



ಕರ್ನಾಟಕ ವಿಕಾಸ ಗ್ರಾಮೀಣ ಬ್ಯಾಂಕ್
ಕೆನರಾ ಬ್ಯಾಂಕ್ ಪ್ರವರ್ತಿಸಿ ಸರ್ಕಾರಿ ಸ್ವಾಮ್ಯವುಳ್ಳ ಶೇಷ್ಯಲ್ಯ ಬ್ಯಾಂಕ್
Karnataka Vikas Grameena Bank
A Scheduled Bank Owned by Government- Sponsored by Canara Bank
ಪ್ರಧಾನ ಕಛೇರಿ : ಧಾರವಾಡ
Head Office : Dharwad

CUSTOMER COMPENSATION POLICY

The Compensation Policy of the Bank is 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 the 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 incurred 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 where 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 incurred 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 the right of the Bank to defend its position before any forum duly constituted to adjudicate banker-customer disputes.

1. Unauthorized / 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 unauthorized / erroneous debit, after verifying the position. In case the unauthorized / erroneous debit has resulted in financial loss to the customer due to balance in the account going below the minimum balance for earning 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.

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 upto 10% of the amount of the returned cheque or the amount of debit instruction, both however subject to monetary ceiling of ₹1 lakh (cumulative if more than one cheque / debit instruction are involved) only if the amount of the

cheque / debit instructions would have been covered by the balance in the account but for unauthorized / erroneous debit.

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.

The Bank is issuing Debit cards in association with RuPay and has to follow the RuPay regulation/time schedule for settlement of transactions disputed by customers as it involves ATMs/Merchant Establishments and their Bankers situated at geographically distant locations across the country/globe. The process of dispute resolution may involve following actions:

1. Charge Back 2. Re-presentment 3.Pre-arbitration 4.Arbitration

The time frame for final resolution of the dispute will vary from case to case depending upon the nature of the dispute and documentary proof available with customers/merchant establishments.

Internet Banking / Mobile Banking

(Reversal of Erroneous/Unauthorised/Fraudulent debits arising on internet Banking/ Mobile Banking /Phishing related transactions)

For cases where the Bank has acted in good faith, in normal day to-day conduct of business, but the customer has either acted fraudulently or inadvertently compromised his internet Banking/ Mobile Banking security details (i.e. ID, Passwords, etc) or acted without reasonable care, which includes not taking steps to protect computer/ Mobile device used for internet Banking/ Mobile Banking from hackers, key loggers, virus/malware etc., Bank/Customer will be bound by clause No. 12.6 of the revised Code of Bank's Commitment to Customers, which stipulates that -

"If you act fraudulently, you will be responsible for all losses on your account. If you act without reasonable care, which result in losses, you may be responsible for them.

2. ECS direct debits/other debits to accounts, NECS, NEFT and RTGS transactions.

The Bank will undertake to carry out ECS debit and other 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 he/she would

incur on account of delay in carrying out the instructions/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.

Uniformity in penal interest payable by banks for delays in credit/return of NEFT/NECS/ ECS transactions:

In terms of the NEFT / NECS / ECS Procedural Guidelines of RBI, as also the relevant circulars / instructions issued by RBI from time to time, member banks need to afford credits to beneficiary accounts or return transactions (uncredited for whatever reason) to the originating / sponsor bank within the prescribed timeline. Any delay in doing so attracts penal provisions specified therein. In order to ensure standardisation of the benchmark rate used and bring in uniformity in penal provisions across the retail payment products, RBI has made the following modifications:

2.1 ECS-Credit

Destination Bank would be held liable to pay penal interest at the current RBI Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiary's account. Penal interest shall be credited to the Beneficiary's Account even if no claim is lodged."

2.2 NEFT/RTGS

In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination bank in the completion of funds transfer pursuant to receipt of payment instruction by the destination bank leading to delayed payment to the beneficiary, the destination bank shall pay compensation at current RBI Repo Rate plus two per cent for the period of delay for credit to the beneficiary's a/c. In the event of delay in return of the funds' transfer instruction for any reason whatsoever, the destination bank shall refund the amount together with interest at the current RBI Repo Rate plus two per cent till the date of refund."

2.3. During the NEFT/RTGS operating hours, originating banks should endeavour to put through the requests for NEFT/RTGS transactions received by them, either online or across the counters, preferably in the next available batch but, in any case, not exceeding two hours (from the business hours next day), from the time of receipt of the requests. In the likelihood of any delay / possible delay in adhering to this requirement, the originators / customers should be informed of the delay / possible delay and the reasons for the same.

2.4. In terms of the RBI ECS (Credit Clearing) procedural guidelines, which clearly stipulate that if a destination bank branch is not in a position to credit a particular transaction for reasons like "Account Closed/ transferred"; "No such Accounts"; "Account description does not tally"; etc., it should report the same and forward it to the Service Branch/ Main Branch on the same settlement day.

3. Payment of Cheques after Stop Payment instruction:

In case a cheque has been paid after stop payment instruction is acknowledged by the Bank, the Bank will 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. Remittances in India:

The compensation on account of delays in collection of instruments would be as indicated in the Bank's Policy on Collection of Cheques / Instruments.

5. Issue 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.

6. Violation of the Code of Bank's Commitment to Customers by the Bank's agent:

In the event of receipt of any complaint from the customer that the Bank's representative / courier or Direct Selling 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 the complaint, redress the grievance of the customer within 7 days from the date of receipt of the complaint and if need be, by compensating him/her suitably.

