



LAKSHMI VILAS BANK

Planning Department

Policy on Unclaimed / Dormant Deposit Accounts



POLICY ON UNCLAIMED / DORMANT DEPOSIT ACCOUNTS

In view of the increase in the amount of the unclaimed deposits with banks year after year, and the inherent risk associated with such deposits, Reserve Bank of India advised banks to play more pro-active role in finding the whereabouts of the account holders whose accounts have remained inoperative.

The accumulation of this inoperative/dormant unclaimed deposit accounts also pose huge risk to the bank, as there are possibilities for perpetrating frauds in such accounts. Hence, a clearly drawn policy on 'Unclaimed Deposits', covering the related aspects to ensure smooth handling of inoperative accounts and also adherence to the RBI's directives in this regard.

Procedure for classification of CASA accounts as Dormant (Inoperative) Accounts:

- **A savings as well as current account should be treated as dormant if there are no transactions in the account for over a period of two years.**
- For the purpose of classifying an account as 'dormant' 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 branch or interest credited by the branch should not be considered.
- Before classifying these accounts as 'dormant', the customer should be advised in advance that he should commence operation if he wishes to continue the account or he may close his account by surrendering to the bank the pass book and unused cheque leaves, if any. If no reply is received within the date specified in the letter sent to him, the account should be classified as 'dormant' account.
- A monthly report is placed in the branch folder about the details of such inoperative accounts. With these details, branches should make an on-going 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.
- The branches may approach such account holders and inform them in writing (format available in each branch's FRS folder) that there has been no operation in their accounts and ascertain the reasons for the same.
- In case the non-operation in the account is due to shifting of the customers from the locality, they may be asked to provide the details of the new bank accounts to which the balance in the existing account could be transferred.
- If the letters are returned undelivered, they may immediately be put an enquiry to find out the whereabouts of customers or their legal heirs in case they are deceased. In case the whereabouts of the customers are not traceable, branches should consider contacting the persons who had introduced the account holder. They could also consider contacting the employer/or any other person whose details are available with them. They could also consider contacting the account holder telephonically in case his telephone number/cell number has been furnished to the bank.
- In case of Non-resident accounts, branches may also contact the account holders through e-mail and obtain their confirmation of the details of the account.

- In case any reply is given by the account holder giving the reasons for not operating the account, branches should continue classifying the same as an operative account for one more year within which period the account holder may be requested to operate the account. However, in case the account holder still does not operate the same during the extended period, the same will be classified as 'dormant' account after the expiry of the extended period.

Diligence on 'Dormant Accounts':

- The segregation of the dormant accounts is done from the point of view of reducing risk of frauds etc. However, the customer should not be inconvenienced in anyway, just because his account has been rendered inoperative. The classification is there only to bring to the attention of dealing staff, the increased risk in the account.
- The transaction may be monitored by branch manager both from the point of view of preventing fraud and making a Suspicious Transactions Report. However, the entire process should remain un-noticeable by the customer.
- Interest on savings bank accounts should be credited on regular basis whether the account is operative or not. If a fixed deposit matures and proceeds are unpaid, the amount left unclaimed with the branch will attract savings bank rate of interest.

Activation of Dormant Accounts:

- Branches should exercise abundant caution at the time of re-activating a dormant account and allowing operations in such re-activated dormant accounts.
- Operation in such accounts may be allowed after due diligence as per risk category of the customer. Due diligence would mean ensuring genuineness of the transaction, verification of the signature and identity etc. However, the branch has to ensure that the customer is not inconvenienced as a result of extra care taken by the branch.
- While activating, branches should ensure that fresh KYC documents are obtained, verified and all current information with regard to the customer like, address, Mobile number etc., are updated in the CBS.
- Adequate operational safeguards are to be exercised to ascertain that the claimants are genuine.
- Balance in dormant accounts held at the branch may be paid to account holders on their applying for the return of the balance in the account. In such cases the identity of the customer should be established beyond doubt before making payment, because of the time lag between the last transactions in the account and the date on which payment is claimed.
- No charges are levied for activation of dormant account.
- If any remittances/credits are received in the dormant account, first the account has to be re-activated after adhering to the guidelines drawn in this regard by Audit & Inspection department from time to time.
- For effecting the credit/debit in such reactivated account, the system would require second authorization.
- It is to be ensured that the amounts lying in dormant accounts are properly audited by the Inspector of Branches/Statutory auditor of the bank.

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Unclaimed Term/CASA Deposits

- The CASA accounts which remain in dormant status for 8 years (ie. 10 years from the date of last operation) and in Term deposits in ODD accounts for 10 years period, will be marked as “Unclaimed Deposit”.
- Branch/Bank has to submit a return on unclaimed deposit accounts, which have not been operated for 10 years or more, under section 26 of Banking Regulation Act, 1949 within 30 days after the close of each calendar year.

Display of Unclaimed Deposits:

Reserve Bank of India envisages that Banks should, in addition to the instructions contained above, play a more pro-active role in finding the whereabouts of the account holders of unclaimed deposits/ inoperative accounts.

Based on the RBI's instructions display of the list of unclaimed deposits accounts which are inactive/inoperative for ten years or more in the bank's website. The list so displayed on the website contains only the names of the account holder(s) and his/her address in respect of unclaimed deposits/inoperative accounts. In case such accounts are not in the name of individuals, the names of individuals authorized to operate the accounts have been indicated. However, the account number, its type and the name of the branch shall not be disclosed on the bank's website. The list so published also provides a “Find” option to enable the public to search the list of accounts by name of the account holder.

The information on the process of claiming the unclaimed deposit/activating the inoperative account and the necessary forms and documents for claiming the same is also furnished in the website.

The Depositor Education and Awareness Fund Scheme, 2014 - Insertion of Section 26A of Banking Regulation Act, 1949:

Pursuant to the amendment of the Banking Regulation Act, 1949, section 26A has been inserted in that Act, empowering Reserve Bank 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' interest 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 her deposit or any other unclaimed amount or operate 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.

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 account holder through website.