



# Banking Ombudsman Scheme, 2006

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# Customer Service - Why?

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## MAHATMA GANDHIJI

*"A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work - he is the purpose of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to serve him."*



# Various Initiatives of RBI relating to the Customer Service

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- Talwar Committee (1975)
- Goiporia Committee (1990)
- Narasimhan Committee (1991)
- BOS (1995)
- Tarapore Committee (Committee on Procedures and Performance Audit of Public Services - CPPAPS) 2003
- BCSBI (2006)
- CSD (2006) now CEPD
- Damodaran Committee (2013)

# What has changed now in the Customer Service landscape?

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- Deregulation
- Proliferation of bank branches and customers
- Technological advances
- Niche Products
- Expectations
- Grievance Redress Mechanisms
- Active affirmative intervention by Regulators



# Approach of Reserve Bank – Latest developments

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- Five pillars of Rajan - Fourth Pillar – Financial Inclusion
- Enhancing / Modification of the scope of OBO
- Charter of Rights
- DEAF
- Liberalised KYC Norms
- Credit History - CIBIL
- Sensitive to the needy customers (pensioners, differently abled, etc.)
- FLCs/ School curriculum/ opening of accounts by children

# The Charter of Customer Rights

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- a) Right to Fair Treatment
- b) Right to Transparency, Fair and Honest Dealing
- c) Right to Suitability,
- d) Right to Privacy and
- e) Right to Grievance Redress and Compensation



# Important Policy Initiatives – Issue of regulatory guidelines

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- Compensation for delay in resolution of complaints of short/non-dispensation of cash by ATMs after 7 days (May 27, 2011)
- Compensation for delayed payment of pension @ 8% (April 13, 2012)
- Basic Saving Bank Deposit Account (August 10, 2012)
- Unique Customer Identification Code for Banks' Customers in India (June 8, 2012)

## Important Policy Initiatives – Issue of regulatory guidelines- Contd.

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- Non- discrimination of customer at home and non- home branches (July 1, 2012)
- Abolition of foreclosure charges/pre-payment penalties on all floating rate home loans / all floating rate loans (June 5, 2012 and May 7, 2014)
- Levying SMS charges on actual usage basis (November 26, 2013)
- Appointment of Internal Ombudsman for all PSBs and select Private/Foreign banks (May 11, 2015)



# Banking Consumer Protection – Is there any Mandate for RBI?

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- Power to frame Policy (Bank Advances) (S.21 BR Act)
- In Public Interest
- In the interest of Depositors
- In the interest of Banking Policy
- Power to give Directions (S.35-A BR Act)
- Power to give Advice (S.36 BR Act)

# Consumer Protection – Whom to Approach?

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- Civil Courts
- Consumer Courts
  - (a) District Consumer Forum
  - (b) State Consumer Commission
  - (c) National Consumer Commission



# Consumer Protection – Whom to Approach? - Contd.

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- Bank concerned for redressing the grievance
- Reserve Bank of India as Regulator of Banks
- Banking Ombudsman, Alternate Dispute Resolution
- RBI as Legislature, Executive and Judiciary
- Inexpensive and Speedy redressal of grievances
- Visible and Credible System of Dispute Resolution for Persons availing Banking Services

# Need for Banking Ombudsman Scheme

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- Growing Public Policy concern
- Increase in Customer Awareness about their rights and growing expectations
- The satisfaction level of customers is the touchstone on which the quality of service is calibrated
- Customer dissatisfaction is a topic of discussion in various fora including the floor of the Parliament
- To mitigate the problems of banks' customers
- Market discipline issues and need for Policy Intervention



# Banking Ombudsman Scheme, 2006 – Mission

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- Ensure redressal of grievances of users of banking services to improve customer service on a continuous basis
- Provide feedback to RBI for framing appropriate and timely guidelines to improve banking customer service
- Improve awareness of the Banking Ombudsman Scheme
- Quick and fair redressal of grievances through use of IT systems and enhanced capabilities of staff through training

# Banking Ombudsman Scheme – Salient features

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- A Scheme framed by RBI under S.35-A of BR Act, 1949
- BO is a quasi-judicial Authority [Fidelity Finance Ltd. v. BO, Chennai (Madras HC)]
- Territorial Jurisdiction [20 Ombudsmen for 29 States and 7 Union Territories]
- Applies to whole of India.
- Applies to Banking Business in India.



# Banking Ombudsman – Salient features

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- Rs.20 lac or actual loss suffered, whichever is less [Cl.12(5)]
- Additional 1 lac as compensation [Cl.12(6)]
- Applies to Scheduled Commercial Banks, Scheduled Primary UCBs, RRBs [Cl.3(5)]

# Banking Ombudsman – Who can Approach?

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- Any consumer of banking services
- Deficiencies given under Clause 8 of BOS
- [21 grounds under Cl.8(1) and 6 grounds under Cl.8(2)]
- Complaints received from/ referred by Central Government/  
RBI



## Is there any condition Precedent to approaching BO?

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- Bank concerned has rejected the representation of complainant.
- Bank concerned has failed to reply within 1 month of receipt.
- Complaint to be made within 1 year from bank's response .
- Cause of action shall not be dealt by BO/ if pending/ disposed by Court .

