



CUSTOMER MATTERS

BCSBI News

During the quarter ended March 2016, there has been no change in the membership of Banking Codes and Standards Board of India (BCSBI) which continues to stand at 134.

AWARENESS ACTIVITIES

Steps to increase awareness of the Codes and Standards developed by BCSBI and adopted by member banks continued during the past quarter.

BCSBI organized a Customer Meet at Udaipur on January 8, 2016. The purpose of the Meet was to enhance the awareness of customers about commitments contained in the Codes. Shri Anand Aras, CEO, BCSBI and Smt. Harshala Chandorkar, COO, CIBIL addressed the participants.

Awareness of the BCSBI Codes, Customer Rights guidelines, Banking Ombudsman Scheme, Grievance Redressal mechanism and details about CIBIL scoring pattern were discussed during the meeting. The recent Code compliance rating exercise conducted by BCSBI was also shared with the participants. About 280 customers including some bank officials attended this meeting which ended with a question-answer session for customers.



Smt. Harshala Chandorkar, COO, CIBIL interacts with the audience at the Customer Meet at Udaipur. Also on the dais from left are Shri P K Agrawal, SVP, BCSBI, Shri Anand Aras, CEO, BCSBI and a senior bank official.

BCSBI organized two more Customer Meets during the quarter viz. at Thane on February 26, 2016 and at Vishakhapatnam on March 17, 2016. The Chief Executive Officer, BCSBI and General Managers of SBI and Bank of India addressed the Meet at Thane while the Meet at Vishakhapatnam was addressed by the Chairman and the CEO, BCSBI. Transparency and Information Dissemination by banks while dealing with customers, Electronic Banking – cautions to prevent fraudulent transactions, etc. were among various other things discussed during the above

Meetings. Around 350 customers including a few bank officials attended each of the Meetings at Thane and Vishakhapatnam. The meetings ended with an interactive question and answer session.



Shri A C Mahajan, Chairman, BCSBI addresses the Customer Meet at Vishakhapatnam



Shri Anand Aras, CEO, BCSBI addresses the Customer Meet at Thane

BCSBI organized a Meeting of Controlling Heads of Banks in Thiruvananthapuram on February 16, 2016. On this occasion, the Chairman, BCSBI in his address highlighted the need for dissemination of Code provisions and Charter of Rights amongst bankers. He also discussed the Code compliance rating awarded to banks in the last survey of branches. The CEO stressed upon the dangers of mis-selling and to ensure effective grievance redressal by banks. The importance of holding Customer Service Meetings at branches with at least one senior citizen as a member, was also shared with the participants. The participants expressed their commitment towards fair dealing with the customers and quick resolution of customer grievances, besides providing special treatment to senior citizens and differently abled customers.



Shri A C Mahajan, Chairman and Shri Anand Aras, CEO of BCSBI preside over the Meeting of the Controlling Heads of Banks at Thiruvananthapuram

Officials of BCSBI participated in the following:

- Town Hall Meeting organized by the Banking Ombudsman for Maharashtra, at Kolhapur on January 20, 2016. The CEO, BCSBI and the Banking Ombudsman addressed the Meet and answered queries raised by the customers.
- Town Hall Meeting organised by the Banking Ombudsman for Gujarat at Rajkot on February 19, 2016; by the Banking Ombudsman for Karnataka at Sakleshpur and Belur in Hassan District during February 25, 26, 2016; and by the Banking Ombudsman for Rajasthan at Chittorgarh and Nimbaheda during March 17, 18, 2016. About 400 customers and 20 bank officials participated in the Meet at Rajkot while about 300 customers attended each of the meetings at Karnataka and Rajasthan. The salient features of the Banking Ombudsman Scheme 2006, Commitments of Banks contained in both the Codes of BCSBI apart from Customer Rights Policy were explained during these Meetings.



Shri P K K Krishnan, SVP, BCSBI addresses the Town Hall Meet at Belur. Seated on the dais are senior RBI and Lead Bank officials.

BCSBI provided faculty support to Indian Institute of Banking and Finance, Mumbai on January 13, 2016 in their programme on “Customer Service related compliance under BCSBI and Banking Ombudsman Scheme”.

THEME OF THE QUARTER

Plastic Money – Riding the Currency Wave

Plastic Money, be it credit cards, debit cards, add-on cards, smart cards, etc. are increasingly being used as a convenient mode of payment and ready money. It reduces the risk of handling huge amount of cash while functioning as a medium of exchange, a unit of account, and a store of value like conventional money. In comparison with cash, which uses only physical security features, electronic or plastic money products use cryptography to authenticate transactions and to protect the confidentiality and the integrity of data.

