

INTERNAL OMBUDSMAN SCHEME, 2018

The Scheme is introduced with the object of enabling and ensuring a proper and speedy resolution of complaints of bank customers at the bank level by an independent apex level authority within the bank.

CHAPTER – I PRELIMINARY

1. SHORT TITLE, COMMENCEMENT AND EXTENT

- (1) This Scheme may be called the Internal Ombudsman Scheme, 2018.
- (2) It shall come into effect on such date as the Reserve Bank may specify.
- (3) It shall extend to the whole of India.

2. SUSPENSION OF THE SCHEME

- (1) The Reserve Bank, if it is satisfied that it is expedient so to do, may by order suspend for such period as may be specified in the order, the operation of all or any of the provisions of the Scheme, either generally or in relation to any specified bank.
- (2) The Reserve Bank may, by order, extend from time to time, the period of any suspension ordered as aforesaid by such period, as it thinks fit.

3. APPLICABILITY

- (1) The Scheme shall apply to all banks as defined in Clause 4 (1) of the Scheme.

4. DEFINITIONS

(1) 'Bank' means a 'banking company', a 'corresponding new bank' and 'State Bank of India' as defined in Section 5 of the Banking Regulation Act, 1949 (Act 10 of 1949) that are included in the Second Schedule of the Reserve Bank of India Act, 1934 (Act 2 of 1934) and are having more than ten banking outlets in India, whether such bank is incorporated in India or outside India.

(2) 'Banking Outlet' is a fixed-point service delivery unit, manned by either bank's staff or its business correspondent where services of acceptance of deposits, encashment of

cheques / cash withdrawal or lending of money are provided for a minimum of four hours per day for at least five days a week.

- (3) 'Financial Sector Regulatory Body' means regulatory body for financial sector entities and includes the Reserve Bank of India established under the 'Reserve Bank of India Act, 1934', the Securities and Exchange Board of India established under the 'Securities and Exchange Board of India Act, 1992', Insurance Regulatory and Development Authority of India established under the 'Insurance Regulatory and Development Authority of India Act, 1999', and Pension Fund Regulatory and Development Authority established under the 'Pension Fund Regulatory and Development Authority Act, 2013'.
- (4) 'Internal Ombudsman' means any person appointed under Clause 5 of the Scheme.
- (5) 'The Scheme' means the Internal Ombudsman Scheme, 2018.
- (6) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or Banking Ombudsman Scheme, 2006 or any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

CHAPTER – II

OFFICE OF THE INTERNAL OMBUDSMAN

5. APPOINTMENT OF INTERNAL OMBUDSMAN

(1) Banks shall appoint Internal Ombudsman after satisfying themselves that the following prerequisites are fulfilled for the appointment of Internal Ombudsman:

a. The Internal Ombudsman shall either be a retired or serving officer, not below the rank of Deputy General Manager or equivalent of another bank / Financial Sector Regulatory Body, having necessary skills and experience of minimum seven years of working in areas such as banking, regulation, supervision, payment and settlement systems and / or consumer protection.

b. The Internal Ombudsman shall not have worked / be working in the bank in which he / she is appointed as Internal Ombudsman.

(2) The Internal Ombudsman shall not be over 70 years of age.

6. TENURE OF INTERNAL OMBUDSMAN

(1) The tenure of the Internal Ombudsman in banks shall be a fixed term of not less than three years, but not exceeding five years. The Internal Ombudsman shall not be eligible for reappointment or for extension of term in the same bank.

(2) The Internal Ombudsman cannot be removed before the completion of his / her term without the explicit approval of the Reserve Bank. If there is a change in incumbency of Internal Ombudsman for any reason midway through the tenure, the bank shall submit a report to the Reserve Bank indicating the reasons therefor.

(3) The Principal Nodal Officer or the Nodal Officer, liaising with the offices of Banking Ombudsman, shall not act as Internal Ombudsman or vice versa, even during the temporary absence of either.

