

Customer Compensation Policy of AGVB - 2024

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1. Policy Overview

The Customer Compensation Policy is designed to compensate customer in the events of unauthorized debits or delays during banking transactions. The policy is applicable to all the products and schemes. The policy is to be followed meticulously by the field functionaries while resolving complaints.

Reference has been made to the Statement on Developmental and Regulatory policies issued as part of Monetary Policy statement dated April 4, 2019 wherein it was proposed that the Reserve Bank would put in place a framework on Turn Around Time (TAT) for resolution of customer complaints and compensation framework across all authorized payment systems.

The framework for TAT for failed transactions and compensation thereof will result in customer confidence and would bring in uniformity in processing of the failed transactions. (RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20).

2. Policy Details

2.1 Background:

Compensation Policy of Bank is designed to cover areas relating to unauthorized debiting of account, unauthorized Electronic Banking transactions, Payment of interest to customers for delay in collection of cheques / instruments, payment of cheques after acknowledging stop payment instructions, remittances within India, lending, etc. The policy is based on principles of transparency and fairness in treatment of the customers and regulatory guidelines.

2.2 Objective:

The objective of the Policy is to establish a system, whereby the customer is compensated for the financial loss due to deficiency in service or an act of omission or commission directly attributable to the Bank.

The customer, as far as possible, will be compensated without having to ask for it.

The Policy covers only compensation for financial losses which customer might incur due to deficiency in the services offered by the Bank, which can be measured directly and as such the commitments under the Policy are without prejudice to any right the bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

2.3 Scope and Applicability:

The Customer Compensation Policy shall cover the Customer Compensation function of all the Offices / Branches of the Bank.

2.4 Policy Contents

The Customer Compensation Policy covers the following aspects, the details of the same have been outlined as follows.

2.4.1. Unauthorized / Erroneous Debit

2.4.1.1. Erroneous Debits arising on fraudulent or other transactions:

If the bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In case, the unauthorized / erroneous debit has resulted in a financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on Savings Fund deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instruction due to insufficiency of balance on account of the unauthorized/erroneous debit (other than those on account of third-party breaches), the bank will compensate the customer to the extent of such financial losses after taking into consideration all relevant factors.

2.4.1.2. Liability of a Customer or Bank in unauthorized electronic Banking Transactions:

2.4.1.2.1. Zero Liability of a Customer

- a). 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 (irrespective of whether or not the transaction is reported by the customer). 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. Here, the communication means information to customer through SMS, mails, passbook and other means.

2.4.1.2.2. Limited Liability of a Customer

A customer shall be liable for the loss occurring due to unauthorized transactions in the following cases:

- a) In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials (viz., User ID, Passwords, PIN, MPIN, OTP, Card Details, Mobile Device sharing or any other credential that may be defined by the Bank), 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.
- b) 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 the customer notifies such transaction on fourth to seventh day after receiving the communication from the bank (here, the communication to customer means information to customer through SMS, mails, passbook and other means), the per transaction liability of the customer shall be limited to the transaction value or the

amount mentioned in Table1, whichever is lower.

Table1 Maximum Liability Customer

Type of Account	Maximum Liability (Rs)
BSBD Account	5000
1. All other SB accounts 2. Current /Cash credit/ Overdraft accounts of MSMEs 3. Current /Cash credit/ Overdraft accounts of individual with annual average balance(During 365 days preceding the incidence of fraud)/limit up to 25 .00 Lac	10000
All other current/ Cash credit/ overdraft account	25000

- c) Further, if the delay in reporting is beyond seventh working day, the customer liability shall be determined as under:

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. However, depending on case-to-case basis, Bank may compensate customer an amount of maximum Rs. 25000/- (if reported within 30 days), irrespective of the fact whether there is single or multiple number of transactions or transaction amount, whichever is lower.

Overall liability of the customer in third party breaches, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in the Table 2:

Table2 Summary of Customer's Liability

Time taken to report the fraudulent transaction from the date of receiving the communication	<u>Customers' liability (Rs.)</u>
Within 3 working days	Zero Liability
Within 4 th to 7 th working day	The transaction value or the amount mentioned in table 1, whichever is lower.

