



बैंक ऑफ बड़ौदा *Bank of Baroda*

COMPENSATION

POLICY

Approved by the Board Agenda Item No. O-6 Dated 22.12.2017

Operations & Services
Head Office
Baroda



COMPENSATION POLICY

Introduction

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 technology infrastructure. Earlier instructions issued by RBI regarding immediate credit of local /outstation cheques, time frame for collection of local/outstation instruments and interest payment for delayed collection have been withdrawn by with effect from 1st November 2004 leaving it to the individual banks to formulate policies in this regard taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents. A Compensation policy of the bank was 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., is based on principles of transparency and fairness in the treatment of customers.

Objective

The objective 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 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.

Framework

The policy covers only compensation for financial losses which customers might incur due to deficiency in the services offered by the bank which can be measured directly and as such the commitments under this 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.

Various kinds of financial losses are outlined below:

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 wrongful return of a cheque or failure to entertain direct debit instructions, arising due to insufficient balance on account of 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.

Erroneous transaction reported by the customers in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by card association.

However, the Bank will ensure that wrong bills are not raised and issued to customers. In case, a customer protests any bill, the bank will provide explanation and, if necessary, documentary evidence to the customer within a maximum period of sixty days with a spirit to amicably redress the grievances.

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.

Where it is established that the bank had issued and activated a credit card without written consent of the recipient, the bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of charges reversed.

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.

Now if the cheque is returned due to financial reasons if sufficient balance is available; the customer will be compensated as provided under Para-1 above.

4. Foreign Exchange Services:

- i. Cheques payable at foreign centres where the bank has branch operations (or banking operations through a subsidiary, etc.) will be collected through that office or through a correspondent bank as per arrangement made by the International Division, Baroda Corporate Centre, Mumbai. The services of correspondent banks will be utilized in country/centres where the correspondent has presence. Cheques drawn on foreign banks at centres where the bank or its correspondents do not have direct presence will be sent direct to the drawee bank with instructions to credit proceeds to the respective Nostro Account of the bank maintained with one of the correspondent banks or with our own overseas branches/subsidiaries. The Bank will endeavour to provide the credit to its Customers at the earliest depending upon realization received from the paying/correspondent bank and cooling period prescribed for various countries. However, the maximum period for affording credit for cheques payable in foreign countries will be 25 working days or one calendar month whichever is higher.

However, the bank may consider providing upfront credit by purchasing the instrument, if the conduct of the account has been satisfactory in the past, for a charge at its sole discretion.

- ii. The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the bank would not be able to ensure timely credit from overseas banks. It is the bank's experience that 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. The time norms for return of instruments cleared provisionally also vary from country to country.
- iii. However, the bank will compensate the customer for undue delays in affording credit once 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.
- iv. **Payment of Interest for delayed Collection of Cheques sent for collection to foreign countries.**

In case of collection of instruments sent for collection to foreign countries the effect of credit in Customer's account is given from the date of credit to Nostro account. In exceptional cases, where there is delay in giving credit, interest is given at the Savings Bank rate.



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Compensation by way of additional interest will be paid to the customer for delay in collection beyond the declared collection period as per the bank's policy, without the customer requesting for the same and such interest will be on "step-up basis" for the period of delay.

Interest for delayed collections beyond the declared period will be payable at the following rates.

2% over applicable savings Bank rate of interest for the period of delay.

The time norms for collection and return of the instruments varies from country to country and place to place within the country where a 'cooling period' is prescribed which is as under:

- On New York, USA 6 working days
- On other centres in the USA is 15 working days
- On London, UK is **For SB- 4 working days**
- **For CA-6 working days**
- On other centres in UK is 15 working days
- On Brussels one month.

The customer will also be compensated for the loss on account of adverse movement of exchange rate i.e. loss due to exchange rate difference, if any, between the actual exchange rate at which foreign currency is converted into Indian Rupees and the exchange rate as on the latest due date of payment ***in case of delay beyond prescribed time.***

5. Collection Services in India:

The compensation on account of delays in collection of instruments would be as indicated in the bank's collection policy which is reproduced below for information:

Collection of local cheques:

All cheques and other Negotiable Instruments payable locally would be presented through the clearing system prevailing at the centre. Cheques deposited at branch counters and in cheque drop boxes before the specified cut-off time will be presented for clearing on the same day. Cheques deposited after the cut-off time in cheque drop boxes within and outside the branch premises including off-site ATMs will be presented in the next clearing cycle. As a policy, bank would give credit to the customer account on the day clearing settlement takes place. Withdrawal of amounts so credited would be permitted as per the cheque return schedule of the clearinghouse at the centre. Wherever applicable, facility of high-value clearing will be extended to customers.



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Wherever CTS Clearing has been implemented cheques will be credited as per clearing settlement at CTS centres.

The respective branches will display the cut-off time for receipt of cheques to be sent in clearing on the same day in their premises. The cut-off time for collection of cheque from drop boxes installed at off-site ATM will be displayed on the face of the drop boxes. Accordingly, cut-off time for receipt of high value clearing and receipt of cheque for payment to Government account like Income Tax etc., will also be displayed in the branches.

