

## **Oriental Bank's Compensation Policy 2018-19**

### **Introduction**

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

### **Objective**

The objective of the Policy is to establish a system, whereby the customer is compensated for the financial loss due to deficiency in service or an act of omission or commission directly attributable to the Bank. The customer, as far as possible, will be compensated without having to ask for it.

### **Framework**

The Policy covers only compensation for financial losses which customer might incur due to deficiency in the services offered by the bank which can be measured directly and as such the commitments under the Policy are without prejudice to any right the bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

#### **1. Unauthorized / Erroneous Debit:**

If the bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In the event, the unauthorized/erroneous debit has resulted in a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized/erroneous debit, the bank will compensate the customer to the extent of such financial losses.

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

#### **2. ECS direct debits/other debits to accounts:**

The bank will undertake to carry out direct debit/ ECS debit instructions of customers in time. In the event, the bank fails to meet such commitments; customer will be compensated to the extent of any financial loss the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions.

The bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. In the event, the bank levies any charge in violation of the arrangement, the bank will reverse the charges when pointed out by the customer subject to

scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

### **3. Payment of Cheques after Stop Payment Instructions:**

In case a cheque has been paid after stop payment instruction is acknowledged by the bank, the bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as provided under para 1 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

### **4. Foreign Exchange Services:**

Time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. Also the time norms for return of instruments cleared provisionally vary from country to country. Compensation will be given for delays beyond 7 days plus 21 days being the normal cooling of period after the credit of proceed to Nostro Account (i.e.28 days after the date of credit of our Nostro Account).

The **interest/compensation** will be worked out as follows:

- a. Interest shall be paid in INR at savings bank rate, **up to 28 days**, from value date (.i.e the date of sighting of credit in the bank's Nostro account) till credit is actually afforded to customers account.
- b. If credit is afforded after 28 days of the credit to our Nostro Account, **Compensation** will be payable in INR at the rate corresponding domestic fixed deposit rates for the period beyond 28 days from value date. This compensation will be credited in the respective SB account of depositor/s.
- c. Compensation for loss on account of adverse movement in foreign exchange rate – Difference of favorable exchange rate on the date of credit into depositors account and 21 days after the Nostro credit date.

### **5. Payment of Interest for delayed Collection of Outstation Cheques:**

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned above. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

Interest for delayed collection shall be paid at the following rates:

- a) In case period of delay in connection of local/outstation cheques (beyond 7/10/14/25 days as the case may be) is upto 14 days, the bank shall pay the interest at the applicable saving bank interest rate for the number of days exceeding the time frame specified above for collection for local/outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.
- c) In case of extraordinary delay, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- d) In the event, the proceeds of cheque under collection was to be credited to an overdraft/loan

account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India”.

#### **6. “Cheques/Instruments” lost in transit/ in clearing process or at paying bank’s branch:**

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, the bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank the bank will compensate the accountholder in respect of instruments lost in transit in the following way:

- a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- b) In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The bank would also compensate the customer for any reasonable charges he/she 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.

In case of eventuality viz. Cheques / Instruments lost in Transit / Clearing Process or at the Paying Bank's Branch, a flat amount of Rs.100/- shall be credited to the Account holder towards Interest/ Expenses for getting Duplicate Cheque/ Instrument and consequent Delay in crediting amount of the lost cheque/ instrument to the Account, irrespective of whether the cheque was meant for local or outstation collection.

Further, in case a cheque is lost by a bank, charges, if any, for recording stop payment Order or any additional expenses incurred by the customer in this regard will also be borne by the bank.

#### **7. Payment of interest for Delays in collection of bills:**

The bank will 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 will 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 bank will recover interest for such delay from that bank. The bank will suitably revise the format of payment advices to incorporate the above information.

**8. Delay in issue of Duplicate Demand Draft:**

For the delay beyond this stipulated period of 15 days, bank will pay interest at the rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such delay. The period of fortnight prescribed would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.

Some doubts were raised regarding the term "customer" used above and whether it would include only purchaser / beneficiary or also include any holder of the instrument other than the purchaser or the beneficiary. It is clarified that the above instructions would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of draft endorsed to third parties.

**9. ATM failed transactions:**

The bank will reimburse the customers; the amount wrongfully debited on account of failed ATM transactions, within a maximum period of 7 working days from the date of receipt of the customer complaint.

ii) For any failure to re-credit the customer's account within 7 working days from the date of receipt of the complaint, the bank shall pay compensation of Rs.100/-, per day to the aggrieved customer. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when the bank affords the credit for the failed ATM transaction.

The customer is entitled to receive such compensation only if claim is lodged with the issuing bank within 30 days of the date of transaction.

iii) The issuing bank is entitled to claim such compensation paid to the customer from the acquirer bank, if the delay is attributed to the latter. By the same logic the ATM network operators shall compensate the banks for any delay on their part.

**10. Violation of the Code by bank's agent:**

In the event of receipt of any complaint from the customer that the bank's representative / courier or DSA 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, bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.

**11. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks:**

The bank will not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for nonpayment/delayed payment of cheques in the absence of adequate funding arrangement. Once a bank has entered into an arrangement with a bank to pay its instruments "at par" it is not possible for a customer to find if his instrument has been funded by the bank or not. Therefore, once arrangement made is in public domain the paying bank should honour the cheque and settle the matter separately with issuing bank.

