



Banking Codes and Standards
Board of India

भारतीय बैंकिंग कोड एवं मानक बोर्ड
www.bcsbi.org.in

Customer Matters

CEO's Message

Dear Readers,

It is indeed a pleasure and an honour to address you through the pages of our revamped Newsletter **Customer Matters**. We have attempted to make this much more customer focused than before with the inclusion of a guest column and citing of some grievance redressal cases which will be of interest to our readers.

The last few months have been significant in terms of the changes that have taken place on the national front. The demonetization exercise has been of considerable importance to all. As our previous newsletter was published before this important event, we would like to place on record our acknowledgement of the exemplary customer service provided by our member banks during the November-December 2016 period.

I would like to mention a few developments that have taken place at BCSBI during the last quarter. We have published a pictorial representation of "Basic Customer Rights" contained in the "Code of Bank's Commitment to Customers". These have been brought out in a simple pictorial format which should be an easy read to all Financial Inclusion/ Jan Dhan Yojana customers. Copies of these have been sent to all Public Sector and Private Sector Banks. We sincerely urge the banks to take steps to reprint more copies of these and popularize this publication.

Our Code Compliance Survey of select 51 member banks has now been completed. We are in the process of analyzing and processing these survey results. The individual analysis and rating of these banks will be shared with the Banks concerned by end March 2017. We will share a short summary of the survey in our next edition of the Newsletter.

This issue also carries another initiative. We will be inviting Guest Writers specialised in their respective fields to contribute articles for the benefit of our esteemed readers. This issue sees the first such article. We are grateful to Dr. S S Banerjee Executive Director IDBI Bank who has written an engrossing article on how Digitisation Security features will add to better customer service. Readers will easily connect with it. This issue also has our other regular features, news items, theme of the quarter and we hope it should keep you engaged.

In conclusion, may I appeal to you to please write to us with feedback on the new initiatives taken. Also, suggestions on improving our Newsletter as well as contributions are most welcome.

Regards,

(Anand Aras)

Chief Executive Officer



What's Inside

AWARENESS
ACTIVITIES

THEME OF THE
QUARTER

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GUEST
COLUMN

BCSBI News

During the quarter ended December 2016, there has been no change in the membership of Banking Codes and Standards Board of India (BCSBI) which continues to stand at 136.



▲ Shri Anand Aras, CEO, BCSBI addresses the Customer Meet at Hyderabad

BCSBI continued its ongoing efforts to increase awareness of the Codes and Standards developed by it and adopted by member banks among bank officials and customers.

A Customer Meet was organized by State Bank of Hyderabad at Hyderabad on October 19, 2016. Shri Santanu Mukherjee, MD, State Bank of Hyderabad (SBH) and Shri Anand Aras, Chief Executive Officer, BCSBI addressed the Meet. Shri V Viswanathan, Chief General Manager, SBH and Shri U V Sathish, Manager, Transunion CIBIL Limited also participated in the proceedings. The deliberations during the meeting centred around increasing awareness about the BCSBI Codes, Customer Rights, Transparency & Information Dissemination by banks while dealing with customers, Banking Ombudsman Scheme, Grievance Redressal mechanism and answering customer queries with regard to maintaining a good credit score and correcting anomalies if any, in one's credit reports. Some of the questions raised by the customers during the Meet pertained to provision of single window service to senior citizens at all branches, late credit of foreign remittances out of business transactions in beneficiary's account, CIBIL report showing loans even though one has not taken any, procedure for getting corrections made as also for deletion of related data after final payment in loan accounts in CIBIL



▲ Shri U V Sathish, Manager, Transunion CIBIL Ltd. interacts with the participants at the meeting with officers while Shri S Krithivasan, Internal Ombudsman, State Bank of Hyderabad and Shri Anand Aras, CEO, BCSBI look on.

records. About 160 customers and officials of State Bank of Hyderabad attended the Meet.

During the quarter, BCSBI organized another Customer Meet at Nasik on November 9, 2017. About 320 customers and officials of banks operating in Nasik participated in this Meet. Shri Anand Aras, CEO, BCSBI addressed the gathering while Ms. Sneha Valentine, Manager, CIBIL also participated in the proceedings. About 320 customers and officials of banks operating in Nasik were present. The meeting concluded with an interactive session. Some of the issues raised by the customers included banks not explaining the details of the CGTSM Scheme; lack of clarity on various charges; provision of security/ collateral security; why settled cases appeared in CIBIL Report; why can't customers write directly to CIBIL; whether customer can check his/ her own CIBIL report. The issues raised by customers were addressed by the Panel.



▲ At the Customer Meet organized at Nasik, seen from left are Shri Edwin Fernandes, Senior V P; Shri Anand Aras, CEO; Zonal Manager, Bank of Maharashtra and Ms. Sneha Valentine, Manager, Transunion CIBIL Ltd.

