

An Overview of Banking Ombudsman Scheme of RBI

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ABSTRACT

Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017) of RBI is the focus of this paper. All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under this Scheme. Meaning of Ombudsman, types of grievances that are considered by BO, Offices of Ombudsman in India, Process flow of complaint with OBO, Resolution & Disposal of Banking Grievances by OBO etc. have been discussed in this paper. For the last five years ending on 2017-18, the disposal rate of complaints by OBO has always been more than 90% which exhibits excellent disposal performance of OBO. Out of the total complaints recd. by OBO consist primarily of the grievances related to Failure to meet commitments /Non observance of Fair Practice Code/BCSBI. Besides it Debit Cards & Credit Cards related complaints and 'Others' category complaints appear frequently before OBO.

Key Words—BO,OBO, RBI, UPI,NEFT, RTGS, BCSBI

INTRODUCTION

In the modern era of digital payment and settlement in India, there are a lot of methods of fund transfer and payments like UPI, IMPS, NEFT, RTGS, Aadhaar Enabled Payment System, Bharat Bill Payment System, Debit& Credit card etc. Use of Debit Cards and Credit cards is gaining popularity day by day for many types of uses. Increased means of digital payment and settlement are also causing various type of problem to the users like amount debited but the amount not dispensed by ATM, amount debited from account of transferor but the recipient didn't get the credit etc. Besides it, banks services are sometimes not upto the mark. For grievances of banking customers,most banks have developed an internal redressal system but sometimes banks are unable to resolve the dispute& complaints within the prescribed time frame. Customers get irritated and confused. What to do now if there is no legitimate solution from the defaulter Bank. For this type of situations, Reserve Bank of India has developed Banking Ombudsman Scheme (BOS)to resolve the grievances finally.

In this paper we are going to study the banking ombudsman scheme developed by RBI&its various aspects. The paper is quite useful to the Readers. The structure of this paper is—

- Meaning of Ombudsman
- Types of grievances that are considered by BO
- Offices of Banking Ombudsman(OBO) in India
- Process flow of complaint with OBO
- Resolution & Disposal of Banking Grievance
- Current Statistics of Complaints at OBO

This study is based on the Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017) of RBI. All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

Ombudsman Scheme for Digital Transactions 2019 has not been taken into consideration in this research paper. This scheme has been launched under section 18 of the Payment and Settlement Systems Act 2007 for the grievances related to digital transactions done through System Participants. “‘System Participant’ means any person **other than a bank** participating in a payment system as defined under Section 2 of the Payment and Settlement Systems Act, 2007 excluding a ‘System Provider.’”¹

Grievances related to Digital transactions conducted through all Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks will continue to be treated under Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017).

Objectives of the Paper

- To know the meaning of Banking Ombudsman and the types of Complaints considered by it
- To know about the offices of BO in India
- To know the process flow of Grievance Redressal through OBO
- To know the Disposal methods of Banking Grievances through OBO
- To develop various suggestions regarding BO scheme.

RESEARCH METHODOLOGY

This research is basically descriptive research primarily based on the secondary data derived from the Annual Reports of Reserve Bank of India and the various concerned Ministries of Indian Government. Besides it, various research paper, newspapers, magazines, books and articles etc. also have been gone through to derive relevant facts & data.

Meaning of Ombudsman

The Banking Ombudsman Scheme is a speedy and toll free forum for bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995. Presently the Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017) is in operation.

The Banking Ombudsman is a senior official appointed by the Reserve Bank of India for redressal of banking customers complaints against deficiencies in certain banking services covered under Clause 8 of the Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017).

“‘Banking Ombudsman’ means any person appointed under Clause 4 of the Scheme.”²

“The Reserve Bank may appoint one or more of its officers in the rank of Chief General Manager or General Manager to be known as Banking Ombudsman to carry out the functions entrusted to them by or under the Scheme.”³

Offices of Banking Ombudsman

There are 21 offices of BO in India. The offices of Banking Ombudsman are at Ahmadabad, Bangalore, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Jaipur, Kanpur, Kolkata, Mumbai (two offices), New Delhi (two offices), Patna, Thiruvananthapuram, New Delhi, Dehradun, Ranchi, Raipur, Jammu.

