



LAKSHMI VILAS BANK

Operations Department

COMPENSATION POLICY FOR CUSTOMERS



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Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the bank's endeavor to offer services to its customers with best possible utilization of its technological infrastructure.

This Compensation policy of the bank is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques/instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this policy is to establish a system whereby the bank compensates the customer for any financial loss the customer might incur due to deficiency in service on the part of the bank or any act of omission or commission directly attributable to the bank. By ensuring that the customer is compensated without having to ask for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

Scope of the Policy

The policy is based on the principles of transparency and fairness in the treatment of customers.

It is designed to compensate the customer only for the financial loss incurred by the customer due to deficiency in the services offered by the Bank which can be measured directly and limited to the compensation specified for the respective service as given below.

The date of receipt of complaint/notice by the Bank would be taken as day 'zero' and the timelines mentioned would be counted from the next working day onwards.

The commitments under this policy are without prejudice to any right the Bank will have in defending its position before any Court of Law, Tribunal or forum duly constituted to adjudicate banker-customer disputes.

The policy document covers the following aspects:

- a. Erroneous Debits & Other unauthorized Transactions
 1. Electronic Banking Transactions
 2. Non - Electronic Banking Transactions
- b. Debit towards service charges
- c. Payment of interest for delay in issue of duplicate draft
- d. Payment of cheques after acknowledgement of stop payment instructions / non-blocking of lost Debit card after acknowledgement of request for its blocking

- e. Payment of interest to customers for delayed collection of instruments
- f. Delay in collection of Bills
- g. Handling of instruments lost in transit
- h. Uniformity in Penal interest payable by banks for delays in credit/return of NEFT/NECS/ ECS transactions
- i. Foreign exchange services - Collection of cheques outside India denominated in Foreign Currency
- j. Failure to execute standing instructions
- k. Violation of the Code by banks agent
- l. ATM Failure: Compensation to customer for settlement of disputed ATM transactions
- m. Lender's Liability: Commitments to borrowers

(a) Erroneous Debits & Other unauthorized Transactions

1. Electronic Banking Transactions

Broadly, the electronic banking transactions can be divided into two categories:

- (i) Remote / online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions), Pre-paid Payment Instruments (PPI), and
- (ii) Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

Customers have to mandatorily register their mobile number / E-Mail ID (wherever available) with the branch for SMS / E-Mail alerts, for electronic banking transactions. The SMS alerts shall mandatorily be sent to the customers, while email alerts may be sent, wherever registered. The customers have to notify the bank of any unauthorised electronic banking transaction at the earliest after the occurrence of such transaction, and informed that the longer the time taken to notify the bank, the higher will be the risk of loss to the bank/ customer. To facilitate this, bank has provided customer care support - 24x7 access through a dedicated toll-free helpline, reporting to home branch, etc. for reporting unauthorised transactions that have taken place and/ or loss or theft of payment instrument such as card, etc. Further, a direct link for lodging the complaints, have been provided on the home page of the website, an immediate response (including auto response) is sent to the customers acknowledging the complaint (registered through website) along with the registered complaint number.

Liability of a Customer

(i) Zero Liability of a Customer

A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:

- (a) Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).

(b) Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank **within three working days** of receiving the communication from the bank regarding the unauthorised transaction.

(ii) Limited Liability of a Customer

A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:

(a) In cases where the loss is due to negligence by a customer, such as where the customer has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.

(b) In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of **four to seven working days** after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in the below table, whichever is lower.

Table 1: Maximum Liability of a Customer on third party breaches	
Type of Account	Maximum liability (₹)
▪ BSBD Accounts	5000
▪ All other SB accounts ▪ Pre-paid Payment Instruments and Gift Cards ▪ Current/ Cash Credit/ Overdraft Accounts of MSMEs ▪ Current Accounts/ Cash Credit/ Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh ▪ Credit cards with limit up to Rs.5 lakh	10000
▪ All other Current/ Cash Credit/ Overdraft Accounts ▪ Credit cards with limit above Rs.5 lakh	25000

Further, if the delay in reporting is **beyond seven working days**, the entire liability lies with the customer and the customer has to bear the entire loss of the unauthorized electronic banking transaction(s).