BCSBI alongwith Transunion CIBIL Limited organized Customer Rights Awareness workshops with officers of banks operating at Hyderabad and Nasik on October 19, 2016 and November 10, 2016 respectively. At the said meetings Shri Anand Aras, CEO, BCSBI highlighted the importance of dissemination of Code provisions and Charter of Rights among all officers / staff and customers. The representative from CIBIL shared a presentation amongst the participants giving details of the calculation of credit score, report etc. and how customers can improve their credit scores. The queries raised by the bank officials were addressed by the Panel.

During the quarter, officials of BCSBI extended faculty support to

1. Indian Institute of Banking and Finance,
2. Indian Institute of Bank Management, Guwahati and
3. Jawaharlal Nehru Institute of Banking and Finance (JNIBF), Hyderabad.

Minimum balance requirement in Savings Bank Accounts and service charges for non-maintenance of the same (Some pointers)

These days so much is being talked about in print media about minimum balance requirement in savings Bank accounts and the penal charges levied for not maintaining the same. Besides, Banks have started charging their customers for value added services provided by them. In the following paragraphs, it is explained about the Minimum balance requirement, the methods for reckoning the same and penal charges if minimum balance is not maintained in Savings bank account. Besides, regulatory guidelines for the same and the related provisions in the Code of Bank's Commitment to customers, are also mentioned.

Two examples of such service charges

- Mr. X issued a cheque from his savings bank account, which according to him, had enough balance to cover it. When his cheque was dishonoured due to insufficient funds, he requested the bank for his statement of account and found out that bank had debited charges many times for non-maintenance of minimum balance in his Savings Bank Account.
- Ms Y was working for a private company and her salary account was opened with a private bank. After 2 years she changed her job but did not close her salary account. After a period of time, she deposited a cheque in that account and was surprised that so many debits were made to her account by way of penal charges for non-maintenance of minimum balance.

These customers faced problems because they were not maintaining minimum balance in their Savings bank account maintained by them.

Methodology for computing service charges for non-maintenance of Minimum balance and the applicable service charges structure

Banks follow different methods for reckoning Minimum balance in Savings Bank Account. Most of them follow the Average Monthly Balance (AMB) or Average Quarterly Balance (AQB) method for reckoning Minimum balance requirement. For rural areas, some banks follow the Average Half-yearly Balance (AHB) requirement. For some variants of Savings Bank Accounts, some private sector banks follow the method of Customer Relationship Value (CRV) which is based on a combination of

balances in Savings Bank Account, Current Account and Fixed Deposits. Some banks follow the method of Net Relationship Value (NRV) which is based on a combination of balances in Savings Account, Current Account, Fixed deposit and investments for that customer. Some Private Banks and Foreign Banks have one Savings Bank variant for premium clients where they reckon the aggregate balance in Savings Bank Account of members of family and not just the balance in Savings Bank account of individual clients.

RBI Guidelines and Code provision in this regard

There are no Regulatory guidelines for the method for reckoning Minimum balance. However, guidelines state that, at the time of opening the accounts, banks should inform their customers in a transparent manner the requirement of maintaining minimum balance and levying of charges in case the minimum balance is not maintained. Banks display on their website the Minimum Balance requirement in different variants of Savings Bank Accounts. They should also give it as a part of Most Important Terms and Conditions (MITC) for Savings Bank Account or as a separate annexure with the Account opening form. As per the Code of Bank's Commitment to customers issued by Banking Codes and Standards Board of India and adopted by banks, if banks revise their minimum balance requirement, a communication is required to be sent to the customer 30 days in advance. The penal charges should be directly proportionate to the extent of shortfall observed in maintaining minimum balance in Savings Bank account. In other words, the charges should be a fixed percentage levied on the amount of difference between the actual balance maintained and the minimum balance as agreed upon at the time of opening of account. A suitable slab structure for recovery of charges may be finalized by banks.

Giving notice to customers before revising Minimum balance

All the banks have confirmed that in the event of revising the minimum balance requirement, a communication is sent to the customer 30 days in advance, in line with RBI Guidelines and the Code of Bank's Commitment to Customers.

Notice to customers regarding deficit in Minimum balance

In the event of a default in maintenance of minimum balance/average minimum balance as agreed to, between the bank and customer, the bank should notify the customer clearly by SMS / email / letter etc. that in the event of the minimum balance not being restored in the account within a month from the date of notice, penal charges will be applicable. In case the minimum balance is not restored within a reasonable period, which shall not be less than one month from the date of notice of shortfall, penal charges may be recovered under intimation to the account holder.

Most of the banks send alerts to customers by SMS/e-mail/letter, etc. about default in maintenance of minimum balance in Savings Bank account and giving a notice of one month for restoration of the required minimum balance and applicability of penal charges prior to levying these charges.

