



North East Small Finance Bank (NESFB)
Compensation Policy

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I. **INTRODUCTION**

North East Small Finance 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. We believe that customer service is an important imperative for sustained business growth and we want to ensure that our customers receive best service across different touch points of the Bank. Prompt and efficient service is essential to retaining existing relationships and customer satisfaction to the Bank.

Reserve Bank of India has also been issuing various instructions/guidelines, from time to time, with a view to improving the level of customer service available to the customers of the banking industry and also to empower the banks to promote efficient service. Accordingly, in order to increase efficiency of operations/better performance and to compensate adequately any customer who faces deficiency in services, the Compensation Policy for the Bank has been formulated.

II. **OBJECTIVE**

The prime objective of this policy document is to establish a system whereby the Bank compensates the customer for the loss or inconvenience due to deficiency in service on the part of the Bank or any act of omission or commission, directly attributable to the Bank.

III. **SCOPE**

- The Policy will be applicable to all banking services to customers of the Bank.
- The Policy is based on principles of transparency and fairness in the treatment of customers. It is designed to cover deficiency in service in areas relating to unauthorized/erroneous debit, non-execution/delayed execution of debit/credit NEFT/NECS/ECS/NACH transactions, issuance of ATM/Debit Cards without written consent of customers, Payment of Cheque after acknowledgement of Stop Payment Instructions/ Non-blocking of lost ATM card after acknowledgement of request for its blocking, delay in collection of local /outstation cheques, loss of cheques/instruments in transit, delay in settlement of disputed ATM transactions, delay in Pension Payment, delay in issuance of duplicate IOI, delay in release of securities after payment of all dues, deduction of TDS after submission of form 15G/15H, delay in release of pension after submission of life certificate etc. as specified in this Policy.
- Grant of compensation under this Policy is 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.

IV. **Recognition of deficiency and compensation**

1. Unauthorized / Erroneous Debit :

- If the Bank has raised an unauthorized/ erroneous debit to an account, the entry shall be reversed with value dated credit to deposit/overdraft/loan account immediately on being detected/informed, after due verification.

- Further, if the customer has suffered any loss incidental to return of a cheque or not carrying out of direct debit instructions due to insufficiency of balance on account of the unauthorized / erroneous debit, Bank will compensate the customer to the extent of such financial loss in addition to an amount equivalent to interest calculated on the unauthorized/erroneously debited amount at applicable Savings Bank rate, minimum Rs.100/-, besides refunding the cheque return charges.
- In case verification of the entry reported to be unauthorised /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 any amount has been debited to the account of a customer on account of fraudulent transactions, the amount will be restored to the affected customer account without delay/demur, once the fraud is established, with due verification.
- If a fraud, in the account of a customer, has been committed by a member of staff, and has been so established, the Bank will not only restore the amount, it will also pay compensation @ 1% above the applicable interest rate in respect of deposit/overdraft/loan account, for the period, on the amount involved.
- In case where neither the Bank is at fault nor the customer, but the fault lies elsewhere in the system, the Bank will help in restoring the actual amount involved and, as a gesture of goodwill & to deal with the customers fairly, will also compensate the customer with Rs.100/- per Rs.5000/- (maximum Rs.1000/-) for each instance.

2 ECS direct debits/other debits to accounts :

- The Bank undertakes to carry out, within the prescribed time, direct debit /ECS (Electronic Clearing Service) debit instructions of customers. In the event of non-compliance/delayed compliance of instructions by the Bank to meet such commitments, the 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 instruction.
- Such compensation may be equivalent to the interest calculated on the amount to be debited, for the delayed period, at applicable Savings Bank rate, with minimum of Rs. 100/-, subject to a maximum of Rs.1,000/-.
- 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 or inadvertently, Bank will reverse the charges, subject to scrutiny of agreed terms and conditions, and compensate the customer with a sum equal to the charges reversed.

3 Uniformity in penal interest payable by banks for delays in credit/return of NEFT/NECS/ ECS transactions:

- If the Bank fails to meet the RBI /ACH prescribed timelines 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 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 transactions, compensation shall be paid to the customer for one day.

4 Issue of ATM/Debit Cards without written consent of customers

Where the Bank had issued an ATM / Debit card without written consent of the customer, which has been disputed by the customer without using the card, the said ATM/Debit card will be taken back by the Bank and cancelled. The Bank would reverse the charges, if levied.

5 Payment of cheques after 'Stop Payment' instructions

- The instruction for Stop Payment of cheque/ blocking of lost ATM card will be accepted at Home Branch / through Contact centre
- In case a cheque has been paid after acknowledgement of its stop payment instruction /ATM Card has not been blocked after such a request has been acknowledged by the Bank, Bank shall reverse the debit on account of stopped cheque/ blocked ATM card with value dated credit within two working days of the customer intimating the transaction to the Bank.
- However, no compensation will be paid if cheque has been paid/ ATM Card transaction has occurred prior to acknowledgment of instructions for stop payment of cheque/ blocking of lost ATM Card.

6 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 pay interest for delayed collection at the following rates:*
 - a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of 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 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.

7 Compensation for delay in clearance of Local Cheques

- Cheques deposited in the drop-box upto 11 A.M. will be sent for clearance on same day, for which the clearance period will be T+1 working days.
- The compensation to the customers is payable in case of delay in clearance of local cheques beyond above stipulated period in all types of accounts at Savings Bank interest rate.

8 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 shall inform the account holder 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 the cheque collection policy. 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 account holder for any direct charges the customer incurs in getting duplicate cheques/instruments, upon production of relevant documentary proof.

9 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

10 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, the Bank shall compensate the customer without demur if the transaction is not reversed within the stipulated time period at Rs. 100, per day. This Bank shall pay such compensation together with the credit of the failed ATM transaction. Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the Bank within 30 days of the date of the transaction.

11 TDS

With implementation of new functionality (TDS Module) in CBS as per the directives of CBDT, the probability of error in deduction of tax after submission of Form 15G/15H do not exist. Moreover, the customer has a recourse to get refund of tax deducted erroneously by the Bank, if any, from Income Tax Department. In such cases, Bank will provide help by issuing required certificate, if any, free of service charges for getting refund from I.T. Dept, along with compensation by paying interest on the amount involved at the SB rate (Min. Rs.100/-) from the date of deduction of tax to the date of receipt of Refund from I.T. Deptt on submission of copy of I.T Assessment order, after deducting the amount of interest paid by I.T Department, if any.

V. **OTHER UNAUTHORISED ACTION**

1. **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

2. **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 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.

3. **Timelines for payment of compensation amount**

The amount of compensation for deficiencies in various categories of Banking Services as mentioned in this Policy should be paid to the customers within 15 (fifteen) days after the deficiency is acknowledged.

4. **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.

VI. **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.

VII. **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.

VIII. **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.

IX. **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