



THE ZOROASTRIAN CO-OPERATIVE BANK LTD.

CUSTOMERS COMPENSATION POLICY
2019-2020

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CUSTOMER COMPENSATION POLICY**(FY 2019-20)****I. PREAMBLE:**

Zoroastrian Bank aims to offer high level of services to all its customers at all times. However, for reasons beyond the control of the Bank or inadvertently, if the Bank is unable to meet the service level to any of the customers, the interest of the customers has to be safeguarded. Accordingly, the Bank has formed the Customer Compensation Policy to mitigate such deficiencies in the customer service.

II. OBJECTIVE:

The objectives of this Policy is to establish a system whereby the Bank compensates the customer for any financial loss he/she might incur due to deficiency in services 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 to minimize instances when the customer has to approach the Banking Ombudsman or any other forum for redressal of their grievances.

III. VALIDITY:

The Customer Compensation Policy will be valid for Financial Year 2019-20. The Policy will be reviewed each year and modifications, if any, based on the directives and other guidelines issued by RBI or any other related authority would be incorporated in the Policy.

IV. APPLICABILITY:

This Customer Compensation Policy will be applicable to all the customers banking with or availing the services of the Bank. The Policy will also be applicable to all the staff at all the branches /Departments handling banking transactions and related activities.

V. SCOPE:

- The Policy is designed to cover deficiencies in services in 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, card related transactions, Safe Deposit Lockers, etc.

- The Policy is based on the principles of transparency and fairness in the service to customers.
- The Policy covers only compensation for financial losses in real terms for specific value which the customer might incur due to deficiency in the services offered by the Bank and which can be measured directly.

Thus the commitments under this Policy are without prejudice to any right of the Bank to defend its position before any Court of Law or any forum duly constituted to adjudicate banker-customer disputes. The Policy does not cover and is not applicable in respect of claims made by the customer on account of opportunity losses or damages or claims pertaining to reputation loss.

VI. KEY ELEMENTS COVERED UNDER THE POLICY

The Policy Document covers the following aspects:

- i. Unauthorized / Erroneous Debits
- ii. Reversal of erroneous debits arising on account of fraudulent transactions
- iii. ECS direct debits / Standing Instructions / other debits to accounts.
- iv. Debits towards Service Charges
- v. Changes in Terms and Conditions
- vi. Payment of Cheques after Stop Payment Instructions
- vii. Delay in clearance of Local Cheques
- viii. Delay in credit/return of NEFT / NECS/ECS transactions
- ix. Settlement of ATM failed transactions
- x. Debit Card transactions
- xi. Liability of a Customer
- xii. Return of all securities / documents / title deeds of mortgaged Property and delay in satisfaction of the charge
- xiii. Foreign Exchange Services
- xiv. Remittance in India/ Collection of cheques payable in India
- xv. Issuance of Duplicate Demand Draft
- xvi. Violation of the Code by the Bank's agents

i. Unauthorized / Erroneous Debit

- If the Bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being detected, with proper value date after verifying the position.
- If such debit has resulted in a financial loss to 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 to that extent.
- 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 i.e. Refund of Cheque Return Charges plus an amount equivalent to interest calculated on the unauthorized erroneously debited amount at applicable savings rate. The customer should approach the Bank within a maximum period of 7 days 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 will arrange to complete the process of verification within a maximum period of 7 working days from the date of reporting of the erroneous debit. In case, the verification involves a third party, the Bank will complete the verification process within a maximum period of one month from the date of reporting of the erroneous transaction by the customer.

ii. Reversal of erroneous debits arising on account of fraudulent transactions:

- In case of any fraud, if the Bank establishes the fact that an irregularity/fraud has been committed by its staff towards any constituent it will acknowledge its liability and will restore the amount and also pay compensation to the customer within one month of the detection of the fraud
- In cases where neither the Bank nor the customer is at fault, but the fault lies elsewhere in the system and the customer, by providing proper supporting documents establishes that a loss has been incurred, the Bank will restore the erroneously debited amount and will compensate the customer.

The compensation to be paid to the customer is exhaustively covered under **Point No. xi. – Liability of a Customer.**

iii. ECS direct debits / Standing Instructions/other debits to accounts

The Bank will undertake to carry out direct debit / ECS debits / Standing Instructions of customers within the prescribed time subject to the following:

- Customer having already provided valid and complete mandate to accept any debit received through ECS.
- Customer having already submitted a mandate for Standing Instructions
- Direct Debit / ECS received is complete and correct.
- 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 or delayed compliance, 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 will 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 on the amount to be debited. The Bank will 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** – Bank shall compensate the customer to the extent of the financial loss not exceeding Rs.100/- per occasion 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 be refunded.
- In the event the Bank fails to meet such commitments, the customer will be compensated to the extent of any financial loss the customer has incurred or would incur on account of delay in carrying out the instruction/failure to carry out the instructions.
- In case the customer has not kept adequate balance at the time of the transaction due to which the transaction has been rejected, any credits brought into the account subsequent to rejection of the transaction will not be counted for judging the loss and resultant compensation.