Dehradun office of BO covers the area of Uttarakhand and 7 districts of Uttar Pradesh that are Saharanpur, Shamli, Muzaffarnagar, Baghpat, Meerut, Bijnor and Amroha. Ghaziabad and Noida districts are covered under New Delhi II office. The remaining districts of Uttar Pradesh are covered under Kanpur office.

Types of Complaints considered by BO

- **No Follow-up of Banking Codes and Standards**---BO considers the grievances related to Non-observance of Fair Practice Code by Banks, not fulfilling its commitments in proper timings and Non-adherence to the Codes developed by Banking Codes and Standards Board of India (BCSBI).
- **Grievances related to ATM/ Debit Cards**---These complaints include Account Debited but Cash not Dispensed by ATMs, Short Payment of Cash or Excess by ATMs, Account Debited More than Once for One Withdrawal in ATMs or for POS Transaction, lost or stolen cards etc.
- **Grievances related to Credit Cards**--- These include complaints pertaining to wrong debits, wrong reporting / non-updating credit status with credit information to Credit Information Bureau and inappropriate approach of recovery agents etc.
- **Grievances related to Mobile/Electronic Banking**--- These include complaints related to non-adherence to RBI instructions with regard to Mobile Banking/ Electronic Banking service, delay or failure to effect online payment/Fund Transfer, unauthorized electronic payment / Fund Transfer etc.
- **Levy of Charges without Prior Notice**--- These include complaints related to Levying charges for non-maintenance of minimum balance, processing fees, pre-payment penalties in the guise of loan takeovers by the other banks etc.
- **Grievances related to Pension Payments**---Non-disbursement or delay in disbursement of pension etc. are included in this category.
- **Grievances related to Deposit Accounts**--- these complaints include delay in credit, non-credit of proceeds to party's account, non-payment of proper interest on deposits in savings, current or other accounts, etc.

- **Grievances related to Loan accounts---** these complaints include delay in sanction, disbursement, non-observance of prescribed time schedule for disposal of loan applications, non-acceptance of application without valid reason etc.
- **Grievances related to Remittances** include non-payment/ inordinate delay in the payment or in the collections of cheques, drafts, bills etc.
- **Grievances related to Notes and Coins---** Non-acceptance, without sufficient cause, of small denomination notes and coins tendered and for charging of commission in respect thereof are included in this category.
- **Grievances related to Para-Banking** include complaints of sale of insurance / mutual fund / other third-party investment products by banks.
- **Grievances related to malpractices** followed by Direct Selling Agents(DSAs) and Recovery Agents of Banks.
- **Other Grievances** include complaints related to Non-adherence to RBI directives on Banking or other Services like Interest Rates, Prescribed Working Hours, Refusal to Accept or Delay in Accepting Payment towards Taxes as Required by RBI/Govt., Refusal to Issue or Delay in Issuing or Failure to Service or Delay in Servicing or Redemption of Government Securities etc.

Procedure for Filing Complaint

- (1) Any person who has a grievance against a bank on any one or more of the grounds mentioned above, himself or through his authorised representative (other than an advocate), make a complaint to the Banking Ombudsman within whose jurisdiction the bank complained against is located. A complaint arising out of the operations of credit cards and other types of services with centralized operations, shall be filed before the BO within whose territorial jurisdiction the billing address of the customer is located.
- (2) The complaint in writing shall be duly signed by the complainant or his authorized representative stating clearly the name & address of the complainant, the name & address of the bank against which the complaint is made, the facts giving rise to the complaint, the nature & extent of the loss caused to the complainant, and the relief sought for etc. A complaint made through electronic means shall also be accepted by the Banking Ombudsman.
- (3) The complainant shall file along with the complaint, copies of the documents, if any, supporting his claim.