7. SECRETARIAT AND COST OF INTERNAL OMBUDSMAN OFFICE

(1) Banks shall depute such number of its officers or other staff to the office of the Internal Ombudsman as is considered necessary for the smooth functioning of the offices of the Internal Ombudsman.

(2) The Customer Service Committee of bank's board shall fix the emoluments / facilities / benefits of the Internal Ombudsman, keeping in view the stature and the need to attract experienced persons considering that the position of the Internal Ombudsman is at the apex of the grievance redressal mechanism of banks.

CHAPTER – III

ROLE AND RESPONSIBILITIES OF INTERNAL OMBUDSMAN

8. JURISDICTION

(1) Internal Ombudsman shall not handle complaints received directly from the customers or members of public. In other words, the Internal Ombudsman will deal only with the complaints that have already been examined by the bank's internal grievance redressal mechanism and have remained partly or wholly un-redressed.

(2) Internal Ombudsman shall examine all customer grievances including complaints of deficiency in service on the part of the bank as also those listed under Clause 8 of the Banking Ombudsman Scheme, 2006 (as amended from time to time) received by banks and which are partly or wholly rejected by bank's internal grievance redressal mechanism, excepting the following:

- a. Complaints related to frauds, misappropriation etc., except in respect of deficiency of service, if any, on the part of the bank.
- b. Complaints / references relating to a) internal administration, b) human resources, c) pay and emoluments of staff;
- c. References in the nature of suggestions, requests for concessions in rate of interest charged, rejection of loan proposal, modifications in sanction terms and conditions, enhancement in credit limit, waiver / write-off of loans, etc. which are primarily in the nature of commercial decisions.
- d. Complaints which have been decided by or are already pending in other fora such as consumer fora, Courts, Debt Recovery Tribunals, etc.

(3) The Internal Ombudsman shall analyze the pattern of complaints such as product / category wise, consumer groups wise, based on geographical location, etc. and suggest means for taking actions to address the root cause of complaints of different nature.

(4) The Internal Ombudsman shall examine the complaints on the basis of records / documents available with the bank and comments / clarifications furnished by the bank to specific queries of the Internal Ombudsman.

- (5) The Internal Ombudsman may hold meetings with concerned functionaries / departments of the bank and seek any record / document available with the bank that is necessary for examining the complaint. To ensure resolution through conciliation, the Internal Ombudsman may seek direct feedback / clarifications from the complainant.
- (6) In, cases of conciliation, where the decision of the Internal Ombudsman is accepted by the complainant, the Internal Ombudsman shall obtain and keep on record, a statement showing the terms of the agreement duly signed by the complainant.
- (7) The Internal Ombudsman shall not represent the bank in legal cases arising out of complaints examined by the bank or the Internal Ombudsman.
- (8) The Internal Ombudsman shall report to the Managing Director / Executive Director of the bank handling customer grievances.
- (9) The Internal Ombudsman shall immediately refer back to bank all such complaints which are outside the purview of the Scheme.

CHAPTER- IV

PROCEDURAL GUIDELINES FOR BANKS

9. PROCEDURE FOR COMPLAINT REDRESSAL BY INTERNAL OMBUDSMAN

(1) Banks should formulate a Standard Operating Procedure (SOP) approved by the Customer Service Committee of the Board and establish a system of auto-escalation of complaints that are partly or wholly rejected by the bank's internal grievance redressal mechanism to the Internal Ombudsman through their Complaints Management Software, for a final decision.

(2) Banks shall internally escalate all such complaints to Internal Ombudsman within two weeks of receipt of complaint, before conveying the final decision to the complainant within a period of 30 days, from the receipt of complaint.

(3) Banks may appoint more than one Internal Ombudsman depending on the volume of complaints received by them and to ensure continuity of operations during the absence of the Internal Ombudsman. While appointing additional Internal Ombudsman, the banks shall consider the need for diversity of experience of the incumbents to deal with different types of cases. In such cases, the bank shall define the jurisdiction of each Internal Ombudsman.

