year after year and the inherent risk associated with such deposits, banks should play a more pro-active role in finding the whereabouts of the account holders whose accounts have remained inoperative. Further several complaints were received in respect of difficulties faced by the customers on account of their accounts having been classified as inoperative. Moreover, there is a feeling that banks are undeservedly enjoying the unclaimed deposits, while paying no interest on it. Keeping these factors in view, the instructions issued by RBI have been reviewed and banks are advised to follow the instructions detailed below while dealing with inoperative accounts. RBI, in the light of the foregoing, has issued certain directions to banks while dealing with the inoperative accounts as under:-

- a) Banks should undertake an annual review of accounts in which there are no operations (i.e., no credit or debit other than crediting of periodic interest or debiting of service charges) for more than one year.
- b) In case letters sent returned undelivered, enquiry may be made to ascertain the whereabouts of customers or their legal heirs in case they are deceased.
- c) In case the whereabouts of the customers are not traceable, bank may contact the introducer or employer/or any other person whose details are available with them.
- d) A savings as well as current account should be treated as inoperative/dormant if there are no transactions in the account for over a period of **2 years**.
- e) In case the account holder responds giving reasons for not operating the account, banks may continue classifying the account as an operative account for one more year within which period the account holder may be requested to operate the account.
- f) For the purpose of classifying an account as 'inoperative' both the type of transactions i.e., debit as well as credit transactions induced at the instance of customers as well as third party should be considered.
- g) In case of crediting interest on Fixed Deposit account to Savings Bank account as per the mandate given by the customer and there are no other operations in the savings bank account, such accounts should not be treated as inoperative as the credits are customer induced transaction.
- h) The account may be segregated, but, with least inconvenience to the customers. The classification is only to bring to the attention of dealing staff, the increased risk in the account.
- i) Operation in inoperative accounts may be allowed after due diligence as per risk category of the customer.
- j) No charge should be levied for activation of inoperative accounts.
- k) The inoperative accounts ledger should be audited by the internal auditors/ statutory auditors of the bank periodically.
- l) Interest on savings bank accounts should be credited on regular basis whether the account is operative or not.
- m) If a Fixed Deposit Receipt matures and proceeds are unpaid and left unclaimed with the bank, the same will attract savings bank rate of interest.
- n) Banks may also consider launching a special drive for finding the whereabouts of the customers / legal heirs in respect of existing accounts which have already been transferred to the separate ledger of 'inoperative accounts', etc.

In addition to the above, banks may also consider displaying the list of unclaimed deposits/inoperative accounts which are inactive /inoperative for 10 years or more in their respective websites giving only the names and address. In case such accounts are not in the name of individuals, the names of individuals authorized to operate the accounts should also be indicated.

Customer Confidentiality Obligations

Banks are not supposed to divulge any information about the account to third parties except where:-

- a) disclosure is under compulsion of law
- b) there is duty to the public to disclose
- c) interest of bank requires disclosure and
- d) the disclosure is made with the express or implied consent of the customer.

The information collected from the customer for the purpose of opening of account is to be treated as confidential and not divulge any details thereof for cross selling or any other purposes.

Transfer of account from one branch to another

Instructions from customer for transfer of his account to another office should be carried out immediately by transferring the account opening form, specimen signature, standing instructions, etc. under advice to the customer.

Co-ordination with officers of Central Board of Direct Taxes

Banks should maintain greater co-ordination between the Income-Tax departments and extend necessary help/co-ordination to tax officials whenever required.

Declaration of Holiday under the Negotiable Instruments Act, 1881

In terms of Section 25 of the Negotiable Instruments Act, 1881, the expression "public holiday" includes Sunday and any other day declared by the Central Government by notification in the Official Gazette to be a public holiday.

This power has been delegated to State Govt. by Central Govt. subject to the condition that the Central Government may itself exercise the said function, should it deem fit to do so and this implies that when Central Government itself has notified a day as "public holiday" under Section 25 of the Negotiable Instruments Act, 1881, there is no need for banks to wait for the State Government notification.

Miscellaneous

- In predominantly residential areas banks may keep their branches open for business on Sundays by suitably adjusting the holidays and banks should keep rural branches open on weekly market day.
- Banks are required to accept standing instructions in Savings and Current accounts and the same can be enlarged to include payments on account of taxes, bills, rents, school/college fees, etc.
- Branch Manger may be permitted to allow clean overdraft for small amounts to customers whose dealings have been satisfactory.
- All transactions, including payment of interest on deposits/charging of interest on advances, should be rounded off to the **nearest rupee**.

■ In order to keep a watch on the progress achieved by the bank in the implementation of the recommendations of various working groups/Committees on customer service, banks may examine the recommendations which have relevance in the present day banking and continue to implement them.

■ Banks should follow various provisions of the Code of Bank's Commitment to Customers, implementation of which is monitored by the Banking Codes and Standards Board of India (BCSBI), etc.

(Source: RBI M.Circular dt. 1.7.13)

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