Beyond 7 th Working day	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. However, depending on case-to-case basis, Bank may compensate customer an amount of maximum Rs 25000/- (if reported within 30 days), irrespective of the fact whether there is single or multiple number of transactions or transaction amount, whichever is lower
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2.4.2. Reversal Timeline for Zero Liability/ Limited Liability of a Customer:

On being notified by the customer, the Bank shall credit (shadow reversal) the amount involved in the unauthorized electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim if any). The credit shall be value dated to be as the date of unauthorized transaction.

2.4.3. Burden of Proof:

The burden of proving the customer liability in case of unauthorized electronic Banking transactions shall lie on the Bank. Such cases of Zero liability / limited liability of customers and compensation amount shall be examined and decided by IT Department at Head Office in case of unauthorized electronic transactions and by Vigilance Department at Head Office in case of fraudulent electronic transactions.

2.4.4. In case verification of the entry reported to be erroneous by the customer does not involve a third party:

The bank will endeavor to complete the process of verification within a maximum period of seven 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.

2.4.5. Payment of Cheques after Stop Payment Instructions / Non-blocking of lost ATM card after acknowledgement of request for its blocking

The instruction for Stop Payment of cheque / blocking of ATM card will be accepted at Home Branch, through Mobile Banking Application, SMS Banking or for ATM card blocking, customer can additionally use Toll free number.

In case a cheque has been paid after stop payment instruction is acknowledged by the bank / ATM Card has not been blocked after such a request has been acknowledged by the Bank, the bank shall reverse the transaction within two working days after receiving the intimation and give value-dated credit to protect the

interest of the customer.

2.4.6. ECS direct debits / other debits to accounts:

2.4.6.1. The bank will undertake to carry out direct debit / ECS debit instructions of customers in time. In the event the bank fails to meet such commitments, customer will be compensated to the extent of any financial loss customer would incur on account of delay in carrying out the instruction/ failure to carry out the instructions.

2.4.6.2. The bank would debit the customer's account with any applicable service charge as per schedule of charges notified by the bank from time to time. In the event the bank levies any charge in violation of the arrangement, the bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

2.4.7. Delay in collection of local cheques and other Negotiable Instruments:

All cheques and other negotiable instruments payable locally would be presented through the prevailing Clearing System. Bank would give credit to the customer account on the day the clearing settlement takes place.

2.4.8. Delays in Collection of Outstation Cheques and other Negotiable Instruments in India

As part of the compensation policy of the bank, the bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time specified as mentioned below. Such interest shall be paid without any demand from customers in all type 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.

Interest for delayed collection shall be paid at the following rates:

- a) If the proceeds of cheque under collection were to be credited to Savings Bank or Current account of the customer,
 - (i) Savings Bank rate for the period of delay beyond 3 working days in case of local cheques
 - (ii) Where the delay is beyond 21 days but up to 90 days, interest will be paid at the rate applicable to term deposit for the corresponding period or Saving Bank rate, whichever is higher.
 - (iii) In case of extraordinary delay, i.e., delays exceeding 90 days interest will be paid at the rate of 2% above the rate applicable to term deposit for the corresponding period.
- b) If 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 overdraft/loan account.

For extraordinary delays, i.e., delays exceeding 90 days interest will be paid at the rate of 2% above the rate applicable to the loan account.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India and when the amount calculated is Rs.10/- and above. Interest amount will be rounded off to the nearest rupee.

2.4.9. Payment of Penal Interest for delayed credit/ refunds of NEFT transactions

In case of delay in crediting the beneficiary customer's account or in returning the un- credited amount to the remitter in case of NEFT beyond T+5 days, Bank shall pay penal interest at the current RBI LAF Repo Rate plus two percent for the period of delay/till the date of refund as the case may be to the affected customers Suo-moto, without waiting for claim from customers.

2.4.10. Cheques / Instruments lost in transit / in clearing process/ at paying bank's branch:

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 take care that cheques, if any, issued by him/her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

The bank will 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 (7/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified in the policy.
- b) In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- c) The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/ institution who would charge a fee for issue of duplicate instrument.

2.4.11. Delay in Issue of duplicate draft

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser along with submission of documents as prescribed by the bank. For delay beyond the above stipulated period, interest at the rate applicable for fixed deposit of corresponding period will be paid as compensation to the customer for such delay. The period of fortnight prescribed would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or the beneficiary and would not be applicable in the case of third-party endorsements.