Providing value added services for a fee:

Some Banks offer value added services like concessional cash handling, remittance of funds to customers at a specific tariff charge etc. All these banks either take consent of customer before offering such value added services or give notice of 14 to 30 days to customer to revert if they are not interested in availing the value added service.

As per Code of Bank's Commitment to Customers, Banks should tell customers of changes in terms and conditions through one of the recognised channels: letter/statement of account/SMS/e-mail, one month prior to the revised terms and conditions becoming effective.

Upgradation of Savings Bank Account

Some banks upgrade the account of the customers on their own accord based on customer's profile. However, we have sought clarification that they give a look in period to customers before commencement of levy of charges for the services provided or the option for not accepting the revised terms and conditions.

Conversion of Salary Account into Regular Savings Bank Account

Most of the banks open Salary Accounts of employees of Corporates where the condition of Minimum balance requirement is not applicable. However, customers generally do not close such accounts when they change jobs. Generally, Banks convert

these salary accounts to a Normal Savings Bank Account if salary is not credited consecutively for 3 or stipulated number of months. As per Code of Bank's Commitment to Customers, Banks should advise the customers about the change in requirement of minimum balance and imposition of service charges if the bank decides to convert the corporate salary savings account into a regular savings account.

As per Reserve Bank of India's guidelines, banks should not keep on levying service charges for not maintaining Minimum balance if the account goes into a negative balance or if the account becomes inoperative/dormant.

Conclusion

Customers should be aware of their right to transparency and fair treatment. Banks should display information regarding Minimum balance requirement for a Savings Bank Account and penalty for non-maintenance of the same on their website, on the Comprehensive Notice Board in the Bank's branches and should specifically share this information with the customers when they open new accounts. If Banks decide to revise the Minimum balance requirement, they should give at least one month notice to customers of the same. It is for the customers to decide, if they want to opt for the revised terms and conditions or charges or else revert to a suitable account of their choice. Banks make available Basic Savings Bank Deposit Account (BSBDA) without the requirement of any minimum balance. However, there are certain restrictions applicable to such accounts.

Women's Day at BCSBI



▲ On the occasion of International Women's Day on March 8, 2017 the lady staff of BCSBI presented a bouquet to Ms. Rama Bijapurkar, Member of the Governing Council, BCSBI

Non-Maintenance Charges Levied

A customer holding a corporate salary account with a bank since 2005, complained that the bank had levied “Non Maintenance Charges” in his account. The bank stated that as there were no salary credits in the account since October 2008 and the customer had not maintained the minimum balance of ₹10,000/-, the applicable charges were levied.

On examining the bank account statement submitted by the complainant, it was observed that on March 09, 2013, the bank had recovered an amount of ₹9/- from his account and the status of the account was shown as “closed”. Subsequently on credit of some amount in the account, the bank recovered “Non Maintenance Charges” and the account was closed on April 01, 2015. On seeking comments of the bank as to how a credit could hit an account when it was closed, the bank confirmed that due to an inadvertent omission, the said account continued to be operative. As the stand taken by the bank was not justified, it was advised to refund “Non-Maintenance Charges” levied in the account.

Failure to Meet Commitment

The complainant, a State Government entity, alleged that it had placed fixed deposits of ₹8.10 crore for 90 days as per the bank’s offer with 8.8% interest and 1% penalty for premature withdrawal. Due to exigency, FDs were foreclosed and the bank levied 2% penalty for premature closure. The bank justified its action of excess deduction of penalty by 1% saying that the rate of penalty was wrongly quoted in the offer document because of clerical error. Further the complainant also alleged that the bank had deducted TDS on the total amount, though TDS was not applicable.

The Banking Ombudsman (BO) observed that the complainant, being a Government body, had asked for quotation from the bank before placing funds under FD and hence charging of penalty of 2% as against 1% quoted by it was a breach of trust by the bank. The bank was advised to re-calculate the penalty for premature closure of FD at 1% and refund the excess amount deducted along with SB rate of interest from the date of deduction till the date of refund.

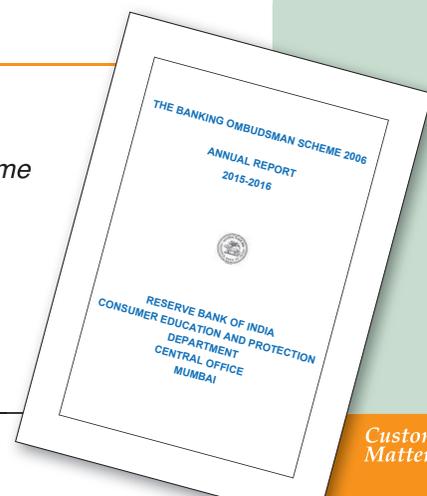
Non-home Branch Charges for Cash Withdrawal

In a complaint about recovery of ₹1,012/- as non-home branch charges for cash withdrawal transactions undertaken by complainant from a particular branch, the complainant stated that he had given advance intimation of withdrawal of cash to his home branch. However, as the home branch was small in size, he was directed by the home branch to undertake the transaction from the particular non-home branch. The complainant, therefore contended that the transaction was undertaken at the non-home branch at the instance of the bank. On taking up the matter, the bank accepted that adequate cash was not available at the home branch and hence they directed the customer to withdraw the money from the non-home branch. The bank accordingly reversed the charges levied by them.