**12. Force Majeure:**

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

**13. Lenders liability: Commitments to borrowers:**

The Bank has adopted the principles of "Lenders" liability. In terms of guidelines for lenders' liability, and the "Code of Bank's commitment to customers" adopted by the Bank, the Bank would return to the borrowers all the securities /documents /title deeds to mortgage property within 15 days of repayment of all dues agreed to or contracted, subject to any other right/lien/claim by the Bank till the relevant claim is settled /paid. If any right to set off is to be exercised for any other claim, Bank would give due notice with full particulars about the other claims and retain the securities/documents/title to mortgage property till the relevant claim is settled/paid. 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 **"The Bank would pay the compensation for delay in return of securities/ documents/ title deeds to the mortgaged property beyond 15 days of repayment of all dues agreed to or contracted ,subject to above conditions,@Rs.100/-per day subject to maximum Rs.5000/- to the borrower."**

**14. Delay in disbursement of revised pension and arrears:**

All the pensioners are compensated for the delayed period, if delay is on the part of the bank, beyond the due date at a fixed interest rate of 8%. Compensation shall be credited automatically without any claim from the pensioner on the same day when the bank affords the credit.

**15. Delay in Payment of interest for delays in credit / Return of RTGS / NEFT / NECS / ECS transactions:**

The Bank will pay interest to its customers on account of delay in credit /Return of RTGS/NEFT/NECS/ECS transactions. The interest will be paid at prevailing RBI LAF Repo Rate plus two percent from the due date of credit till the date of actual credit for any delayed credit to the beneficiaries account even if no claim is lodged.

**16. The RBI vide its communication No.DBOD.No.Leg.6094/09.07.007/2007-08 dated November 19, 2007 has further directed to incorporate the following para in the Bank's Compensation Policy which is delineated as under:**

**"Reversal of Erroneous Debits arising on Fraudulent or other transactions"**

i) In those cases of frauds/unauthorized acts committed by the staff, where Bank is convinced about the connivance of staff, Bank may acknowledge its liability towards the customer and pay the amount without waiting for the outcome of the departmental

Inquiry/Police investigation.

The Competent authority to accord necessary approval in such cases shall be the Board of Directors. As such the prescribed procedure of reporting the fraud in the prescribed formats by the regional Offices shall remain the same. The Head Office shall examine the matter recommend to the Board on merits of each case for compensating the customer as per the guidelines above. If the approval is obtained the same shall be advised to the concerned Regional Office/Branch.

ii) **In cases where the branch is at fault**, they may compensate the customer without demur- The powers for approving Compensation of Financial Loss on this score may continue at the under noted level as approved by the Board vide Item No. D-2 dated 17.03.2007, as under

Designated authorities and Powers for approving/granting Compensation of financial Loss:

Functionaries	Amount
Board of Directors(after examination by GM Committee & recommended by ED/MD&CEO)	<b>Above Rs. 10 Lacs</b>
MD& CEO(after examination by GM Committee & recommended by ED	<b>Above Rs. 7.5 Lacs and up to RS. 10 Lacs</b>
ED (After examination by GM committee)	<b>Above Rs. 5 Lacs and Up to Rs. 7.5 Lacs</b>
GM Committee (comprising of GM (I&C),GM CS&P),GM (IBD) and GM(Risk Management)- Quorum- Any 3 GMs.	<b>Up to Rs. 5 Lacs</b>

iii) In cases where neither the Bank nor the customer is at fault, but the fault lies elsewhere in the system, the Bank will compensate the customers upto a limit of 25% of the loss incurred by the customer subject to a ceiling of Rs 25,000/-

In cases where neither the Bank nor the customer is at fault but the fault lies elsewhere in the system, the competent Authority to approve the compensation on the basis of amount involved shall be as under:

S.N	Limit for payment of compensation	Competent Authority
1	Upto Rs 25,000/	General Manager Committee (comprising GM(I&C),GM (CS&P),GM (IBD) and GM (Risk Management) - Quorum- Any 3 GMs.

**17. Customers' Responsibility:**

Bank will not be responsible for the loss to the customers due to customer's carelessness in keeping the Cheque book, passbook, cards, PIN or other security information and not following Do's and Don'ts issued by Bank, until the Bank has been notified by the customer.

Bank will not be responsible for the loss to the customer, if the customer acts fraudulently and/or acts without reasonable care which has resulted into loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords/secured or confidential information, until the time the Bank has been notified and has taken steps to prevent misuse.

**18. Wealth Management Products:**

Bank is a corporate Agent and distributor of Insurance and Mutual Fund products respectively. For any deficiencies in services bank will assist customers to raise their grievances with the tie-up partners.

For any deficiencies in services at bank level raised by customer, the issue will be examined by the bank and if the lapse on the part of the bank is confirmed (mis-selling) customer will be compensated as per the provisions of this policy.

**19. Disclaimer Clause:**

Notwithstanding anything contained hereinabove, the Bank shall not pay any compensation in the following cases:-

- i) Any deficiency in regard to loans and advances activities of the Bank.
- ii) Dishonor of at par payment agreement with other banks, due to non-funding and security compliance.
- iii) Delays on account of non-functioning of business due to factors beyond the control of the bank the period covered by such events shall be omitted for calculation of delay etc.
- iv) Where the issues are sub-judice and pending before Courts, Ombudsman, Arbitrator, Government and matter put on hold due to stay.

**20. Amendment/Modification of the Policy:**

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. However, the Bank shall endeavour to review the policy at annual intervals.