History and Origin

The first credit cards were issued by individual stores and merchants. These cards were issued in limited locations and only accepted by the businesses that issued them. It was not until 1950 that the Diner's Club Card was created. It is claimed that an American restaurant patron once found himself without his wallet and realized there needed to be an alternative to cash. The Diner's Club Card was the logical extension of the monthly accounts system. This started the first credit card specifically for widespread use, even though it was primarily used for travel and entertainment expenses. The following decades saw the evolution and growth of credit cards. The customers were provided the facility of using their cards to make purchases up to their 'credit limit'. They could continually 'top up' to this limit as long as they made a minimum monthly repayment to the card company and paid interest on the remainder balance.

In India, the foreign banks first forayed into the credit card market. The Citibank's Diner's Club Card which entered in 1969 was the pioneer in the Indian field. Recognizing the potentiality of the credit cards, the Indian Credit card market turned busy with most of the public and private sector banks beginning to offer the product.

Plastic Money Variants

Among the various forms and types of plastic money, a notable few are mentioned here:

Add-on cards - A credit card holder can apply for an additional card called an **Add-on card** in the name of family members, within the overall credit limit. The billing statement would reflect the details of purchases made using the add-on card. The principal credit card holder is liable to make good these payments.

Debit cards – Given the success of the credit card business the late eighties witnessed the introduction of **Debit cards**. Much like credit cards, debit cards are substitutes for cash or cheque payments. However, banks only issue them to their own account holders. When a debit card is used to make a payment, the total amount charged is instantly reduced from one's bank balance. Here one does not have an option or facility of paying back the money at a later date.

Co-branded credit cards - Another recent innovation in the field of plastic money is **co-branded credit cards**, which combine many services into one card where banks and other retail stores, airlines, telecom companies, etc. enter into tie-ups with the issuing bank. This increases the utility of these cards and they are used at Point of Sale (POS) terminals and while making payments on the net.

ATM cards - An **ATM card** is a payment card issued by a bank or financial institution that enables a customer to access an automated teller machine (**ATM**) in order to perform transactions such as deposits, cash withdrawals, obtaining account information, etc. Most of the banks have now discontinued issuing vanilla ATM cards in lieu of debit cards which are widely accepted at member establishments.

Smart cards - They are also used to make payments and hence are classified as plastic money. A smart card contains an electronic chip which is used to store cash. The exact amount of purchase is deducted from the smart card during payment and is collected by smart card reading machines. This is mainly used for making payments for small purchases like travel fares, utility payments, etc.

RBI Regulations

As the financial regulator of the country, Reserve Bank of India (RBI) has always accorded top priority to the customer's interests. With this in mind, RBI has issued a set of rules/regulations/standards/practices to the credit, debit, prepaid card issuing banks to ensure that the same are in alignment with the best customer practices. RBI has called upon banks to maintain prudent policies and practices for managing the risks of their credit card business which are relevant to the market environment that they operate in.

Fair Practices Code

As a step towards customer protection, RBI has instructed banks to have a well-documented policy and a Fair Practices Code for credit card operations. The Fair Practices Code should incorporate the various guidelines on the subject issued by RBI. Banks which have adopted the "Code of Bank's Commitment to Customers" are also required to incorporate the principles enunciated therein, as amended from time to time, in their Fair Practices Code. The Fair Practices Code should be available on the website of the card issuing bank.

In the matter of recovery of dues, banks are specifically instructed to ensure that they, as also their agents, adhere to the extant instructions on Fair Practice Code for lenders as also to the Code of Bank's Commitment to Customers as adopted by member banks of BCSBI. Accordingly, the banks' collection policy is built on courtesy, fair treatment and persuasion. Ordinarily, the banks will have a system of checks before passing on a default case to recovery agencies so that the customers are not harassed on account of lapses on the banks' part.

MITCs

As per RBI requirements, while issuing cards, the terms and conditions for issue and usage of a credit card should be mentioned in clear and simple language (preferably in English, Hindi and the local language) comprehensible to a card user. The Most Important Terms and Conditions (MITCs) termed as standard set of conditions, should be highlighted and advertised or sent separately to the prospective customer/customers at all the stages i.e. during marketing, at the time of application. These should be explained to the customer before he or she accepts the product and sent along with the welcome kit.

Detailed instructions on the issue of credit cards vis-à-vis customer interests can be accessed at www.rbi.org.in

Code of Commitment to Customers

Banks that have subscribed to the Code of Commitment to customers are bound to provide protection to their customers in their day-to-day operations. A detailed set of customer rights and minimum standards of banking practices are enunciated in the "Code of Bank's Commitment to Customers" and available on the issuing Bank's website. As regards ATM/ Debit and Credit cards, amongst other things, banks are committed to send a service guide/ member booklet giving detailed terms and conditions, losses on the customer's account that he or she may be liable if the card is lost/ misused and other relevant information with respect to usage of the credit card along with the first card.