2.4.12. Compensation for delay in release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans*

In case of delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Bank shall

communicate to the borrower reasons for such delay. In case where the delay is attributable to the Bank, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.

In case of loss/damage to original movable / immovable property documents, either in part or in full, the Bank shall assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. However, in such cases, an additional time of 30 days will be available to the Bank to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

***PERSONAL LOANS** - Personal loans refer to loans given to individuals and consist of (a) consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).

Reference: As defined in Annex to the RBI Circular on 'XBRL Returns – Harmonization of Banking Statistics' dated January 04, 2018.

2.4.13. Customers' Responsibility

Bank will not be responsible for the loss to the customers due to customer's carelessness in keeping the Cheque book, passbook, cards, PIN or other security information and not following Do's and Don'ts issued by Bank, until the Bank has been notified by the customer.

Bank will not be responsible for the loss to the customer, if the customer acts fraudulently and/or acts without reasonable care which has resulted into loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords/secured or confidential information, until the time the Bank has been notified and has taken steps to prevent misuse.

Customers must register for SMS alerts for electronic banking transactions. The SMS alert shall mandatorily be sent to the customers registered.

The customers must notify any unauthorised electronic banking transaction at the earliest, after the occurrence of such transaction to Bank at branch as per details available in Grievance Redressal Policy of the Bank.

2.4.13.1. No changes/corrections should be carried out on the cheques. For any changes in the payee's name, courtesy amount (amount in figures) or legal amount (amount in words), etc., except change in the date for validation period, fresh cheque forms should be used by customers. This will help the bank to identify and control fraudulent alterations.

2.4.13.2. Dishonour/Return of cheques: Bank needs to mention the 'Date of Return' & sign/initial the Cheque Return Memo and the Objection Slip is to be signed/initialled giving therein a definite and valid reason for refusing payment, as prescribed in Rule 6 of the Uniform Regulations and Rules for Bankers' Clearing Houses (URRBCH). This will enable the holder of the instrument to have legal recourse against the drawer of the cheque.

2.4.14. Wealth Management Products

Bank is a corporate agent and distributor of insurance and mutual fund products respectively. For any deficiencies in services bank will assist customers to raise their grievances with the tie-up partners. For any deficiencies in service at bank level raised by the customer, the issue will be examined by the bank and if the lapse on part of the bank is confirmed (mis-selling) customer will be compensated as per the provisions of these policies.

2.4.15. Other areas of deficiencies in services:

- 2.4.15.1.** In case of Loan against Deposit Accounts, responsibility will lie with the Branch to renew the Term Deposits at maturity which are kept as lien. Moreover, where loan has been allowed against Bank's own Fixed Deposit Receipt and the Branch, after maturity of the FD/TD does not adjust the loan account and thereby interest is charged on the loan outstanding, excess interest charged thereof in the loan account will be refunded to the customer.
- 2.4.15.2.** Where the Branch after adjustment of the loan account does not remit/ credit the remaining amount of the pledged FD to the customer's account but keeps the balance in Sundry Account, the Bank will compensate to the customer the interest as payable for the amount kept in the Sundry account at Savings Bank Rate, if the customer has not been duly informed.
- 2.4.15.3.** Where loan has been allowed against NSCs, KVPs, LIC policy and the Branch, after maturity of the instruments, does not collect the proceeds of the instruments in question from the concerned Post Offices/ LIC Offices, thereby charging interest in the loan account is continued, excess interest so charged in the loan account will be reversed to the customer immediately.

2.4.16. Customer compensation for failed digital transactions

2.4.16.1. 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 will reverse the charges, if levied, immediately to the customer account. The Bank would not only reverse the charges, if levied, immediately but also pay compensation to the customer @Rs100/-.

