

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
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Date of Release	01.03.2023	Version Number	1.2



# Compensation Policy

**THE NAINITAL BANK LIMITED**  
**Regd. Office: G.B. Pant Road, Nainital.**  
**Uttarakhand**

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## **Table of Contents**

1. Unauthorized / Erroneous Debit:.....	3
2. ECS direct debits/other debits to accounts.....	4
3. Payment of Cheques after Stop Payment Instructions: .....	5
4. Foreign Exchange Services: .....	5
5. Payment of interest for delayed Collection of Outstation Cheques: .....	5
6. Compensation for loss of instrument in Transit:.....	6
7. Issuance of duplicate Draft and Compensation for delays: .....	7
8. Violation of the Code by banks agent: .....	7
9. Transaction of “at par instruments” of Co-operative Banks by Commercial Banks:.....	7
10. Delay in returning of Security Documents .....	7
11. ATM Failure:.....	8
12. General Instructions covering the Turn Around Time (TAT): .....	10
13. Instant Credit and Returning Inward RTGS/NEFT: .....	12
14. Reversal of Erroneous Debits Arising out of Fraudulent or other .....	12
Transactions in Customer’s Account.....	12
Customer’s Account .....	12
Erroneous Debits to Customer’s Account.....	12
a) Identification of Erroneous Debits.....	13
b) Identification of cause of Erroneous Debits.....	13
c) Reversal of Erroneous Debits arising out of Fraudulent OR Other Transactions .....	13
d) Authority for Reversal of Erroneous Debits .....	13
e) Accounting .....	13
f) Further Course of Action.....	14
15. Compensation in case of Safe Deposit Lockers/Safer Custody of Articles .....	14
<b><i>Force Majeure</i></b> .....	<b><i>14</i></b>

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

## 1. Preamble

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. Earlier instructions issued by RBI regarding immediate credit of local /outstation cheques, time frame for collection of local/outstation instruments and interest payment for delayed collection have been withdrawn by with effect from 1st November 2004 leaving it to the individual banks to formulate policies in this regard taking into account their technological capabilities, systems and processes adopted for clearing arrangements and other internal arrangements for collection through correspondents.

A Compensation policy of the bank was 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., is based on principles of transparency and fairness in the treatment of customers.

## 2. Objective

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.

## 3. Scope

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.

## 4. Policy

### 1. Unauthorized / Erroneous Debit:

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

If the bank has raised an authorized/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 saving bank 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 instructions due to insufficiency of balance on account of the unauthorized/erroneous debit, the bank will compensate the customer to the extent of such financial losses ***after taking into consideration all relevant factors.***

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 7 working days from the date of reporting of erroneous debit. In case, the verification involves a third party or where verifications are to be done at overseas centres, the bank shall complete the verification process within maximum periods of one month from the date of reporting of erroneous transaction by the customer.

#### **Unauthorized Electronic Transactions reported by customers**

As per the circular no. DBR.No.Leg.BC.78/09.07.005/2017-18 dated July 6, 2017 issued by the Reserve Bank of India, all Banks are required to formulate a Board Approved Customer Protection Policy for unauthorized electronic Banking transactions reported by customers.

Accordingly, **the Customer Protection Policy for unauthorized electronic Banking transactions** reported by customers has been prepared by the bank.

For all such transactions, the Bank would be governed by the Board Approved Customer Protection Policy.

## **2. ECS direct debits/other debits to accounts**

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 the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions.

The bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. 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.

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

### 3. Payment of Cheques after Stop Payment Instructions:

In case a cheque has been paid after stop payment instruction is acknowledged by the bank, the bank shall reverse the transaction and give value dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as provided under para 1 above. 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 banks. 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. Bank however, may consider upfront credit against such instrument by purchasing the cheques/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 stipulated.

The compensation in such cases will be worked out as follows:

- a) Interest for the delay in crediting proceeds as indicated in the collection policy of the bank.
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate.

