



Ujjivan Small Finance Bank

Customer Compensation Policy

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2.0	30/04/2018	Suresha C	1) Addendum: Limiting Liability of Customers in Unauthorised Electronic Banking Transactions 2) Annual review of the policy in line with the extant RBI guidelines

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1. Introduction

Ujjivan Small Finance Bank (USFB or the Bank) believes in fair treatment of its customers and providing responsible finance to the lesser served sections of the society. The Bank promotes ethical behaviour based on the principles of integrity and transparency by staff towards its customers. The Bank seeks to offer its customers quality services and shall endeavour to ensure that the customers do not face any challenges while utilizing any products or services.

In case of any customer grievances, the customer shall be free to voice his/ her grievances through the Grievance Redressal machinery as documented in the Customer Grievance Redressal Policy of the Bank. This policy seeks to document the principles on which customers will be compensated for any defect/ deficiency in products/ services.

2. Objectives of the Policy

The prime objective of this policy document is to establish a system whereby the Bank shall compensate the customer due to defect/ deficiency in products/ services on the part of the Bank or for any act of omission or commission, directly attributable to the Bank and its employees.

The key objectives of the Customer Compensation Policy are to:

- Put in place a central document in which compensation under other policies are covered
- Lay down a framework for compensating customers in different types of scenarios without demur, which is in line with the regulatory requirements
- Ensure that the Bank employees at all levels are aware of the policy of the Bank in this regard, so that dealings with the customer is uniform across geography and types of customers and is based on transparent standards/procedures.
- Increase the customer satisfaction levels by compensating the customer suo moto, thereby reducing the number of customer complaints, Banking Ombudsman awards, etc.
- Communicate the policy clearly to the customer that the Bank shall be liable only to the extent of direct financial loss suffered by the customer and the timelines within which the customer shall be compensated

This policy document shall include the compensation relating to the following:

- 1) Erroneous Debits arising on fraudulent or other transactions, which are under direct control of the Bank, through any channel
- 2) ECS direct debits/ other debits to accounts
- 3) Payment of cheques after issuance of 'Stop Payment' instruction
- 4) Payment of interest for delays in cheque collection
- 5) Cheques/ Instruments lost in transit/ in clearing process or at branch
- 6) Payment of interest for delay in issue of duplicate draft
- 7) Delay in crediting failed ATM transactions, the Bank has been mandated to resolve customer complaints by re-crediting the customer's account within 7 working days from the date of complaint.
- 8) Delay in affording credits and/ or return of transactions i.e NEFT to be credited within 2 hours and re-credit in case of failed transaction within 1 hour
- 9) Force Majeure
- 10) Other unauthorised actions of the Bank leading to a financial loss to customer
 - a. Delay in release of securities/ documents/ title deeds
 - b. Mis-selling of third party products
 - c. Timelines for payment of compensation amount
 - d. Violations of Code of Commitment to Customer by the Bank's agents

3. Applicability of the Policy

The policy will be applicable to all the staff, whether or not customer facing. The policy shall cover all customers of the Bank irrespective of the product/ service they may have availed of. The policy document shall cover the details of the procedure the employees at the Bank need to follow when compensation is to be paid in respect of any complaint. The policy will also apply to Business Correspondents (BCs)/ Agents and shall be applicable in respect of all customers catered to by branches or by BCs/ Agents of the Bank. The policy will cover all the products and services offered by the Bank including third party products distributed by the Bank.

It is reiterated that the policy covers only compensation for financial losses in real terms for specific value 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 the Bank's rights in defending its position before any Court of Law, Tribunal or any other forum duly constituted to adjudicate banker-customer disputes and does not constitute admission of liability or any other issue, of any nature whatsoever for the purposes of adjudicatory proceedings. The policy does not cover and is not applicable in respect of claims made by customers on account of opportunity losses or damages or claims pertaining to reputation loss.

4. Governance Structure

In line with RBI guidelines, the Bank will have grievance redressal mechanism at three levels i.e. the Board, Senior Management and Branches which has been elaborated in the Bank's Customer Grievance Redressal Policy. The Customer Service Committee at the Board level shall assess and review the overall implementation of customer service policies and initiatives. The Standing Committee on Customer Service at Senior Management level shall serve as a micro level executive committee for driving the implementation of customer service policies and initiatives and shall act as a bridge between the various units of the Bank and Customer Service Committee of the Board. The Branch Level Customer Service Committee shall act as a formal channel of communication between the customers and the Bank at the branch level.