(4) Banks shall provide *read only* access to their Complaint Management Software so that all complaints are accessible to the Internal Ombudsman who shall follow up cases of delayed escalation with the concerned department in the bank. Banks shall also provide access to Internal Ombudsman for adding his / her decisions on complaints escalated to the Internal Ombudsman, in the bank's Complaint Management Software.

(5) The Internal Ombudsman shall also have read-only access to the Reserve Bank's Complaints Management System to enable the Internal Ombudsman to keep track of the cases forwarded by the Offices of Banking Ombudsman and the decisions by the Banking Ombudsman thereon, including the decision of the Appellate Authority, where applicable.

(6) Banks shall furnish all records / documents sought by the Internal Ombudsman to enable him / her to redress / resolve customer grievances expeditiously.

(7) The decision of Internal Ombudsman shall be binding on the bank.

(8) Banks shall, in their final reply to the complainant after obtaining Internal Ombudsman's decision, explicitly mention that the complaint has been examined by the bank's Internal Ombudsman. Only under circumstances, where a resolution has been made by agreement and the Internal Ombudsman had obtained the resolution in writing duly signed by the complainant under Clause 8(6) and furnished to the bank for records, should a reply to the complainant be issued by Internal Ombudsman with an endorsement to the bank.

(9) In case of disagreement with the Internal Ombudsman's decision, the bank may obtain approval of the Executive Director in charge of customer service of the bank and the reply forwarded to the complainant shall mention that the decision of the bank has the approval of the Executive Director. All such cases shall be subsequently reviewed by the Customer Service Committee of the bank's board.

(10) Where the complaints falling under Clause 8 of the Banking Ombudsman Scheme, 2006 are not resolved to the satisfaction of the complainant (i.e., partly or wholly rejected complaints) even after examination by Internal Ombudsman, the bank shall necessarily advise the complainant that he / she can approach the Banking Ombudsman for redressal along with complete details and address of the Banking Ombudsman concerned as well as the link to Reserve Bank's portal (www.rbi.org.in -> Complaints -> Banking Ombudsman Scheme -> Complaint Form) for online filing of customer complaints.

(11) The decision of the Internal Ombudsman shall be mandatorily included in the information submitted by banks to the Banking Ombudsman, while furnishing documents related to the complaints received in the office of the Banking Ombudsman.

(12) In cases where the complainant has approached the Banking Ombudsman before the Internal Ombudsman has examined the complaint, banks should obtain the views of

Internal Ombudsman and include the Internal Ombudsman's views in its submissions to Banking Ombudsman.

(13) Banks shall make available requisite infrastructure (information technology / human resources, etc.) to the office of the Internal Ombudsman to enable the Internal Ombudsman to discharge his / her responsibilities effectively and efficiently.

(14) Banks shall use the analysis of complaints handled by Internal Ombudsman in their training programmes / conferences to raise awareness, *inter alia*, about the patterns of complaints, among the frontline staff, and facilitate consistency in handling of similar complaints. The Internal Ombudsman may also be associated for such trainings, where necessary.

(15) While assessing the performance of the Internal Ombudsman, in addition to the level of pendency and work done by the Internal Ombudsman towards developing uniformity across the bank in the redressal of complaints, banks should also keep in mind the number of cases where substantive differences are observed between the decisions of the Internal Ombudsman vis-à-vis that given by the Banking Ombudsman subsequently.

(16) Internal Ombudsman shall be placed in Head / Corporate Office and / or at a place where the bank has a Zonal / Regional / Circle Office.

(17) Banks shall widely disseminate the guidelines / instructions regarding the Scheme among their staff while communicating the appointment of Internal Ombudsman in the organization (all branches and administrative offices).

(18) Banks shall not provide the contact details of the Internal Ombudsman in the public domain as the Internal Ombudsman shall not handle complaints received directly from the customers.