The Bank branches situated at centres where no clearing house exists, would present local cheques on drawee banks across the counter and it would be the bank's endeavour to credit the proceeds at the earliest.

Local cheques drawn on our branches received during the business **hours** will be credited in the customers account on the same day.

Local cheques drawn on local branches of other banks whether under CTS clearing mechanism or otherwise will be credited as per rules of local clearing house.

Local cheques drawn on local branches of other banks where clearing house does not function will be subject to cheque collection rules.

Payment of interest for delayed collection of Local Cheques:

As per the Compensation policy of bank, Bank will pay interest to its customer on the amount of collection of local cheques at the Savings bank interest rate in case there is delay in giving credit beyond the time frame for collection of local cheques as given above.

Interest will be paid for the period of delay excluding normal collection period if the amount of interest is Rs.1 or above.

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) Interest will be paid at Savings Bank rate for the period of delay beyond the stipulated period for collection.



Time frame for collection –

- Four major Metro centres (New Delhi, Mumbai, Kolkata & Chennai) – Maximum -7- days.
 - Other Metro centres and State Capitals (other than those of North Eastern States & Sikkim) - Maximum -10- days.
 - All other centres : Maximum -14- days
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the corresponding / respective period or **Savings Bank rate, whichever is higher.**
- 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 were 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.
- e) Bank will pay interest to its customer at Savings bank rate for the delay in realization/ non-credit of cheques deposited for collection / clearing, wrongful dishonour of cheques on account of mistake on part of the bank.

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

The bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection by the customer is also incorporated in our collection policy. The same is extracted below for information:

“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 dishonoured 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.

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 charges incurred for making stop payment of the lost cheque by the customer with the Paying Bank will be compensated by the Bank.
- d) 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.

6. 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 the rate of 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.

7. Issue of Duplicate Draft and Compensation for delays

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed deposit of Corresponding period will be paid as compensation to the customer for such delay.

8. Violation of the Code by banks agent

In the event of receipt of any complaint from the customer that the bank's representative / courier or DSA is 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 is committed to investigate the matter and endeavor to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified, compensate the customer for financial loss, if any, as contemplated under this policy.

9. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonour of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that 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 non payment / delayed payment of cheques in the absence of adequate funding arrangement.

10. Delay in returning of Security Documents:

The bank has adopted the principles of lenders of liability. In terms of the 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 mortgaged property within 15 days of repayment of all dues agreed to or contracted. The bank will compensate the borrower for monetary loss suffered, if any due to delay in return of the same. In the event of loss of title deeds to mortgage 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.

11. 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, lockout, strike 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.

12. ATM Failure:

Bank would reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of **7 working days from the date of receipt of the complaint**. For any failure to re-credit the customer's account within **7 working days** from the date of receipt of the complaint, bank shall pay compensation of Rs.100/- per day to the aggrieved customer. **The compensation will be paid from the eighth day till re-credit of the amount**. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transactions.

Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within 30 days of the date of transaction. For claim lodged after 30 days no compensation will be paid.

In case our customer (card holder) uses other Bank's ATM and does not get cash, and his/her account is debited the customer is required to register a complaint in a specified Complaint Form, giving the complete details of transaction to the base/**nearest branch**. **The customer can also call**



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Contact Centre and provide all necessary details to enable call centre to lodge formal complaints on behalf of the customer. Branch in turn will register complaint with respective department (Reconciliation & CRM Cell, BOB Jogeshwari), who will raise the Chargeback / claim with the Acquiring / concerned bank whose ATM is used by our customer. In reply, following feedback is expected from Acquiring Bank:

- a. If the transactions is failed : Acquirer Bank will accept the Chargeback within 10 days (after initiation of chargeback) and amount received will be credited in customer's account directly.
- b. If the transactions is successful: Electronic Journal / Journal Print of transaction as a proof will be received (within 10 days, after initiation of chargeback) from Acquiring Bank, stating transaction as successful, which will be sent to Branch with a covering letter (as a proof of successful transaction to customer) from Bank's respective Recon / CRM Cell.”

In case of BobCard and other Bank's ATM, TAT will remain 7 days. Compensation be accordingly decided.

Compensation for loss arising out of POS transaction /M-Connect/Mobile Wallet/BHIM –BOB will be decided on examining case to case basis by concerned vertical head.

13. 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 functional head and based on circumstantial evidence and finding lapse on the Bank's part, customer will be compensated accordingly.

Product and services will be sold as per Bank's/IBA/RBI/GOI norms and offered in accordance with customer's risk appetite.

14. Periodicity of Review of the Policy:

The policy will be effective for two years i.e. upto 31.12.2019 Any directive/ guidelines issued by RBI in this regard shall automatically be part of this policy, during the currency of this policy. The MD & CEO may allow continuation of the policy for a maximum period of six months from due date of review, in case the policy cannot be reviewed on or before due date.