Overall liability of the customer in third party breaches, as detailed above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is given below:

Summary of Customer’s Liability on third party breaches (where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system)	
Time taken to report the fraudulent transaction from the date of receiving the communication	Customer’s liability (₹)
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	The entire liability lies with the customer and the customer has to bear the entire loss of the unauthorized electronic banking transaction(s)

The number of working days mentioned above shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

Reversal Timeline for Zero Liability/ Limited Liability of customer

On being notified by the customer, the bank will compensate the amount involved in the unauthorised electronic transaction with interest loss if any, to the customer's account within 10 working days from the date of such notification by the customer with value date effect (date of an authorised transaction). Bank will not waive off any customer liability in case of unauthorised electronic banking transactions in cases of customer negligence.

2. Non-Electronic Banking Transactions

If the Bank has raised an erroneous direct debit to an account, upon being informed of the erroneous debit, the entry will be reversed after due verification.

In the event the erroneous debit has resulted in a financial loss to the customer by way of reduction in the payment of interest on savings bank deposit or payment of additional interest to the Bank in a loan account or any charges levied for balance falling below the minimum balance requirement or any charges levied for return of cheques due to shortfall in balance, the Bank will compensate the customer to the extent of direct financial loss.

The customer should approach the Bank within a maximum period of three months from the date of the erroneous debit. In case verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank shall complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit.

In case verification involves a third party, the Bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

Reversal of erroneous debits arising on account of fraudulent transactions

In case of any fraud, if the Bank is convinced that an irregularity / fraud has been committed by its staff towards any constituent, Bank will not only restore the amount, it will also pay compensation @ 1% above the applicable interest rate in respect of deposit/overdraft/loan account, for the period, on the amount involved.

In cases where the Bank is at fault, the customer would be compensated without demur in accordance with this policy.

In case where neither the Bank is at fault nor the customer, but the fault lies elsewhere in the system and if it is within the purview of the bank, the Bank will extend the required assistance for retrieval of the amount by the customer. ***If such retrieval doesn't happen within a period of 90 days from the date of the complaint, the Bank would compensate the customer with Rs.100/- per Rs.5000/- with a maximum compensation of Rs.1000/- for each instance.***

The Bank reserves its right to debit the account for reversing the amounts in case a wrong credit is posted to a customer's account without payment of any compensation.

(b) Debits towards service charges

The Bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the Bank, then and there.

In the event, the Bank levies any charges in violation of the arrangement, the Bank will reverse the same when pointed out by the customer subject to verification of the agreed terms and conditions. Any consequential financial loss by way of reduction of savings bank interest, on savings bank deposit or payment of additional interest to the Bank in a loan account or any charges levied for balance falling below minimum balance requirement or any charges levied for return of cheques due to shortfall in balance, will also be compensated to the customer.

(c) Delay in issue of Duplicate Draft:

The Bank will compensate the customer through payment of interest at the rate applicable for fixed deposit of corresponding maturity in case of delay in issuing Duplicate Draft exceeds beyond 15 days, from the date of submission of all requisite data/paper for processing.

(d) Payment of Cheques after acknowledgement of Stop Payment Instructions/non-blocking of lost Debit card after acknowledgement of request for its blocking

Proper, stop payment instructions of any cheque/request for blocking of lost Debit card, after being acknowledged by the bank if paid, the bank will give value-dated credit by reversing the transaction in order to safeguard the interest of the customer. The financial loss, if any, on account of the above said payment will be duly compensated within the shortest period of the customer informing such wrong payment/transaction to the bank.

(e) Collection of instruments within India

(i) Payment of Interest for delayed Collection of Outstation Cheques:

a) Normal delay - upto 90 days beyond normal collection period:

Interest at the rate as applicable for appropriate tenor of fixed deposits or Saving Bank rate, whichever is higher, for the period of delay beyond the bench mark time of 14 days fixed for collection of outstation cheques from the date of lodging of the instrument at the branches.

b) Abnormal delay - more than 90 days beyond normal collection period:

In case of any abnormal delay of more than 90 days beyond the normal collection period, penal interest @ 2% above the rate as applicable for the appropriate tenor of fixed deposit for the period of delay beyond the bench mark time of 14 days from the date of lodging of the instrument at the branches has to be paid.

If the collection cheque is lodged to the credit of the loan account and if such loan account is in debit balance, the delayed period interest will be calculated at the rate of interest applicable for the concerned loan account.

Interest payment as given above would be applicable only for instruments sent for collection within India.

(ii) Compensation for delayed clearance of local Cheques:

If there is any delay in collection of local cheques beyond the normal course of time and practice, the customers will be compensated at prevailing Savings Bank interest rate on the cheque amount for the delayed period.

The interest for the delayed period is to be paid suo moto and without the customer having to claim it. However interest would not be payable on cheques/instruments lost in transit.