## Is there any condition Precedent to approaching BO? –Contd.

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- Complaint shall not be frivolous or vexatious
- Inordinate delay shall be avoided (within period of Law of Limitation)



# Banking Ombudsman – How to Approach?

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- Complaint can be filed by the person concerned or through authorised representative
- Exception to the Rule: No Advocate
- Complainant shall file documents/ declaration on maintainability
- Complaint can be made by electronic means

# Banking Ombudsman – How to Settle Disputes?

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- Settlement by Agreement
- Settlement by Conciliation
- Settlement by Mediation
- Settlement by passing of Award
- Award shall be speaking order with directions for specific performance and compensation



# Banking Ombudsman – Is there any Appeal against Awards?

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- Appeal before DG of CEPD
- Appeal shall be filed within 30 days of receipt.
- Further 30 days provided with sufficient cause.
- Banks can appeal with previous approval of Chairman/ MD
- AA shall either allow/ dismiss/ remand/ modify Award/ pass any other order as deemed fit

# BO Scheme – Performance –Snapshot for 2016-17

Table 9 - Comparative position of disposal of complaints by OBOs

Number of complaints	Year		
	2014-15	2015-16	2016-17
Received during the year	85131	102894	130987
Brought forward from previous year	3307	3778	5524
Handled during the year	88438	106672	136511
Disposed of during the year	84660	101148	125319
Rate of Disposal (%)	96%	95%	92%
Carried forward to the next year	3778	5524	11192



# BO Scheme – Performance –Snapshot for 2016-17-Contd.

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- 1,30,987 complaints were received by 20 Offices of the Banking Ombudsmen.
- Complaints increased by 27% compared to the previous year.
- Offices of Banking Ombudsmen maintained a disposal rate of 92%.
- 31 Awards were issued by the Banking Ombudsmen.

# BO Scheme – Performance –Snapshot for 2016-17-Contd.

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- Complaints pertaining to failure to meet commitments, non-observance of fair practices code, Banking Codes and Standards Board of India (BCSBI) Codes taken together constituted the largest category of complaints with 34% of complaints received.
- ATM/Debit card complaints comprised 12.5% of complaints received.
- Credit card complaints comprised 6.4% of complaints received.



# BO Scheme – Performance –Snapshot for 2016-17-Contd.

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- Complaints in the category of pension (6.5%), levy of charges without prior notice (5.6%), deposit accounts (5.5%), loans and advances (4.2%), remittances (2.5%) were other areas of complaints.
- 185 complaints were received by the Offices of Banking Ombudsman through the Government of India (CPGRAMS) portal.
- 616 applications were received under the Right to Information Act.
- Average cost of handling one complaint was ₹3780.



# BO Scheme – Performance –Snapshot for 2016-17-Contd.

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- In order to deepen and widen the reach of the Scheme, five new offices of BO (OBOs) were operationalized during the year, raising the total number of OBOs to 20.
- The complaints received by OBOs increased by 27 per cent in 2016-17 as compared to a rise of 21 per cent in the previous year. This rising trend, while reflecting the increasing awareness about the BOS, also underlines the need for banks to strengthen their internal grievance redressal mechanism. Further, in order to bring the complainant, the bank / branches and the RBI together on the same platform, the Reserve Bank has embarked upon a project for developing a web-based application for lodging and processing of complaints. This will increase the speed and transparency of processing of complaints at all levels.



# Ombudsman Scheme for Non-Banking Financial Companies (NBFC)

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- RBI launched the Ombudsman Scheme for Non-Banking Financial Companies (NBFC) vide Notification dated February 23, 2018 for redressal of complaints against NBFCs registered with RBI under Section 45-IA of the RBI Act, 1934. The Scheme will provide a cost-free and expeditious complaint redressal mechanism relating to deficiency in the services by NBFCs covered under the Scheme. The offices of the NBFC Ombudsmen will function at four metro centres viz. Chennai, Kolkata, Mumbai and New Delhi and will handle complaints of customers in the respective zones.
- To begin with, the Scheme will cover all deposit-taking NBFCs. Based on the experience gained, the RBI would extend the scheme to cover NBFCs having asset size of Rs. One Billion and above with customer interface.
- The Scheme provides for an Appellate mechanism under which the complainant/NBFC has the option to appeal against the decision of the Ombudsman before the Appellate Authority.

# Thank you.

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- 'It starts with respect. If you respect the customer as a human being, and truly honour their right to be treated fairly and honestly, everything else is much easier.'

- Doug Smith