Rate of interest charged was against terms and conditions of Loan Agreement

Complainant had availed an agricultural loan @7% and he was eligible for 3% interest subvention on repayment of loan within the stipulated time. The complainant made repayment but came to know that the interest charged by bank was @12% which was against the terms and conditions of loan agreement. On examining the complaint with documents and bank’s comments, BO observed that the loan agreement for agricultural loan had indicated interest rate of 7%. However, the bank had charged 12% erroneously and failed to submit subsidy claim to Government. As the bank had made the mistake, BO observed that the borrower could not be held responsible. The BO directed the bank to pay the interest subsidy.

Source:
*Banking Ombudsman Scheme
2006
(Annual Report 2015-16)*





Dr. Saumya Sankar Banerjee,
Executive Director,
IDBI Bank

Dr. Saumya Sankar Banerjee M.Phil, M. Sc., Ph.D. in Economics joined the erstwhile Industrial Development Bank of India (IDBI) as an Economist in January 1995. He is experienced in areas such as retail banking, business research function, corporate communication function, organisational process, and customer care function. Dr. Banerjee was actively involved in setting up of the social media domain in the Bank, making it a pioneer among the Public Sector Banks in India in this regard. Dr. Banerjee has also published several research papers in referred journals. At present, he is spearheading the Bank's Corporate Communications and Strategy Department, IT & MIS Department, Branch Operations Support & Policy Department and Centralised Operations.

Digital Channels - Security Features will lead to Improved Customer Service

*Dr. Saumya Sankar Banerjee,
Executive Director, IDBI Bank*

The year 2016 has earned itself the sobriquet of being the year of digital transaction as it ushered in a new era of cashless, online transactions following the demonetization of ₹500/- and ₹1000/- notes. There was a manifold rise in financial transactions being executed through digital banking channels. For instance, transactions carried out at Point of Sale (POS) machines using credit and debit cards increased by 144% (y-o-y) to touch 433 million in volume terms and by 106% (y-o-y) to ₹738 billion in value terms in December 2016. Apart from this, the value and volume of transactions carried out through mobile wallets surged by 297% and 261% respectively, to 231 million and ₹74 billion, respectively. Mobile banking transactions rose by 127% in volume terms to 90 million and by 203% in value terms to ₹1,486 billion. The value and volume of transactions being routed through Immediate Payment Service (IMPS) also accelerated by 157% to 53 million and by 204% to ₹431 billion. While RTGS and NEFT transactions also surged, the growth remained relatively moderate. This added dimension to hitherto traditional channels of banking have brought challenges anew, in the realm of customer service.

The shift in customer behavior in favour of digital channels for carrying out transactions, while induced by demonetization and thrust placed by the Government, is encouraging as it heralds in a new era of banking – an era defined by increasing shift towards digital. With pick-up in digital banking, the onus would be on the banks to educate the customers about safe banking practices and the potential peril of cyber frauds. In other words, awareness about good digital practices must be inculcated in customers to encourage

safe and secure use of digital channels, thereby safeguarding their interests. To ensure higher adoption of these alternate channels, it will be the responsibility of banks to disseminate information about the advantages of using these channels as also have lucid instruction details and do's and don'ts pertaining to the use of these channels. The Code of Commitment to Customers clearly specify the same and customers have to follow these guidelines for their own security.

Apart from this, the onus will be on the banks to step up their investments in IT as they need to not only ensure their digital offerings are customer-friendly but also ensure that stringent, cyber security measures are deployed. Banks should put in place robust cyber security framework that combines security intelligence, operations and incident response to enhance preparedness in case of breach in the system. Furthermore, data confidentiality, privacy and protection should be accorded primacy by eliminating insider threats across enterprise and putting in place appropriate system and network layers. Cyber security is paramount to protect the interest of the customers and thereby, build their trust. The need to develop a comprehensive cyber security programme, which outlines cyber security measures, cyber insurance, levels of governance, risk and compliance standards should be made an important focus area for banks, if they are to provide good and secure banking services.

While demonetization has served a much needed push towards digital banking, the momentum can only be sustained provided banks augment their cyber security framework and ensure seamless customer experience across digital channels as well.