**The guidelines under Above point (4) will be ensured when FOREX service facilities are being provided by Bank.**

### 5. Payment of interest for delayed Collection of Outstation Cheques:

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 period specified in banks cheque collection policy. 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.

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

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

- a) Interest will be paid at Saving Banks rate for the period of delay beyond the stipulated period of collection:

Time Frame for collection: -

- Cheques Payable at CTS Centre- Maximum period for 7 days
- Non CTS Centers- Maximum period of 10 days.

- b) Where the delay is beyond 14 days, interest will be paid at the rate applicable for term deposit for the corresponding period or saving bank rate, whichever is higher.

- c) c) In case of extraordinary delay, i.e. delay 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 were 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.

## 6. Compensation for loss of instrument in Transit:

The bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection by the customer would also be as indicated in our collection policy.

The same is extracted below for information:

### **"Cheques/Instruments lost in transit /in clearing process or 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 accountholder 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 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.

In line with the compensation policy of 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 (7/10/14 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 Saving Bank rate to provide for likely further delays in obtaining duplicate cheque/instrument and

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

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.

## 7. Issuance of duplicate Draft and Compensation for delays:

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. 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.

## 8. 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 DSA 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 is committed to investigate the matter and endeavor to communicate the findings to the customer within -7- working days from the date of receipt of complaint and wherever justified ,compensate the customer for financial loss, if any, as contemplated under this policy.

## 9. 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 co-operative banks by commercial banks resulting in dishonor 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.

## 10. Delay in returning of Security Documents

Commitment to borrowers:

The bank has adopted the principles of lenders of liability. In terms of the guidelines for lender liability, and the Code of Bank's Commitment to customers adopted by the bank, the bank would return to the borrowers all the securities/documents/title deeds to mortgage property within -15- days of repayment of all dues agreed to or contracted. The bank will compensate the borrower for monetary loss suffered, if any due to delay in return of the same. In the event of loss of title deeds to mortgage property at the hands of the banks the compensation will cover out of pocket expenses for

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

obtaining duplicate documents plus a lump sum amount as decided by the bank.

## 11. ATM Failure:

It is mandatory for bank to reimburse the customer; the amount wrongfully debit on account of failed ATM within a maximum period of 5 working days from the receipt of the complaint. For any failure to re-credit the customer's account within 5 working days from the receipt of the complaint, bank shall pay compensation of Rs. 100/- per day to the aggrieved customer from the 6<sup>th</sup> day onward.

TAT as per latest RBI **Circular DPSS.CO.PD No.629/02.01.014/2019-20 dated September 20, 2019** for Harmonization of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems is as under:

### Harmonization of Turnaround Time (TAT) and customer compensation for failed transactions using authorised Payment System.

Sl. No.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
<b>1</b>	<b>Automated Teller Machines (ATMs) including Micro-ATMs</b>		
1a	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.
<b>2</b>	<b>Card Transaction</b>		
2a	<u>Card to card transfer</u> Card account debited but the beneficiary card account not credited. <b>** (will be applicable when bank Introduces the facility)</b>	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.
2b	<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.



Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

2c	Card Not Present (CNP) (e-commerce) Account debited but confirmation not received at merchant's system.		
<b>3</b>	<b>Immediate Payment System (IMPS)</b>		
3a	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.
<b>4</b>	<b>Unified Payments Interface (UPI)</b>		
4a	Account debited but the beneficiary account is not credited (transfer of	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1	₹100/- per day if delay is beyond T + 1 day.
4b	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.