The customer may approach the Branch's Customer Care Representative (CCR) or Branch Operations Officer or Branch Manager about the dissatisfaction or defect/ deficiency in the products/ services that is being utilized. Alternatively, the customer may highlight his grievances through the customer care helpline, letter or through email to designated nodal officers of the Bank. If customer is not satisfied with solution provided by Bank for his/ her complaint, or no response is received from the Bank, the customer may also point out the defects/ deficiencies in products/ services through external channels such as the Banking Ombudsman (BO), Banking Code and Centralized Public Grievance Redressal and Monitoring Systems (CPGRAMS).

The customer complaints shall be dealt with as per the procedure outlined in the Customer Grievance Redressal Policy. Upon investigation of the complaint, if the customer has been found to be unfairly treated or has been subject to any unauthorized actions of the Bank staff or his account has been debited wrongly (as detailed in paragraph 5 below), the customer shall be compensated in line with the principles as laid down in this policy.

The detailed responsibilities of each of the aforesaid Committees with respect to customer compensation are elaborated as under:

4.1 Customer Service Committee of the Board

While the constitution and detailed responsibilities of the Committee are documented in the Customer Grievance Redressal Policy, the responsibilities of the Committee with respect to customer compensation are as under:

- Take regular inputs on the numbers of cases in which customer compensation was given, the amount of such compensation and service delivery from the Standing Committees on Customer Service, which in turn shall obtain inputs from Branch Level Customer Service Committees and give suitable recommendations on key areas of improvement.
- Review and approve 'delegation of authority matrix' for approving customer compensation
- Review product approval process with respect to suitability and appropriateness for the customers
- Review the audit findings on quarterly basis of the services rendered to the customers and correlate it with the number of cases where customer compensation was paid

- Review results of annual survey of customer satisfaction and provide improvements in quality of customer service
- Review Banking Ombudsman (BO) awards on a periodic basis, address systemic deficiencies brought out by these awards and report cases with delayed implementation of more than 3 months to the Board with reasons for delay to facilitate necessary remedial action on priority
- Review, on a quarterly basis, the position of the complaints against the Bank with the BO offices/ Consumer Courts/ Courts and analyse the reasons for these complaints not getting resolved by the Bank itself

4.2 Standing Committee on Customer Service

The primary responsibilities of the Committee with respect to customer compensation shall be as under:

- Study the trends of customer complaints in which customer compensation is paid/rejected by the Bank with justification for rejection and suggest corrective action plan for the identified issues
- Review existing practices and procedures which may lead to frequent customer complaints and then result into customer compensation and initiate necessary corrective action on an ongoing basis to improve these procedures
- Submit a report on the areas reviewed, procedures/ practices identified and simplified and trends of cases where customer compensation is being paid, to the Customer Service Committee of the Board on a periodic basis
- Examine the quarterly reports submitted by the Branch Level Customer Service Committees, analyse the trend of customer complaints and those where compensation is paid, and provide relevant feedback to the Customer Service Committee of the Board.

4.3 Branch Level Customer Service Committees

The Branch Level Customer Service Committee will be responsible for strengthening of customer service at branch level through interaction with diverse set of customers. It may also submit quarterly reports giving inputs/ suggestions to the Standing Committee on Customer Service thus enabling the Standing Committee to examine them and provide relevant feedback to the Customer Service Committee of the Board for necessary policy/ procedural action so that the instances of compensation do not recur or reduce in volume and amount. The Committee shall meet at least once in a month.

4.4 Grievance Redressal Division & Principal Nodal Officer

The Bank shall form a Grievance Redressal Division (GRD) as a part of its Service Quality team at its Head Office to oversee the implementation of the customer complaint handling mechanism for the entire bank. This cell shall be headed by a Principal Nodal Officer (PNO) (not below the rank of GM or equivalent) who shall review on monthly basis the cases where customer compensation was initiated/ rejected in case of no compensation. The PNO shall identify and study trends and report it to the Standing Committee on Customer Service and shall provide appropriate direction to the Regional Nodal Officers (Regional Manager – Service Quality) at every Region.

5. Recognition of deficiency and compensation

5.1 Erroneous debits arising on fraudulent or other transactions, which are under direct control of the Bank, through any channel

- In case of any fraudulent encashment/ debit, the Bank shall compensate its customer without demur if it is evident that an irregularity/ fraud had been committed by its staff towards the customer. The amount of compensation shall be the amount of debit with the direct financial loss to the customer.

*Direct Financial loss includes the following: savings bank interest, levy of interest in a loan account or levy of charges on account of non-maintenance of balance or dishonour of cheques/ ECS/ NEFT due to insufficient balance on account of such debit.