Complaints Out of Purview of BO

No complaint to the Banking Ombudsman shall lie unless:-

- (a) The complainant had, before making a complaint to the Banking Ombudsman, made a written representation to the bank and the bank had rejected the complaint or the complainant had not received any reply within a period of one month after the bank received his representation or the complainant is not satisfied with the reply given to him by the bank;
- (b) The complaint is made not later than one year after the complainant has received the reply of the bank to his representation or, where no reply is received, not later than one year and one month after the date of the representation to the bank;
- (c) The complaint is not frivolous or vexatious in nature.

Disposal of Complaint by OBO

For disposal purpose, a BO may demand from the concerned bank; any information or furnish certified copies of any document relating to the complaint. BO shall maintain proper confidentiality of any information or document in the course of discharging his duties. Following are the types of disposals by OBO for the grievances of the customers—

- (1) **By Agreement between the Complainant and the Concerned Bank---** The BO shall send a copy of the complaint to the branch/office of the bank named in the complaint, under advice to the nodal officer and motivate to promote a settlement of the complaint by agreement between the complainant and the bank through conciliation or mediation. In case of non-settlement within the parties Ombudsman may call for a meeting of bank and the complainant together to promote an amicable resolution.
- (2) **Complaint Deemed as Resolved----** BO may deem the complaint as resolved in any of the following cases--
 - a. Where the grievance raised by the complainant has been resolved by the bank with the intervention of the BO; or
 - b. The complainant agrees to the resolution done through the conciliation and mediation efforts initiated by the Banking Ombudsman; or
 - c. In the opinion of BO, the bank has adhered to the banking norms and practices in circulation and the complainant has been informed and complainant's objections if any to the same are not received by BO within the proper time.

- (3) Award (Order) by The Banking Ombudsman ----** If a complaint is not settled by agreement within a period of one month from the date of receipt of the complaint or sufficient time as the Banking Ombudsman may allow the parties, he may, after giving the parties a reasonable opportunity to present their case, pass an Award(Order) or reject the complaint.

Following are the main features of BO awards—

- BO shall take into account the evidence produced by the parties, the principles of banking law and practice, directions, instructions and guidelines issued by the Reserve Bank from time to time etc.
 - The award shall state briefly the reasons for passing the award and contain the directions to the bank for specific performance of its obligations and in addition to or otherwise, the amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant.
 - Compensation will not be more than the actual loss suffered by the complainant as a direct consequence of the act of omission or commission of the bank, or two million rupees whichever is lower. The compensation shall be exclusive of the amount involved in the dispute.
 - BO may also award additional compensation not exceeding rupees 0.1 million to the complainant, taking into account the loss of the complainant's time, expenses incurred by the complainant, harassment and mental torture suffered by the complainant.
- (4) Rejection of The Complaint----**The Banking Ombudsman may reject a complaint at any stage if it appears to him that the complaint made is not on proper grounds or beyond the pecuniary jurisdiction of BO. Complaint may Also be rejected if, requiring consideration of elaborate documentary and oral evidence and the proceedings before the Banking Ombudsman are not appropriate for adjudication of such complaint or it is not pursued by the complainant with reasonable diligence. In the opinion of the Banking Ombudsman if there is no loss or damage or inconvenience caused to the complainant, complaint may get rejected.

CONCLUSION

Number of complaints against banking institutions has been increasing under the Banking Ombudsman Scheme. But the soothing factor is that OBO is disposing grievances at an average rate of more than 90% every year. RBI should develop a system for online resolution of grievances. Capacity Building efforts of the OBOs to facilitate efficient and effective management of the rising volume of complaints are highly required. Internal Grievance Redressal System developed through Internal Ombudsman Scheme, 2018 should be made stronger. Fair practice Codes and BCSBI codes should be strongly followed by Banks. This follow up will drastically reduce the no. of grievances. Mechanisms for removal of complaints regarding debit/credit cards, UPI etc. should be made stronger. No doubt, that the present BO scheme is being run efficiently but there is a lot of scope for betterment.

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