7. Transaction of "at par instruments" of Co-operative 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 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 us 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. Compensation policy for return of documents after 15 days

Branches/Offices shall return the securities immediately and in any case within 15 days of closure of all direct and indirect liabilities. In case documents are released after 15 days, branches/offices shall adhere to the following guidelines.

On closure of all direct and indirect liabilities, Branch shall immediately take up with Regional Offices for permission to release the documents in respect of files serviced by RO/HO. The borrowers shall be served with notice for claiming their documents immediately on receipt of permission from RO/closure of the direct and indirect liabilities in respect of files serviced by the branch.

Fixed Deposit of the Bank, taken as collateral security matured after closure of liabilities and lying with the bank - If the party approaches the Bank for renewal of the deposit, then interest as applicable for the period of deposit kept will be paid as per guidelines. In cases where party is not interested in renewing the deposit and the deposit which is kept with the bank as collateral security to the facilities availed and now closed and documents are released after 15 days of repayment of all direct and indirect liabilities, then interest as applicable to Savings Bank, to be paid to the party till the security is released.

NSCs/KVPs, etc. are taken as collateral security - No interest to be paid if the NSCs/KVPs, etc., are not matured.

If the NSCs/KVPs etc. are matured and bank has released the security after 15 days of closure of all direct and indirect liabilities, interest as applicable to Savings Bank, to be paid to the party till the security is released.

Title Deeds / Jewels, etc. taken as primary /collateral security- In the event of branch having informed and the party not responding/traceable, no compensation need to be paid.

In respect of title deeds, if the owner of the security has cleared all his direct and indirect liabilities and if the document is delivered to the owner of the property after 15 days, penalty @50/- per day is to be paid to the owner of the property from 16th day onwards. In respect of Jewels, the owner of the security shall take back the security immediately after closure of all direct and indirect liabilities.

If the party is out of station / gone abroad as in case of NRI customers, no compensation to be paid.

The compensation will not be applicable due to death of the owner of the securities, documents produced to the Court, legal disputes, if any, etc.

9. 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, strike, bundh, sabotage, accident, fires, natural disasters or those 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.

10. ATM Failure

It is mandatory for bank to reimburse the customer, the amount wrongfully debited on account of failed ATM within a maximum period of 7 working days from the receipt of the complaint. For any failure to re-credit the customer's account within 5 days from the date of receipt of the complaint, bank shall pay compensation of ` 100/- per day to the aggrieved customer.

This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transactions. Details of charge back in case of ATM transaction by a customer of the bank when he uses other Bank ATM would be included.

11. Disputed transactions of Debit Card/Fraudulent debits Arising on ATM/DebitCards/POS/E-Commerce transactions:

The proposed Bank's compensation policy on disputed transactions of our Bank's Debit Card transactions/ fraudulent debits arising on ATM/Debit Cards/POS/E-Commerce transactions for the year 2020-21 is as follows:

"Where neither the Bank nor the customer is at fault, and the fraud is due to skimming/hacking/phishing etc., Bank shall compensate the customers as Bank's reputation is at stake"

A detailed table containing the description, timeline for reversal and compensation payable for failed transactions using authorized payment systems is as per the table below

Table:1

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.	
8	Prepaid Payment Instruments (PPIs) – Cards / Wallets		
a	<u>Off-Us transaction</u> The transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TAT and compensation rule of respective system shall apply.		
b	<u>On-Us transaction</u> Beneficiary's PPI not credited. PPI debited but transaction confirmation not received at merchant location.	Reversal effected in Remitter's account within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.

12. Customer Protection – Limited Liability of Customers in Unauthorised Electronic Banking Transactions

12.1) 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.

12.2) 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:

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

Overall liability of the customer in third party breaches, as detailed in paragraph 12.1 (ii) and paragraph 12.2 (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 Table 1, whichever is lower
Beyond 7 working days	₹100/- per day

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.

13. Reversal Timeline for Zero Liability/ Limited Liability of customer

On being notified by the customer, the amount (shadow reversal) involved in the unauthorised electronic transaction shall be credited 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).

14. Reporting of unauthorised transactions by customers to bank –

All the customers of the Bank are requested to mandatorily register for SMS alerts for electronic banking transactions. The customers are advised to notify the bank about any unauthorised electronic banking transaction at the earliest after the occurrence of such transaction. Also, the customers informed that the longer the time taken to notify to the Bank by customer, the higher will be the risk of loss to the customer.

The customer may visit to the Bank's website <https://ogrs.kvgbank.com> for lodging any complaints. The customers may also lodge the complaints by visiting to the home-branch of the Bank.

15. Customers' responsibility

a. 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 the Bank, until the Bank has been notified by the customer.

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

16. Disclaimer clause

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

- i) Any deficiency in regard to loans and advances activities of the Bank.
- ii) Dishonour of at par payment agreement with other banks, due to non-funding and security compliance.
- iii) Delays on account of non-functioning of business due to factors beyond the control of the bank the period covered by such events shall be omitted for calculation of delay etc.
- iv) Where the issues are sub-judice and pending before Courts, Ombudsman, arbitrator , Government and matter put on hold due to stay.

17. Amendment/ Modification of the Policy

The Bank reserves the right to amend/modify this Policy, as and when deemed fit and proper, at its sole discretion. However, the Bank shall endeavor to review the Policy at annual intervals.