(f) Delay in collection of Bills:

The lodger's bank should pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts. The delayed period should be reckoned after making allowance for normal transit period based upon a time frame of 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.

To the extent the delay is attributing to the drawee's bank, the lodger's bank may recover interest for such delay from that bank.

(g) Handling of instruments Lost-in-transit

The Bank would observe the following policy in case of cheques lost in transit:

- a. In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying Bank's branch or lost by the service provider, the Bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by the customer are not dishonoured due to non-credit of the amount of the lost cheques/instruments.
- b. If the cheque/instrument has been lost at the paying bank's branch, the collecting branch will have a right to recover the amount, including charges / interest expenses reimbursed to the customer for the loss of the cheque/instrument from the paying banker.
- c. The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. This would be applicable only to instruments drawn in INR payable within India.
- d. The Bank will compensate the account holder in respect of instruments lost in transit as follows and will recover it from the paying bank.
 - i. In case intimation regarding loss of instrument is conveyed to the customer after the time limit stipulated for collection interest will be paid for the period exceeding the stipulated time as per collection policy.
 - ii. In addition, the Bank will pay interest on the amount of the cheque for a period of 15 days at savings bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
 - iii. The Bank would also compensate the customer for any reasonable expenses the customer incurs in getting duplicate cheque/instrument upon production of receipt,

in the event the instrument is to be obtained from a bank/institution who would charge a fee for issue of duplicate instrument, subject to a maximum of Rs.250/-

(h) Uniformity in penal interest payable by banks for delays in credit/return of NEFT/NECS/ ECS transactions

In terms of the NEFT / NECS / ECS Procedural Guidelines of RBI, as also the relevant circulars / instructions issued by RBI from time to time, member banks need to afford credits to beneficiary accounts or return transactions (uncredited for whatever reason) to the originating / sponsor bank within the prescribed timeline. Any delays in doing so attract penal provisions specified therein. In order to ensure standardization of the benchmark rate used and bring in uniformity in penal provisions across the retail payment products, RBI has made the following modifications:

(i) NECS / ECS-Credit

Destination Bank would be held liable to pay penal interest at the current RBI Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiary's account. Penal interest shall be credited to the Beneficiary's Account even if no claim is lodged."

(ii) NEFT

In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination bank in the completion of funds' transfer pursuant to receipt of payment instruction by the destination bank leading to delayed payment to the beneficiary, the destination bank shall pay compensation at current RBI Repo Rate plus two per cent for the period of delay for credit to the beneficiary's a/c. In the event of delay in return of the funds' transfer instruction for any reason whatsoever, the destination bank shall refund the amount together with interest at the current RBI Repo Rate plus two per cent till the date of refund."

(iii) During the NEFT operating hours, originating banks should endeavour to put through the requests for NEFT transactions received by them, either online or across the counters, preferably in the next available batch but, in any case, not exceeding two hours (from the business hours next working day), from the time of receipt of the requests. In the likelihood of any delay / possible delay in adhering to this requirement, the originators / customers should be informed of the delay / possible delay and the reasons for the same.

(iv) In terms of the RBI ECS (Credit Clearing) procedural guidelines, which clearly stipulate that if a destination bank branch is not in a position to credit a particular transaction for reasons like "Account Closed/ transferred"; "No such Accounts"; "Account description does not tally"; etc., it should report the same and forward it to the Service Branch/ Main Branch on the same settlement day.

(i) Foreign Exchange Services - Collection of cheques outside India denominated in Foreign Currency

It is the Bank's experience that the time norms for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary

from country to country. Therefore, no compensation shall be paid for any delay in collection of cheques designated in foreign currencies and sent to foreign countries.

The Bank will compensate the customer only for undue delays in affording credit once proceeds are credited to the Nostro Account of the Bank with its correspondent with full particulars. The compensation in such cases will be restricted to the extent of eligible Savings Bank Interest Rate which shall be calculated for the period after taking into account the normal cooling period.

The foreign exchange rate on the date of credit in our Nostro Account shall be the basis for calculation of interest irrespective of the rate prevailing on the date of claim / calculation / settlement.

(j) Failure to execute Direct Debits / ECS Debits/ Standing Instructions

The Bank undertakes to carry out Direct Debits / ECS debits / standing instructions of customers in time subject to the following:

1. Customer having already provided valid and complete mandate to accept any debit received through ECS.
2. Customer having already submitted a mandate for standing instructions.
3. Direct debit/ ECS Debit received is complete and correct.
4. Customer has sufficient balance in the account at the time of executing direct debits/ standing instructions/ ECS.