- In cases where it is established through process of court or sufficient documentary records that the Bank is at fault, the Bank would compensate the customer appropriately.
- In cases where neither the Bank nor the customer is at fault, depending on the facts of the case and on case to case basis the Bank shall compensate up to 5% of the direct financial loss suffered by the customer subject to a maximum of Rs.5000 within 15 days from the date of reporting of the erroneous debit.
- In case if the verification of the erroneous entry does not require verification from a third party, the Bank shall arrange the verification of the entry within 7 working days from the date of reporting the erroneous debit. However, if the verification involves a third party, the Bank shall ensure completion of the verification process within 1 month from the date of reporting of the erroneous debit.

5.2 Limiting Liability of Customers in Unauthorised Electronic Banking Transactions

A. Zero Liability of a Customer

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

- (i) Contributory fraud/ negligence/ deficiency on the part of the bank.
- (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 unauthorized 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 unauthorized transaction to the bank. Any loss occurring after the reporting of the unauthorized transaction shall be borne by the bank.

(ii) In cases where the responsibility for the unauthorized electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of four to seven working days after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in below table, whichever is lower. The customer will bear the entire loss if the delay in reporting is beyond seven working days.

Type of Account	Maximum liability (₹)
• BSBD Accounts	5,000
• All other SB accounts	10,000
• 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 up to Rs.5 lakh	25,000
• All other Current/ Cash Credit/ Overdraft Accounts	
• Credit cards with limit above Rs.5 lakh	

The bank shall report the instances of customer liability including unauthorized electronic banking transactions to Standing Committee on Customer Service.

5.3 ECS (Electronic Clearing System) direct debits/ other debits to accounts

- If the Bank fails to carry out the direct debit/ ECS instructions of customers, the Bank shall compensate the customer to the extent of direct financial loss as defined above in para 5.1, if any, that the customer shall be subject to on delay/ failure in carrying out the debit instruction.
- If the Bank levies any service charges or other fees which are not as per the tariff schedule, terms and conditions governing the product and/ or the agreement of the Bank with the customer, the Bank shall reverse the charges after verification and compensate the customer to the extent of any direct financial loss to the customer on account of such levy of charges.

5.4 Payment of cheques after 'Stop Payment' instructions

- In case a cheque is cleared after 'Stop Payment' instructions have been received and acknowledged by the Bank, the Bank shall reverse the transaction within 2 working days from the date of reporting by the customer and give value-dated credit to the customer's account. The Bank shall also compensate the customer towards the direct financial loss suffered by the customer on account of such debit.

5.5 Payment of interest for delays in cheque/ instrument collection

- The Bank shall be liable to compensate the customer in case of any delay in local and/ or outstation cheques. The Bank shall compensate the customer without demur, in the form of interest on the amount of the instrument if there is any delay in giving credit beyond the stipulated time period, without any distinction between instruments drawn on the Bank's own branches or on other banks for the purpose of payment of interest on delayed collection. The Bank shall not compensate the customer in case of errors arising on account of the customer.
- The Bank shall pay interest for delayed collection at the following rates:
 - Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
 - Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.
 - 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.
 - 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.

5.6 Cheques/ Instruments lost in transit/ in clearing process or at branch

- If a cheque/ instrument accepted for collection is lost in transit or in clearing process or at the Branch, the Bank shall immediately inform the accountholder so that the drawer can be informed to record stop payment. The Bank shall also request the customer to ensure that other cheques issued by him/her are not dishonoured due to non-credit of the amount of the lost cheques/instrument.
- The Bank shall pay interest for the period exceeding the stipulated collection period (7/ 10/ 14 days) at the rates specified in para 5.4 above. In addition, the Bank shall pay interest on the amount of the cheque for a further period of 15 days at the savings bank rate to provide for likely further delay in obtaining duplicate cheque/ instrument and collection thereof.
- The Bank shall also compensate the accountholder for any direct charges the customer incurs in getting duplicate cheques/ instruments upon production of relevant documentary proof i.e. fee receipt from the Bank or institution from whom the duplicate cheque or instrument is obtained.

5.7 Payment of interest for delay in issue of duplicate draft

- In case of loss of demand draft, the Bank shall issue a duplicate draft, in lieu of lost draft within a fortnight from the receipt of such request. For any delay beyond the stipulated period, the Bank shall pay interest at the rate applicable for fixed deposit of

corresponding maturity as compensation to the customer, provided the request for the duplicate demand draft is made by the purchaser/ beneficiary only. The compensation shall not be available if the draft is endorsed to third parties.