iv. 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 and displayed on the Bank's website. In the event the Bank levies any charge in violation of the arrangement, the Bank will reverse the charges within 7 days of being pointed out by the customer, subject to scrutiny of the agreed terms and conditions. Any consequential financial loss by way of loss of savings bank interest on account 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 or any charges levied for the balance falling below the minimum balance requirement or any charges levied for return of cheques due to shortfall in balance, will also be compensated to the customer.

v. Changes in Terms and Conditions:

Changes in the terms and conditions will be communicated to the customers. If any change is made in the fees/charges without any notice then the customers would be given 30 days to accept the change and if such change is to the disadvantage of the customer then the customer may within 60 days and without notice close the account and switch over without having to pay any extra charges or interest.

vi. Payment of Cheques after Stop Payment Instructions:

The instructions for Stop Payment will be accepted at the Home Branch. In case a cheque has been paid after a stop payment instruction is acknowledged by the Bank, the Bank shall reverse the transaction and give value-dated credit to protect the interests of the customer.

Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank. In such cases the Bank shall compensate the customer to the extent of direct financial loss, if any, by way of loss of savings account interest on account of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest in a loan account or any charges levied for reason of balance falling below minimum balance requirement or any charges levied for return of cheques due to shortfall in balance.

vii. Delay in Clearance of Local Cheques:

The schedule of timings for daily cheque collection is displayed within the branches. If the cheque has been deposited as per the scheduled timings and yet there is a delay in realization of local cheque on account of error, negligence or fraud on the part of an employee of the Bank or any other fault in the Bank's internal systems, compensation at savings bank interest rate shall be paid to the customer for the corresponding period of delay. If the cheque is meant for credit to a CC/OD/Loan account, the interest charged by the bank in the CC/OD/Loan account for the delayed period will be compensated.

viii. Delay in credit/return of NEFT/NECS/ECS transactions

- **NECS / ECS-Credit**

- The 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.

- **NEFT**

- In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the Bank in the completion of funds transfer pursuant to receipt of payment instruction leading to delayed payment to the beneficiary, the Bank shall pay compensation at current RBI LAF (Liquidity Adjustment Facility) 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 Bank shall refund the amount together with interest at the current RBI LAF Repo Rate plus two per cent till the date of refund.
- 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 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.

- 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 reason 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.

ix. Settlement of ATM failed transactions:

The time limit for resolution of customer complaints for settlement of charge back raised by the issuer banks has been fixed to 7 working days from the date of receipt of the customer complaint. If the Bank fails to re-credit the customer's account within 7 working days of receipt of the complaint, then the issuing Bank would be liable for payment of compensation to the customer if the branch has failed to establish the proof of payment/disbursement by the ATM. The compensation to be paid to the customer is exhaustively covered under **Point No. xi. – Liability of a Customer.**

x. Debit Card Transactions:

In cases where a customer writes to the Bank within 24 hours from the occurrence of erroneous debits to his account due to skimming, duplication and phishing of his debit card and where neither the Bank is at fault, nor the customer is at fault but the fault lies elsewhere in the system, the Bank, after proper investigation and proper verification of the documents, will compensate the customer to a maximum amount of Rs.25,000/-.

xi. Liability of a Customer

(a) Zero Liability of a Customer

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

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

(b) Limited Liability of a Customer

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

- (i) In cases where the loss is due to negligence by a customer, such as where he 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.
- (ii) 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 the customer notifies the bank of such a transaction within four to seven working days of receiving a communication of the transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.

Table 1

Maximum Liability of a Customer is as under:

Type of Account	Maximum liability (Rs.)
BSBD Accounts	5,000
All other SB accounts	10000
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 upto Rs. 5 lakh	10,000
All other Current/Cash Credit/Overdraft Accounts	25,000

Further, if the delay in reporting is beyond seven working days , the customer liability shall be Rs 25000/-. The Bank shall provide the details of customers' liability at the time of opening the accounts. The Bank shall also display the approved policy in public domain for wider dissemination.

The Bank shall also inform customers individually about the Bank's policy.

Overall liability of the customer in third party breaches, as detailed in, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarised in the below mentioned table.

Table 2

Summary of Customer's Liability is as under:

Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's liability (Rs)
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	Rs 25,000/-

The number of working days mentioned in Table 2 shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

On being notified by the customer, the bank shall credit the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). The credit shall be value dated to be as of the date of the unauthorised transaction. The Bank may at its discretion decide to waive off any customer liability in case of unauthorised electronic banking transactions even in cases of customer negligence with the approval of the Board of Directors.

Further, the Bank will ensure that:

- i. a complaint is resolved and liability of the customer, if any, established and the customer is compensated within such time as may be specified in the Bank's Board approved policy, but not exceeding 90 days from the date of receipt of the complaint;
- ii. where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed above is paid immediately to the customer; and

- iii. in case of debit card/Bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

The burden of proving customer liability in case of unauthorised electronic banking transactions shall lie on the Bank.