In case of failure to carry out the instructions subject to the aforesaid clauses and for reasons directly attributable to the Bank, the Bank will compensate the customers on the following lines:

For direct debits / ECS debits - The Bank shall compensate the customer at the savings bank interest rate for the period between the due date of direct debit / ECS debit and the date of actual debit carried out by the bank. The Bank shall also reimburse the Customer to the extent of any penal interest, late payment charges levied by the debit/ ECS originating Bank, upon producing evidence of the same.

For standing instructions - The Bank shall compensate the customer to the extent of the financial loss not exceeding Rs.100/- per occasion (maximum of Rs.1,000/-) subject to providing proper supporting documents for having incurred the loss. In addition, the service charges, if any, recovered for execution of the Standing Instruction shall also be refunded.

(k) Violation of the Code by banks agent

In the event of receipt of any complaint from the customer that the Bank's representative/ courier has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers, which the Bank has adopted voluntarily, the Bank will take appropriate steps to investigate and to compensate the customer for financial losses, subject to the customer providing proper supporting document for having incurred the loss.

(l) ATM Failure: Compensation to customer for settlement of disputed ATM transactions

RBI's instructions/guidelines stipulate that the time limit for resolution of customer's ATM complaints by the issuing banks is 7 working days from the date of receipt of customer complaint. Accordingly, failure to re-credit the customer's account within 7 working days of receipt of the complaint shall entail payment of compensation to the customer @ Rs.100/- per day by the issuing bank, provided the claim is lodged with the issuing bank within 30 days of the date of transactions and branch has failed to establish the proof of payment/disbursement by ATM.

(m) Lender's Liability: Commitments to borrowers:

All the securities/documents/title deeds to mortgaged property will be returned to customer within 15 days of the repayment of all dues agreed to or contracted. If any right of set off is to be exercised for any other claim bank will give due notice with full particulars about other claims and retain the securities/documents/title to mortgaged property till the relevant claim is settled / paid. In other cases bank will serve a notice either in person or by registered post; instructing the customer to redeem the securities if any.

In the event of loss of title deeds to mortgaged property at the hands of the Banks, the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount, as decided by the Bank in the following manner:

In case of delay on part of the bank in returning the securities/documents/title deeds to mortgaged property beyond 15 days of repayment of all dues agreed or contracted; compensation will be paid at the rate of Rs.100/- per week for period beyond 15 days, subject to a maximum of Rs.500/-

Award of Compensation

The compensation as per this Policy is payable to a customer only in those cases where any act of omission or commission is directly attributable to the Bank.

The compensation shall be paid by replicating the effect obtained through back-valuation of the affected transaction.

No claim would be considered, under any circumstance, based on qualitative aspects like reputation damages, loss of image in the society, loss of business, loss of income, etc.

The amount of compensation is restricted to the actual financial loss of the customer arising out of the amount in the books of the Bank only and in any case, to the maximum limits prescribed for the various services given above.

Provided that for the incidents not covered in the above mentioned policy, resulting in financial loss to the customer where the reasons are attributable to the Bank, the Bank shall compensate the customer to the extent of the direct financial loss along with applicable Rate of interest for Savings account.

Force Majeure:

Bank shall not be liable if any transaction does not fructify or may not be completed or for any failure on part of the bank to perform any of its obligations contemplated hereunder if performance is prevented, hindered or delayed by a force majeure event (defined below),

and in such case its obligations shall be suspended for so long as the Force Majeure. “Force Majeure Event” means any event due to any cause beyond the reasonable control of the Bank, including without limitations, unavailability of any communication systems, breach, or virus in the processes or payment or delivery mechanism, sabotage, fire, flood, explosion, natural disasters or other “Acts of God”, war, damage to the bank’s facilities or of its correspondent bank(s), civil commotion, strikes or industrial action of any kind, riots, insurrection, war, acts of government, computer hacking, unauthorized access to computer data and storage devices, computer crashes, malfunctioning in the computer terminal or the systems getting affected by any malicious, destructive or corruptive code or program, mechanical or technical errors/failures or power shut down, faults or failures in telecommunication etc., which prevents it from performing its obligations within the specified service delivery parameters.

Right to alter or add Rules:

The Bank reserves the right to alter or add to these rules and such alteration and additions shall be binding on the account holder. Such alteration will be made known to the customer through website.