2.4.16.2. Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems:

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1	Automated Teller Machines (ATMs) including Micro-ATMs		

a	Customer's account debited but cash not dispensed.	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days.	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
2	Card Transaction		
a	<u>Card to card transfer</u> Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account.	₹ 100/- per day of delay beyond T + 1 day.
b	<u>Point of Sale (PoS) (Card Present) including Cash at PoS</u> Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.
c	<u>Card Not Present (CNP) (e- commerce)</u> Account debited but confirmation not received at merchant's system.		
3	Immediate Payment System (IMPS)		
a	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
4	Unified Payments Interface (UPI)		
a	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
5	Aadhaar Enabled Payment System (including Aadhaar Pay)		

a	Account debited but transaction confirmation not received at merchant location.	Acquirer to initiate "Credit Adjustment" within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
b	Account debited but beneficiary account not credited.		
6	Aadhaar Payment Bridge System (APBS)		
a	Delay in crediting beneficiary's account.	Beneficiary bank to reverse the transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
7	National Automated Clearing House (NACH)		
a	Delay in crediting beneficiary's account or reversal of amount.	Beneficiary bank to reverse the uncredited transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b	Account debited despite revocation of debit mandate with the bank by the customer.	Customer's bank will be responsible for such debit. Resolution to be completed within T + 1 day.	

2.4.17. Other unauthorized actions of the Bank leading to a financial loss to Customer

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

- 2.4.17.1.** Contributory fraud/negligence/deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
- 2.4.17.2.** 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. Here, the communication means information to customer through SMS, mails, passbook and other means.

2.4.18. Customer Compensation in various incidents involving Safe Deposit Vault (Lockers):

The Customer Compensation Policy in respect of incidents involving Safe Deposit Vault (Lockers), shall be governed by AGVB Circular No. AGVB/P&D/15/OM-124/2021-22 dated 29-11-2021 (Introduction of Locker Policy of the Bank) or any subsequent changes introduced from time to time.

2.4.19. Non-renewal of Term Deposits (FD/RIP):

If a Term Deposit (TD) matures and proceeds are unpaid, the amount left unclaimed with the bank shall attract rate of interest as applicable to savings account or the contracted rate of interest on the matured TD, whichever is lower from the date of maturity.

2.4.20. Discretionary Power for authorizing compensation:

The delegation of Discretionary Power for authorizing and payment of compensation to customers under the Revenue Expenditure head “Making good of losses suffered by customers” will be as follows:

(In Rupees)

Particulars	Chairman	General Manager	Head of the Department (HoD)	Regional Manager	Branch Head (irrespective of Scale)
Making good of losses suffered by customers (per instance)	Above Rs.200,000.00	Rs.200,000.00	Rs.10,000.00	Rs.10,000.00	Rs.1000.00

2.4.21. Disclaimer Clause

Notwithstanding anything contained hereinabove, the Bank shall not pay any compensation in the following cases:-

- i) Any deficiency regarding loans and advances activities of the Bank.
- ii) Delays on account of non-functioning of business due to factors beyond the control of the Bank and the period covered by such events shall be omitted for calculation of delay, etc.
- iii) Where the issues are sub-judice and pending before Courts, Ombudsman, Arbitrator, Government and matter put on hold due to stay.

2.4.22. Force Majeure

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other “Acts of God”, war, damage to 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 Bank prevents it from performing its obligations within the specified service delivery parameters.

2.4.23. Service Charges

The Bank will recover appropriate service charges for all collection services as decided by Bank from time to time and communicate to the customers by displaying the same on notice board or bank’s website.

2.4.24. Periodicity of review of the Policy:

The policy will be effective from date of circulation following approval from Board and it will continue to be in force till the reviewed policy comes into place.

Appendix

A. List of Acronyms

1. ECS: Electronic Clearing System
2. LAF: Liquidity Adjustment Facilities
3. UPI: Unified Payments Interface (UPI) is an instant payment system developed by the National Payments Corporation of India (NPCI), an RBI regulated entity. UPI is built over the IMPS infrastructure and allows you to instantly transfer money between any two parties' bank accounts.
4. TAT: Turnaround Time

B. References:

1. PNB Customer Compensation Policy for the FY 2024-25
2. RBI "Master Circular on Customer Service in Banks" circulated vide RBI/2015- 16/59/DBR No.Leg.BC.21/09.07.006/2015-16 dated 1st July 2015.
3. RBI circular no. DBR. No.Leg.78/ 09.07.2017-18 dated July, 6 2017 on Customer Protection – Limited Liability of customers in Unauthorized Electronic Banking transactions.
4. RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20 dated September 20, 2019.