

THE BANK'S COMPENSATION POLICY

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 endeavour 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 timeframe 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, remittances within India, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this Policy is to establish a system whereby the bank compensates the customer for any financial loss he/she 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.

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

1.Unauthorised / Erroneous Debit:

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 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 will compensate the customer for such loss at the prevailing fixed deposit

interest rate, on the date of debit, for the period between such erroneous debit and reversal thereof.

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.

2.ECS Direct debit / other debits to accounts

The bank will undertake to carry out direct debit/ECS debit instruction of customers in time. In the event the bank fails to meet such commitments, customer will be compensated at the fixed deposit interest rate as on due date of ECS debit for the period between the due date of direct / ECS debit and the date of actual debit carried out by the bank.

The bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. In case 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 interest loss to the customer will also be compensated.

3. Payment of Cheques after Stop Payment Instruction:

In case a cheque has been paid after stop payment instructions is acknowledged by the bank, the bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

4. Foreign Exchange Services:

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies, sent to foreign countries, as the bank would not be able to ensure timely credit from overseas bank. It is the bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. The Bank however, would consider upfront credit against such instruments by purchasing the cheque / instrument, provided the conduct of the account has been satisfactory in the past. However, the bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent. Such compensation will be given for delays beyond one week

from the date of credit to Nostro Account / due date after taking into account normal cooling period (as applicable to respective countries) notified from time to time. The compensation will be worked out as under:

- a) @ 2% above the savings a/c rate, for amount upto Rs.10 lacs for delay beyond 10 days from the date of receipt of remittance advice. In case of amount exceeding Rs.10 lacs for delay beyond 3 days (including Saturday) from the date of receipt of credit advice in sending remittance advice to the beneficiary
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate..

5. Payment of Interest for delayed Collection of Outstation Cheques :

As part of 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 period mentioned in the Bank Policy on Collection Cheques / Instruments. 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.

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

- a) Savings Bank rate for the period of delay beyond 10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 45 days interest will be paid at the rate applicable to for term deposit for the respective period.
- c) In case the 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 was 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.
- e) Only additional verifiable expenses incurred by a customer in this regard will be compensated.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

5.1 Cheques / Instruments lost in transit/in clearing process or at paying bank's branch:

In the event of 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 accountholder can inform the drawer to record stop

payment and also take care that cheques, if any, issued by him/her are not dishonoured 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.

In line with the compensation policy of the bank, the bank will compensate the accountholder 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 (10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- 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.

6. Violation of the Code by banks agent:

In the event of receipt of any complaint from the customer that the bank's representative /courier or any other agent 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, bank shall take appropriate steps to investigate and to handle the complaint and to make good direct loss, if any.

7. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks

The RBI has expressed concern over the lack of transparency in the arrangement for payment of 'at par' instruments of cooperative banks by commercial banks resulting in dishonour of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the bank will not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for non -payment /delayed payment of cheques in the absence of adequate funding arrangement.

8. 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, accident, Fires, natural disasters or other 'act 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.

Notwithstanding any thing contained here above, the Bank shall not pay any compensation in the following cases:

1. Any deficiency in regard to loans and advances activities of the Bank.
2. Credit Card operations where the Bank is only an agent of other banks. Etc.
3. Debit Card/ATM Card, non-dispensation of cash despite balance in the account, double debit etc as they are subject to respective agreements / terms with account holder.
4. Dishonour of at par payment arrangement with other banks, due to non-funding and security compliances.
5. Delays on account of non-functioning of business due to factors beyond the control of the bank, the period of such events shall be removed for calculation of delays etc.
6. Where the issues are sub-judice and are placed under the disposal at the third parties like Courts, Ombudsman, arbitration, Governments etc., no compensation will be payable.

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