

THE AHMEDABAD DISTRICT CO OPERATIVE BANK LTD.

COMPENSATION POLICY

1. 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. Withdrawal of the Reserve Bank of India instructions to banks on time frame for collection of outstation cheques, payment of interest on delayed collection of outstation cheques / instruments, with effect from 1st November 2004, had offered bank further opportunities to increase its efficiency for better performance. This Compensation policy of the bank is 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, collection of cheques, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

2. Objectives of the policy

The objective of this policy is to establish a system whereby the bank compensates any financial loss, which the customer 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.

3. Unauthorised / Erroneous Debit

- a) If the bank has raised an unauthorized/erroneous direct debit to an account, the bank shall reverse the entry immediately on being informed of the erroneous debit, after verifying the position.
 - b) 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 shall compensate the customer for such loss.
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- c) Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized/erroneous debit, the bank shall compensate the customer to the extent of such financial losses.
- d) 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.

4. **NACH direct debits/other debits to accounts**

The bank shall undertake to carry out direct debit/ **NACH** debit instructions of customers in time. **In the event of failure by the bank in processing such instructions, the bank shall compensate the customer to the extent of any financial loss which the customer incurs on account of delay/failure in carrying out such instructions.**

5. **Payment of Cheques after Stop Payment Instructions**

In case a cheque has been paid after stop payment instruction acknowledged by the bank, the bank shall reverse the transaction **within two working days from the date of intimation of such debit** and shall give value-dated credit to protect the interest of the customer. **Bank shall compensate any consequential financial loss incurred by the customer.**

6. **Payment of Interest for delayed Collection of Outstation Cheques**

The bank shall pay interest to a customer on the amount of collection instruments in case there is a delay in giving credit beyond the time period **specified here under**. 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.

The bank shall pay interest for delayed collection at the following rates:

- a) **Savings Bank Rate for the period of delay beyond T+1 day in collection of cheques which are drawn on our branches.**
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- b) **Savings Bank Rate for the period of delay beyond T+2 days in collection of CTS cheques which are collected by our CTS branches.**
- c) **Savings Bank Rate for the period of delay beyond T+6 days in collection of CTS cheques which are collected by our Non-CTS branches.**
- d) **Savings Bank Rate for delay in credit of cheques drawn on foreign countries beyond two working days from the value date of credit to the current account of the bank, in the event when proceeds of the cheque under collection were to be credited to Savings Bank Account.**
- e) **In the event when the proceeds of cheque under collection were to be credited to an overdraft/ Loan account of the customer, interest shall be paid at the rate applicable to the overdraft / loan account as per above time norms specified in a), b), c) & d).**
- f) **In case of extraordinary delay, i.e. delays exceeding 90 days in case of a), b), c), d) & e) above, interest will be paid at the rate of 2% above the corresponding interest rate mentioned above.**

7. Compensation for loss of instrument in Transit

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 account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by the account holder are not dishonored due to non-credit of the amount of the lost cheques/instruments. The bank shall provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

The bank shall compensate the account holder 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 (T+2/T+6 days as the case may be), the bank shall pay interest for the period exceeding the stipulated collection period at the rates specified above in paragraph 6 (a) to 6 (e) as the case may be.**
 - b) **In addition, Bank shall pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide likely further delay in obtaining duplicate cheque/instrument and collection thereof.**
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- c) The bank shall also compensate the customer **for actual amount of expenses, if any**, the customer incurs in getting duplicate cheque/instrument from a bank/institution who would charge a fee for issue of the duplicate instrument, subject to production of receipt at branch.

8. Issue of Duplicate Draft and compensation for delays

Duplicate draft shall be issued within a fortnight from the receipt of such request from the purchaser. For delay beyond the above stipulated period, the bank shall pay interest at the rate applicable for Fixed Deposit of corresponding period as compensation to the customer.

9. Violation of the Code by bank's BC (Banking Correspondence)

In the event of receipt of any complaint from the customer that the bank's representative/**BC** has 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 shall take appropriate steps to investigate and to handle the complaint and where justified, **shall compensate the customer for the actual financial losses, if any.**

10. Lenders liability & Commitments to borrowers

The bank has adopted the principles of lenders liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to customers adopted by bank.