When a customer applies for a credit card, the bank will as per Code provisions explain the relevant terms and conditions such as annual charges, interest and other charges, billing and payment, method of computation of overdues, financial implications of paying only 'the minimum amount due', renewal and termination procedures, and any other information that may be required to operate the card. The impact on the credit score of the credit card holder in case of default or non-payment of finance or other charges should be explained to the customers.

In case of loss/ theft/ disputed transactions, the banks in compliance with Code provisions will inform the customer the procedure that must be followed to report the loss, theft or unauthorised use of the card or PIN. The bank on being notified of the loss/ theft of ATM/ Debit/ Credit card, will take immediate steps to try to prevent these from being misused.

To help the customer manage his/ her credit card account and check details of purchases/ cash withdrawals, the banks will send a monthly statement free of cost, with details of the transactions made on the credit card.

For more details on customer rights laid down in the "Code of Bank's Commitment to Customers", you may like to visit www.bcsbi.org.in

Protection against Frauds

According to newspaper reports, Credit card fraud increased by 151% from the first quarter of last year as compared to the current year. Cyber experts and investigators say people fall prey to fake calls received from fraudsters claiming to be bank executives. Also, fraudsters attack smartphone users by stealing data through apps, taking advantage of people's lack of knowledge of security features. To quote a police official, "using smartphones for netbanking without safeguards helps hackers steal banking information. More people are using smartphones, but few are aware of their vulnerability".

Banks send SMS alerts to customers asking them not to respond to calls, mails or text messages requesting for customer ID, banking passwords, and card details including expiry date, PIN or CVV number. Customers would do well to strictly follow bank instructions and use safeguards to avoid falling prey to fraudsters.

Conclusion

To summarise, plastic money, comes in various forms but the predominant form is that of the credit card. It presents a different set of challenges to the policy-makers and regulators. As a customer, it is important that the customer is aware of all terms and conditions on the product and most importantly is aware of the precautions to be taken to safeguard his card against misuse and frauds.

EXEMPLARY CASE RELATED TO CUSTOMERS

The complainant had availed of a home loan from a bank sometime around 2000 to purchase two flats. As per the required procedure, the title documents of the property were deposited with the bank and had to be returned upon repayment of the loan. Later in the year 2003, the bank granted the complainant an education loan against the same title documents. Subsequently, in the year 2005, the complainant sought the bank's permission to sell both the flats due to certain financial difficulties and purchase a new flat. The title deed of the new flat would be deposited with the bank as security for the loans. All formalities were complied with and bank's approval was given for the same. In the year 2010, after making all payments and clearing the entire loan amount, the complainant sought release of the title documents entrusted to the bank. It was alleged that despite making several enquiries, the bank failed to hand over the documents and later informed that they had been misplaced. Aggrieved, the complainant approached the Maharashtra State Dispute Redressal Commission.

The Commission observed that the bank was duty bound to return the original title deed to the complainant. The bank was lacking in duty in preserving the original documents.

Accordingly, the Commission held the bank liable to pay compensation along with a specified rate of interest to the complainant from the date of filing the complaint till payment. The complainant was also awarded damages for mental agony and harassment as also litigation costs.

(Inputs: Business Standard; Hindustan Times)

DID YOU KNOW?

Legal Guardianship Certificates issued under the Mental Health Act, 1987

Banks have been advised that it is not mandatory for them to insist on appointment of a guardian as a matter of routine from every person "who is in need of treatment by reason of any mental disorder". It would be necessary for banks to seek appointment of a guardian only in such cases where they are convinced on their own or based on documentary evidence available, that the concerned person is mentally ill and is not able to enter into a valid and legally binding contract.

Recovery of excess payments made to pensioners

Banks have been advised to strictly adhere to the following uniform procedure while effecting recovery of excess/wrong pension payments made to pensioners.

- a) As soon as the excess/wrong payment made to a pensioner comes to the notice of the paying branch, the branch should adjust the same against the amount standing to the credit of the pensioner's account to the extent possible including lumpsum arrears payment.
- b) If the entire amount of over payment cannot be adjusted from the account, the pensioner may be asked to pay forthwith the balance amount of over payment.
- c) In case the pensioner expresses his inability to pay the amount, the same may be adjusted from the future pension payments to be made to the pensioners. For recovering the over-payment made to pensioner from his future pension payment in instalments 1/3rd of net (pension + relief) payable each month may be recovered unless the pensioner concerned gives consent in writing to pay a higher installment amount.
- d) If the over payment cannot be recovered from the pensioner due to his death or discontinuance of pension then action has to be taken as per the letter of undertaking given by the pensioner under the scheme.
- e) The pensioner may also be advised about the details of overpayment/wrong payment and mode of its recovery.

Would you like to share any information/ experience connected with customer service? If so, please feel free to write to BCSBI at C-7, RBI Building, Bandra-Kurla Complex, Mumbai – 400 051 or mail us at ceo.bcsbi@rbi.org.in