The instructions on Customer Liability shall be incorporated in the policy, and the policy will be prominently displayed at branches.

The Bank shall report cases of unauthorized electronic banking transactions to the Board of Directors or one of its Committees. The reporting shall, inter alia, include volume/number of cases and the aggregate value involved and distribution across various categories of cases viz., card present transactions, card not present transactions, internet banking, mobile banking, ATM transactions, etc.

The Board shall periodically review the unauthorised electronic banking transactions reported by customers or otherwise, as also the action taken thereon, the functioning of the grievance redressal mechanism and take appropriate measures to improve the systems and procedures. All such transactions shall be reviewed by the Bank's Internal Auditors.

xii. Return of all securities / documents / title deeds of mortgaged property:

- The Bank will return all the securities / documents / title deeds of the mortgaged property within 15 days of the repayment of all dues agreed to or contracted. If any right to set off is to be exercised for any other claim, the Bank will give due notice
- with full particulars about the other claims and retain the securities / documents / title to mortgaged property till the relevant claim is settled / paid.
- In case of any failure to comply with these and if it is directly attributable to the Bank, the Bank will compensate the customer to the extent of the financial loss not exceeding Rs. 100.00 per day subject to a maximum payment of Rs.1000/-
- In the event of loss of title deeds of the mortgaged property at the hands of the Bank, the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum amount @ of Rs. 100 per day subject to a maximum payment of Rs.1000/-. In all such cases Bank will also extend all assistance for obtaining duplicate documents.

- The Bank will also satisfy/facilitate satisfying any charge on any of the asset/s of the customer registered with statutory authorities like ROC, ROA, CERSAI, etc. within 30 days. In case of failure to do so, the Bank will compensate the customer with all penalties, additional costs and out of pocket expenses which may be incurred for delayed satisfaction of the charge.

xiii. Foreign Exchange Services:

- The Bank will not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the Bank will not be able to ensure timely credit from the overseas banks. The time for collection of instruments drawn on banks in foreign countries differs 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. The Bank however, will consider upfront credit against such instruments by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past and to the extent it has been permitted by the regulator.
- However, the Bank will compensate the customer for undue delays in affording credit once the proceeds are credited to the Nostro Account of the Bank with its correspondent. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account/due date after taking into account normal cooling period stipulated.
- The delays would be construed if the customer's account is not credited within 7 working days, excluding Saturday from the date of clear credit to the Bank's Nostro account i.e. after taking into account the prescribed cooling period for that currency with the correspondent.
- The compensation on account of delays in collection of instruments (if the period of delay is beyond prescribed collection period) in foreign currency would be paid as follows:-
 - In Indian rupee, at Savings Bank rate and
 - Compensation for any possible loss on account of adverse movement in foreign exchange rate.

xiv. Remittance in India/Collection of cheques payable in India:

The compensation and/or on interest payable on account of delays in collection of instruments, Cheques/Instruments lost in transit/in clearing process will be as indare elaborated in the Bank's Cheque Collection Policy.

xv. Issuance of Duplicate Demand Draft

The Bank will issue duplicate demand drafts in lieu of a lost demand draft, on the basis of a request from the purchaser, indemnity and confirmation from the beneficiary. The issuance of such duplicate drafts will be within a fortnight of the receipt of the necessary documents at the branch.

For any delay caused by the Bank in issuing a duplicate draft beyond the above stipulated period, the Bank will pay interest at the rate applicable for a fixed deposit of corresponding maturity in order to compensate the customer for such a delay.

xvi. Violations of the Code by the Bank's Agents:

In the event of receipt of any complaint from the customer that the Bank's representatives / couriers or DSAs have 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 shall take appropriate steps to investigate and redress the complaint and endeavor to communicate to the customers within 7 working days from the date of receipt of the complaint and where justified, may compensate the customer suitably for financial loss if any as decided by the Bank, subject to the customer providing proper supporting documents for having incurred the loss.

VII. Disclaimer

The Bank shall not be liable to compensate customers under this Policy if some unforeseen event including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the Bank's or its correspondent bank(s) systems, communication channels etc, beyond the control of the Bank, prevents it from performing its obligations within the specified service delivery parameters.

VIII. Customers' Responsibility

The 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. The Bank will also not be responsible for the losses arising out of misuse of lost PIN, Cheque book, passbook, compromise of passwords/secure or confidential information, suffered by the customer until the time the Bank has been notified and has taken steps to prevent misuse.

IX. Conclusion

This Policy is based on the RBI directives issued from time to time and holds good for the Financial Year 2019-20. It explicitly covers compensation for financial losses which customers might incur due to deficiency in the services offered by the Bank. The Bank will have the right in defending its position before any forum duly constituted to adjudicate banker-customer disputes.