

## **PART I**

### **POLICY ON REVERSAL OF ERRONEOUS DEBITS ARISING OUT OF FRAUDULENT OR OTHER TRANSACTIONS IN CUSTOMER'S ACCOUNTS**

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 other safeguards 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.

### **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.

### **IDENTIFICATION OF CAUSE OF ERRONEOUS DEBIT**

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

- (i) Erroneous debit has been effected in connivance of the staff member and customer is not at fault.

- (ii) 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.

### **REVERSAL OF ERRONEOUS DEBIT ARISING OUT OF FRAUDELENT 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 proceed as under :

- (i) 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 once acknowledge its liability and pay the just claim.
- (ii) In case where Bank is at fault the Bank will compensate customer without demur and
- (iii) 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 Chairman & CEO, General Manager, Chief Manager (OPS & SER) and Chief Manager (HRM) will decide the quantum on merits.

### **AUTHORITY FOR REVERSAL OF ERRONEOUS DEBIT**

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 subject to post facto reporting of the details of the case to Management Committee of Board. For cases beyond the power of General Manager, Committee of Executives will decide the issue/compensation amount subject to post facto reporting the details of the case to MCB.

### **ACCOUNTING**

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

## **FURTHER COURSE OF ACTION**

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

- (i) Departmental enquiry against erring staff member and or reporting to the police for further investigation.
- (ii) 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.

This reviewed policy will be applicable for -12- month period subject to review. However this policy will be applicable till further review.

## **PART II**

### **Limiting Liability of a Customer in Unauthorised Electronic Banking Transaction**

With the increased thrust on financial inclusion and customer protection and considering the recent surge in customer grievances relating to unauthorised transactions resulting in debits to their accounts/ cards, the criteria for determining the customer liability in these circumstances have been reviewed. The revised directions in this regard are set out below

#### **1. Strengthening of systems and procedures**

Broadly, the electronic banking transactions can be divided into two categories:

- i. Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions), Pre-paid Payment Instruments (PPI), and
- ii. Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

#### **2. Bank's commitment to ensuring customer protection:**

The Bank is committed to ensuring safety and security of electronic banking transactions carried out by customers. The Bank will put in place the following:

- (i) appropriate systems and procedures to ensure safe and secure of electronic banking transactions
- (ii) robust and dynamic fraud detection and prevention mechanism;
- (iii) mechanism to assess the risks (for example, gaps in the bank's existing systems) resulting from unauthorized transactions and measure the liabilities arising out of such events;
- (iv) appropriate measures to mitigate the risks;
- (v) a system of continually and repeatedly advising customers on how to protect themselves from electronic banking and payments related fraud.

## **2. Reporting of unauthorised transactions by customers to Bank:**

The Bank requires customers to notify the Bank about any unauthorised electronic banking transaction at the earliest after the occurrence of such transaction as longer the time taken to notify the bank, the higher will be the risk of loss to the bank/customer. To enable this to be done in a smooth and efficient manner, the Bank has provided customers with 24x7 access through multiple channels (via website, e-mail, a dedicated toll free helpline, reporting to home branch, etc.) for reporting unauthorised transactions that have taken place and/ or loss or theft of payment instrument such as card, etc.

## **4. Liability of a Customer**

### **(a) Zero Liability of a Customer**

A customer's entitlement to zero liability shall arise where the unauthorised 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).
- ii. 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 from the bank regarding the unauthorised transaction.

### **(b) Limited Liability of a Customer**

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

- i. In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he 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 and when there is a delay (of four to seven working days after receiving the communication from the

bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in [Table 1](#), whichever is lower.

Table 1	
Maximum Liability of a Customer under paragraph 4 b (ii)	
Type of Account	Maximum liability (₹)
• BSBD Accounts	5,000
• All other SB accounts • Pre-paid Payment Instruments and Gift Cards • 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 lakh	10,000
• All other Current/ Cash Credit/ Overdraft Accounts	25,000

Further, if the delay in reporting is beyond seven working days, the customer will bear the full liability.

5. Overall liability of the customer in third party breaches, as detailed in [paragraph 4.a\(ii\)](#) and [paragraph 4.b \(ii\)](#) above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarised in the [Table 2](#):

Table 2	
Summary of Customer's Liability	
Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's liability (₹)
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in <a href="#">Table 1</a> , whichever is lower
Beyond 7 working days	Full Liability

The number of working days mentioned in [Table 2](#) shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

#### **6.Reversal Timeline for Zero Liability/ Limited Liability of customer**

On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorised 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 of the date of the unauthorised transaction.

**7. Further, bank will ensure that:**

- i. a complaint is resolved and liability of the customer, if any, established within such time, as may be specified in the bank's Board approved policy, but not exceeding 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions of para 4 to 6 above;
- ii. where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in Para 4 to 6 is paid to the customer; and
- iii. in case of debit card/ bank account, the customer does not suffer loss of interest.

For all disputed cases, customers shall be required to provide all relevant information and supporting documents as required by the Bank for investigation or Insurance claim. The customer shall also have to fully cooperate and comply with the Bank's reasonable requirement towards investigations and legal actions initiated by it in regards to the disputed transactions.

In case the customer is unable to provide the necessary documents or there is a delay on part of the customer in submitting the documents within the stipulated timeframe, post due follow up by the Bank, the Bank shall term such disputes as unable to conclude and the liability of the unauthorized transactions in such cases will remain with the customer only.

**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, 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.