5.8 Delay in affording credit and/ or return transactions

- If the Bank fails to meet the RBI /ACH prescribed timelines i.e NEFT to be credited within 2 hours and re-credit in case of failed transaction within 1 hour with respect to NEFT/ ECS/ ACH transactions, the Bank shall compensate the customer to the extent of penal interest at the RBI LAF Repo Rate plus 2% from the due date of credit till the date of actual credit for any delayed credit to the customer's account. Penal interest shall be credited to the beneficiary's account even if no claim is lodged.
- In case of delay in credit on the same day for RTGS/ IMPS transactions, compensation shall be paid to the customer for one day. 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 by the Bank leading to delayed payment to the customer, the Bank will pay compensation at current RBI LAF Repo Rate plus 2% for the period of delay.
- In the event of delay in return of the funds transfer instruction for any reason whatsoever, the Bank will refund the amount together with interest at the current RBI LAF Repo Rate plus 2% till the date of refund. In case of delay in return of funds on the same day for RTGS/ IMPS transactions, compensation shall be paid to the customer for one day

5.9 Delay in crediting failed ATM transactions

- In case if there is a debit to the customer's account but the cash is not dispensed through the ATM and the account is wrongfully debited, the Bank shall be liable to reverse the transaction within 7 working days from the date of receipt of the customer complaint.
- Further, 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 customer starting from the 8th working day onwards. 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. 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 the transaction.

5.10 Force Majeure

- The Bank shall not be liable to compensate customers for delayed credit if the Bank's or its correspondent bank's facilities are damaged due to unforeseen events (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war), due to which the Bank is not able to perform its obligations within the specified service delivery parameters.

5.11 Other unauthorised actions of the Bank leading to a financial loss to customer

a) Delay in release of securities/ documents/ title deeds

The Bank shall return the original security documents submitted by the borrower within 15 days of repayment of all dues by the borrower, including principal amount, interest, EMI, costs, service charges, and all other amounts due as per the loan agreement.

The Bank shall retain the right to set off for settlement of any other claim, after giving due notice with full particulars about the pending claims and shall retain the securities/ documents/ title to mortgaged property till the relevant claim is settled/paid. In case of delay beyond the stipulated period in returning the title documents to the borrower, the Bank shall pay Rs.100/- per week subject to a maximum payment of Rs.500/-.

b) Mis-selling of third party products

With respect to mis-selling, the Bank shall take appropriate steps to investigate any disputes related to insurance/ investment distribution and ascertain if there were any violations of the Policy on Mis-selling. The Bank shall compensate the customer to the extent of the direct financial loss suffered by him/her on account of the transaction, post ascertaining all the facts and documents available. However, the Bank shall not in any event compensate for any notional losses on account of the transaction.

c) Timelines for payment of compensation amount

If the Bank is liable to pay any compensation under this policy, the same will be paid to the customer within 7 days from the completion of the investigation, the investigation shall be completed within one month from the date of customer complaint.

d) Violations of Code of Commitment to Customer by the Bank's agents

In the event of receipt of any complaint from the customer that the Bank's authorised representatives such as Direct Sales Associates (DSAs), Debt Collection Agencies (DCAs) etc. have engaged in any improper conduct or acted in violation of any Code adopted by the Bank, the Bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for direct financial loss.

6. General

Acceptance of the compensation by the customers under this policy shall be deemed to be final settlement of all issues arising out of grievances for which compensation is claimed.

7. Maintenance of logs / Documentation

The records pertaining to customer complaints shall be maintained for a minimum period of 5 years from the date of resolution. Moreover, timely backup of system data of complaints shall be taken to ensure availability of data at all times.

8. Reporting Requirement

The following matters should be reported to the Customer Service Committee with respect to customer compensation:

- Audit findings on quarterly basis of the services rendered to the customers
- Results of annual survey of customer satisfaction
- Trend analysis of the category of complaints for which compensation is paid/ payable
- Statement of complaints along with an analysis of the complaints
- Position of pending complaints against the Bank with the BO offices/ Consumer Courts/ Courts

The Committee shall report to the Board, on a periodic basis, the following key aspects of customer service:

- Changes required in products/ services/ procedures to avoid payment of compensation
- Instances of mis-selling of products
- Position of complaints against the Bank with BO & Consumer Courts
- Root cause analysis of the top five complaints category for each quarter

The Committee shall present to the Board a detailed memorandum to the Board on a half-yearly basis on the customer care aspects which shall also include the details of the compensation paid during the year and the number of complaints for which compensation was paid.

9. Policy Review and Updates

This Board approved policy will be reviewed as and when required or at least on an annual basis for incorporating changes and regulatory updates, if any, in overall grievance redressal mechanism, to improve customer experience and satisfaction. Bank reserves its right to change or to modify the policy or any of its provisions from time to time.

10. Regulatory References

- RBI Master Circular on Customer Service in Banks dated July 1, 2015
- Indian Banks' Association (IBA) Model Customer Compensation policy
- IBA Model Customers' Rights Policy
- BCSBI Code of Commitment to Customers
- RBI Circular "Customer Protection – Limiting Liability of Customers in Unauthorized Electronic Banking Transactions" dated 6th July 2017.