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
5	Aadhaar Enabled Payment System (including Aadhaar Pay) **(will be applicable when bank Introduces the facility)		
5a	Account debited but transaction confirmation not received at merchant location.	Acquirer to initiate “Credit Adjustment” within T + 5 days.	₹100/- per day if delays beyond T + 5 days.
5b	Account debited but beneficiary account not credited.		
6	Aadhaar Payment Bridge System (APBS) **(will be applicable when bank Introduces the facility)		

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

6a	Delay in crediting beneficiary's account.	Beneficiary bank to reverse the transaction within T + 1day.	₹100/- per day if delay is beyond T + 1 day.
7	National Automated Clearing House (NACH)		
7a	Delay in crediting beneficiary'saccount or reversal of amount.	Beneficiary bank to reversethe uncredited transaction within T+ 1 day.	₹100/- per day if delay is beyond T + 1 day.
7b	Account debited despite revocation of debit mandate with the bank bythe customer.	Customer's bank will be responsible for such debit. Resolution to be completed within T + 1day.	
8	Prepaid Payment Instruments (PPIs) – Cards / Wallets **(will be applicable when bank Introduces the facility)		
8a	<u>Off-Us transaction</u> The transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TATand compensation rule of respective system shall apply.		
8b	<u>On-Us transaction</u> Beneficiary's PPI not credited. PPI debited but transaction confirmation not received at merchant location.	Reversal effected	₹100/- per day if delay is beyond T + 1 day.

## 12. General Instructions covering the Turn Around Time (TAT):

In case our customer (card holder) uses other Bank's ATM and does not get cash, and his/her account is debited the customer is required to register a complaint in a specified Complaint Form/Charge Back Form, giving the complete details of transaction to the base branch where he is maintaining account. Branch in turn will register complaint with respective department (ATM Cell), who will raise the Chargeback/claim with the Acquiring / concerned bank whose ATM is used by our customer. The following process shall be followed by ATM Cell for raising charge back to the acquirer bank:

### a. First Charge Back:

The ATM cell will raise the first charge back with the acquirer back through NPCI portal upon receiving of the customer complaints but not later than next working day.

- i) If the first charge back is accepted by acquirer bank: Acquirer Bank will reverse the amount through NPCI portal to the bank and amount received along with the compensation @ Rs. 100/- per day beyond T+5 days of transaction, if applicable, will be credited in customer's account on the next working day by

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

bank's ATM Cell.

- ii) If the first charge back is rejected by acquirer bank: The ATM Cell will raise the second charge back within -7- days of rejection of first charge back through NPCI portal.

b. Second charge Back (Pre-Arbitration):

The ATM Cell will raise the second charge back within -7- days of rejection of first charge back through NPCI portal.

- i) If the Second Charge Back (Pre-Arbitration) is accepted by acquirer bank: Acquirer Bank will reverse the amount through NPCI portal to the bank and amount received along with the compensation @ Rs. 100/- per day beyond T+5 days of transaction, if applicable, will be credited in customer's account on the next working day by bank's ATM Cell.
- ii) If the Second Charge Back (Pre-Arbitration) is rejected by acquirer bank: The branch will intimate customer about the same and inform the customer the process of arbitration.

c. Arbitration:

If the First Charge Back and Second Charge Back (Pre-Arbitration) is rejected by the acquiring bank, the same will be intimated to the customer by the Branch or ATM Cell with advice of having an option for going for arbitration for the said transaction.

- i) If customer wants to go for arbitration: The base branch will obtain an undertaking from customer for going to arbitration along with consent from customer to pay Rs. 500/- (plus GST) for arbitration. In such case branch will lien mark Rs. 500/- (plus GST) in the customer's account till the decision of Panel for Resolution of Dispute (PRD) is received.
  - If decision is in favour of customer than ATM Cell will credit the customer's account by next working day upon receiving the amount from acquiring bank and the branch will remove the lien mark of Rs. 500/- (plus GST) from customer account after the credit is confirmed.
  - If decision is against the customer, then ATM cell will intimate the same to the concerned branch along with the documents of PRD decision of arbitration and branch will transfer the lien mark amount to ATM Cell as charges for arbitration and intimate the same to customer in writing along with required documents.
- ii) If customer doesn't want to go for arbitration: Branch will obtain a written undertaking from customer and intimate the same to ATM Cell and keep the copy of undertaking on record.