- a) The bank shall return to the borrowers all the securities/documents/title deeds of mortgaged property within 15 days of demand of the same after repayment of all dues agreed to or contracted.
- b) The bank shall compensate the borrower for monetary loss suffered, if any, due to delay in return of the same.
- c) In the event of loss of title deeds of mortgage property at the hands of the banks, the bank shall compensate out of pocket expenses actually incurred for obtaining duplicate documents.

11. ATM/UPI/IMPS/AEPS/POS Failure

- a) The bank shall reimburse the customer, the amount wrongfully debited on account of failed ATM/ UPI/ IMPS/ AEPS/ POS within a maximum period given here under
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Digital Payment Channel	Failed Transactions to be credited to the respective customer
ATM	T+5
UPI	T+1
IMPS	T+1
AEPS	T+5
POS	T+5

For any failure to re-credit the customer's account within above timelines from the date of transaction, the bank shall pay compensation of Rs.100/- per day to the aggrieved customer. The bank shall credit the compensation to the customer's account without any claim from the customer, on the same day when bank affords the credit for the failed transactions.

- b) In case of a charge back for ATM/UPI/IMPS/AEPS/POS transactions by a customer of our bank, when the customer uses other bank ATM/other bank POS/other bank BC channel/ application of other service provider, the charge back respond turn-around-time (TAT) will be as under for the respective service provider:

Digital Payment	Chargeback respond TAT	Compensation payable from
ATM	5 days	T + 5 Days
UPI	7 days	T + 5 Days
IMPS	35 days (Only in wrongfully transfer, the charge back can be raised)	No Compensation
AEPS	7 days	T + 5 Days
POS	30 days	T + 5 Days

If any bank/merchant/service provider responds charge back after above time period, the respective service provider shall pay compensation of Rs.100/- per day as per the guidelines.

12. RTGS / NEFT Failure

- a) In case of any delay in returning the failed RTGS payment, the bank shall pay to the originating customer compensation at current repo rate plus 2% from the date of RTGS.
- b) If the NEFT transaction is not credited or returned within two hours after batch settlement, then the bank shall pay penal interest to the affected customer at the current RBI LAF Repo Rate plus two percent for the period of delay / till the date of credit or refund, as the case may be, is afforded to the customers' account without waiting for a specific claim to be lodged by the customer in this regard.

13. Income Tax Deducted at source (TDS)

If a customer submits 15G/15H but tax is deducted erroneously by the bank, the customer shall have recourse to get refund of TDS from Income Tax Department (ITD). In such cases, the bank shall provide required certificate in form No.16A to the customer free of charge along with compensation by paying interest on the amount involved at the SB rate + 2% (Min. Rs.100/-) from the date of deduction of tax to the date of receipt of Refund from the ITD on submission of copy of I.T Assessment order, after deducting the amount of interest paid by the ITD, if any.

14. Limited liability of customers

Until the bank has been notified by the customer, the bank shall not be liable for a loss to customers arising out of

- a) Sharing of the sensitive security information of cards, PIN, CVV, M-PIN, T-PIN, password etc. to a third party.**
- b) Careless in handling security of a cheque book and a passbook.**
- c) Not following “Do’s and Don’ts” issued by the bank to customers**

The Bank shall also not be liable for the loss occurring due to unauthorized transactions in following cases:

- i.) In cases where the loss is due to negligence by a customer, such as where the customer has shared the payment credentials, the customer will bear the entire loss until he/she reports the unauthorised transaction to the Bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the Bank.**
- ii.) In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system, then liability of the customer will be as per Table – 1 (mentioned below) according to the time taken by customer to report such transaction to the Bank after receiving the communication from the bank.**

Table-1

Time taken to report the fraudulent transaction	Customer’s liability
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 2, whichever is lower.

Beyond 7 working days	100% liability
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(The number of working days mentioned in Table 1 shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.)

Maximum liability of the customer for notifying the Bank within 4-7 days for any unauthorised transaction where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with customer, but lies elsewhere in the system

Table-2

Type of Account	Maximum liability of the customer (Rs.)
BSBD Accounts	5000/-
<ul style="list-style-type: none"> • All other SB accounts. • Pre-paid Payment Instruments. • 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 Lakhs. 	10000/-
<ul style="list-style-type: none"> • All other Current/ Cash Credit/ Overdraft • Credit cards with limit above Rs. 5 Lakhs 	25000/-

15. Force Majeure

The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to the 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.

It is reiterated that the policy covers only compensation for financial losses which customers might have incurred 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 shall have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

16. Review of the policy

The policy shall put up for review to the Board of Director’s meeting on annual basis.