10. REPORTING TO RESERVE BANK

(1) Banks shall put in place a system of periodic reporting of information to Reserve Bank as indicated below:

(a) On quarterly basis, the total number of complaints received, number of partly or wholly rejected complaints and number of complaints escalated to the Internal Ombudsman;

(b) On annual basis, the number of cases where the decision of Internal Ombudsman has been rejected with the approval of Executive Director of the bank, to be submitted in April every year; and

(c) On annual basis, the number of cases closed by Internal Ombudsman and age-wise number of cases where the bank was yet to implement the decision of Internal Ombudsman in April every year;

(d) The reporting format is given in the **Annex**.

(2) Banks shall furnish the details of the Internal Ombudsman to the Chief General Manager, Consumer Education and Protection Department, Reserve Bank of India, Central Office, 1st Floor, Amar Building, Sir P M Road, Mumbai-400 001 (email: cgmcepd@rbi.org.in) and to the Banking Ombudsman under whose jurisdiction the bank or Zone / Branch thereof falls in the following format:

- i. Name of the Internal Ombudsman;
- ii. Details of the last position held / organization name;
- iii. Date and period of appointment;
- iv. Brief professional profile including previous exposure to financial services, and
- v. Contact details i.e., address, phone/ fax numbers, email address etc.

(3) Banks shall furnish the details under Clause 10(2) within five days of fresh appointment of Internal Ombudsman.

CHAPTER – V

OVERSIGHT

11. BOARD OVERSIGHT

(1) The Internal Ombudsman shall furnish periodical reports on his / her activities (including the analysis stated in Clause 8(3) of the Scheme) to the Customer Service Committee of the bank's board, preferably at quarterly intervals, but not less than bi-annually. Banks shall put in place a system for discussion of cases by the Customer Service Committee of the bank's board where the decision of the Internal Ombudsman has been rejected by the bank, which is to be done with approval of Executive Director of the bank in terms of Clause 9(9) of the Scheme. The Audit Committee of the board can refer to the Internal Ombudsman in respect of cases mentioned at Clause 8(2)(a) of the Scheme.

(2) Banks shall conduct an internal audit of the implementation of the Scheme. The audit shall, *inter alia*, cover aspects relating to the infrastructure (space, information technology, human resources etc.) provided to the Internal Ombudsman and implementation of auto escalation of partly or wholly rejected complaints to the Internal Ombudsman within the timeframe of two weeks as indicated at Clause 9(2). Internal audit shall also look at the actions by the Internal Ombudsman with regard to analysis of complaints, efforts made by Internal Ombudsman and support provided by bank towards raising awareness about types of grievances and developing uniformity of approach in handling of complaints across the bank as also provided for under Clause 9(14). The scope of internal audit shall exclude the decisions taken by the Internal Ombudsman.

12. SUPERVISORY OVERSIGHT

(1) Areas regarding customer service and implementation of the Scheme would be a part of the risk assessment and supervisory review by Department of Banking Supervision of the Reserve Bank.

(2) The Reserve Bank shall review the cases where decisions of the Internal Ombudsman are not accepted by the bank and the aggrieved customer appeals to the Banking Ombudsman. If in such cases, the original decisions of the Internal Ombudsman are reiterated by the Banking Ombudsman frequently, then the bank may be subjected to appropriate enforcement action.

Report to Consumer Education and Protection Department, Reserve Bank of India

Under Clause 10 of Internal Ombudsman Scheme, 2018

Office of Internal Ombudsman, Name of Bank: _____

Report for quarter ended _____

Number of Complaints Received by bank	Number of Complaints Rejected (Partly or Wholly)	Number of Complaints referred by Bank to Internal Ombudsman

Report for year ended _____

Number of Complaints referred by Bank to IO	Number of Complaints Closed by IO	Number of cases where IO's decision has been rejected*	Number of IO decisions implemented by bank	Number of IO decisions yet to be implemented by bank			
				1 Month	2 Months	3 Months	More than 3 Months

*To be rejected only with prior approval of Executive Director