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

### 13. Instant Credit and Returning Inward RTGS/NEFT:

In case of returning of RTGS/NEFT, the beneficiary account will be credited within 30 minutes of receiving the RTGS/NEFT in SFMS. In case of account detail mismatch, the same needs to be returned within an hour or before RTGS EOD, whichever is earlier. Compensation@ Repo Rate +2% will be paid to the beneficiary customer's account or to the originating bank, respectively in case of delays in credit or return.

### 14. Reversal of Erroneous Debits Arising out of Fraudulent or other Transactions in Customer's Account

In terms of guidelines issued by Reserve Bank of India, Banks are required to frame and implement a policy on 'reversal of erroneous debits, arising out of fraudulent transaction in customer's account' in compliance with this policy, Bank has to afford credit to customer's account in case of erroneous debit. Needless to mention, the policy is to be adopted with a view to providing better customer service as well as protecting Bank's image in general.

#### Customer's Account

Branches are well aware that account of a prospective customer is to be opened following the guidelines of the bank in vogue from time to time. ALL KYC and AML norms are to be observed meticulously before opening the account and thereafter branch officials are to be satisfied with the proper identity and bonafides of the customer.

All newly opened account are to be monitored closely for the first six months of opening of account and transaction are to be watched thoroughly to ensure that the account is being maintained/conducted properly and there is no undesirable credits and debits being made. All othersafeguards are also to be observed in these accounts.

#### Erroneous Debits to Customer's Account

Though the Bank does observe all safeguards yet sometimes customer's account is used as conduit for fraudulent transactions by some unscrupulous elements or by using banking channel to fraudulently encash payment instruments by opening fake account (in the manner that payment instruments could be encashed).

Miscreants may also achieve their objective in connivance of staff member/s or by deceiving the regulations prevailing in the system. The above incidents may lead to debit of customer's account erroneously and keeping him out of funds for no fault on his part. Such debits ultimately enter into litigation and hamper the image of the bank.

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

#### **a) Identification of Erroneous Debits**

Any debit to customer's account not properly authorize by him or to which he has not given his consent (for such debit) is to be treated as erroneous debit. The debits on account of Bank's general lien and/or the debits for which Bank has lawful authority will not be treated as erroneous debit.

#### **b) Identification of cause of Erroneous Debits**

Bank will immediately enquire into and identify the cause of such debit broadly under following two categories:

- Erroneous debit has been effected in connivance of the staff member and customer is not at fault.
- Erroneous debit in respect of which neither Bank nor the customer is at fault but it has been effected by taking advantage of the system.

#### **c) Reversal of Erroneous Debits arising out of Fraudulent OR Other Transactions**

When fraud is established and/or it is proved to the satisfaction of the Branch that the debit to customer's account is erroneous and unwarranted, it will immediately take up the matter with the Head Office for restoration of amount to customer's account after identifying the cause of erroneous debit Bank will precede as under:

- In case of any fraud, if the Bank is convinced that an irregularity/fraud has been committed by its staff towards any constituent, Bank should at one acknowledge its liability and pay the just claim.
- In case where Bank is at fault the Bank will compensate customer without demur and
- In case where neither the Bank nor the customer is at fault but fault lies elsewhere in the system, Bank will compensate the customer upto 50% of the amount involved in erroneous debit or Rs. 50000/- whichever is less after adjudging the merits/demerits on case to case basis. For higher compensation in deserving cases, a committee comprising of Managing Director & CEO, General Manager, AVP (OPS & SER) and AVP (HRM) will decide the quantum on merits.

#### **d) Authority for Reversal of Erroneous Debits**

At Head Office details submitted by the branch will be examined by the Operation & Services Department and the case will be put up before the Chief Operating Officer who will be the competent authority to decide for reversal of erroneous debit. For cases beyond the power of General Manager, Committee of Executives will decide the issue/compensation.

#### **e) Accounting**

On receiving information/having come to know that erroneous debit has been effected in customer's

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

account, branch officials will critically examine the debit in customer's account to ascertain that debit is erroneous. After getting convinced with erroneous debit, branch will submit the details of the account and transaction to Head Office seeking authority to afford credit to the customer's account for the amount of erroneous debit to the extent mentioned in the policy.

After obtaining authority from the competent authority branch will pass the following entries;

**DEBIT-** Sundry debtor's a/c of the branch

**CREDIT-** Customer's account

#### f) Further Course of Action

Bank will further proceed into such eventuality and decide further course of action in the matter by resorting to:

- Departmental enquiry against erring staff member and or reporting to the police for further investigation.
- Other administrative action/step as may be deemed proper by Head Office.

Modus Operandi of the case will also be examined to decide Vigilance overtone and future course of action. If no staff accountability or the system fault is established in the matter, the customer shall be informed suitably and the matter will be dealt as per law/Bank's system/procedures/ guidelines.

### 15. Compensation in case of Safe Deposit Lockers/Safer Custody of Articles

- **Liability of banks arising from natural calamities like earthquake, flood, thunderstorm, lightning etc. or due to sole negligence of the customer:**

The bank shall not be liable for any damage and/or loss of contents of locker arising from natural calamities or Acts of God like earthquake, floods, lightning and thunderstorm or any act that is attributable to the sole fault or negligence of the customer. However, bank shall ensure to exercise appropriate care to their locker systems to protect its premises from such catastrophes.

- **Liability of banks arising from events like fire, theft, burglary, dacoity, robbery, building collapse or in case of fraud committed by the employees of the bank**

The banks' liability shall be for an amount equivalent to not more than one hundred times the prevailing annual rent of the safe deposit locker.

**Detailed SOP and guidelines on safe deposit vault/Locker/Articles may be referred from Bank's Board Approved Policy on Safe Deposit Vault/ Locker.**

#### 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,

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

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.

## 5. Applicability

The policy is effective from 01<sup>st</sup> March, 2023.

## 6. Periodicity of Review of Policy

The policy will be valid upto 28<sup>th</sup> February, 2024. Any directive/ guidelines issued by RBI in this regard shall automatically be part of this policy, during the currency of this policy. The Chairman & CEO may allow continuation of the policy for a maximum period of six months from due date of review, in case the policy cannot be reviewed on or before due date.

**End of Document**

Document Name	Compensation Policy	Document Number	OPR/CRP/1.2
Security Classification	Public	Document Status	Board Approved
Date of Release	01.03.2023	Version Number	1.2

## **Annexure I**

### **Amendment in the Policy (Version 1.2)**

#### **New Points added**

**Page No. 3 and 4 under Point No. 1 – Unauthorized/Erroneous Debit**  
**Following para added**

#### **Unauthorized Electronic Transactions reported by customers**

As per the circular no. DBR.No.Leg.BC.78/09.07.005/2017-18 dated July 6, 2017 issued by the Reserve Bank of India, all Banks are required to formulate a Board Approved Customer Protection Policy for unauthorized electronic Banking transactions reported by customers.

**Accordingly, the Customer Protection Policy for unauthorized electronic Banking transactions reported by customers has been prepared by the bank.**

For all such transactions, the Bank would be governed by the Board Approved Customer Protection Policy.

**Page No. 5 under Point No. 5 Payment of interest for delayed Collection of out station cheques**

**Point (a) modified as below:**

- a) Interest will be paid at Saving Banks rate for the period of delay beyond the stipulated period of collection:

**Time Frame for collection: -**

- **Cheques Payable at CTS Centre- Maximum period for 7 days**
- **Non CTS Centers- Maximum period of 10 days.**