



Banking Codes and Standards
Board of India

भारतीय बैंकिंग कोड एवं मानक बोर्ड

www.bcsbi.org.in

Customer Matters

Chairman's Message

Dear Readers,

It is a great pleasure and honor for me to stay connected with you all, through our quarterly in house newsletter "Customer Matters".

As the financial year has just drawn to a close, I wish to recap some of the highlights of the year as mentioned below:

- Released the revised Code of Bank's Commitment to Customers in January 2018.
- Partnered with TransUnion CIBIL and organized 16 Customer/Bankers Meet across the country including a few in Tier 2/3 cities.
- Conducted the Annual Code Compliance Survey and released Code Compliance Ratings along with best practices followed by High performing Banks. This will facilitate better Code Compliance across all the member Banks.
- Published a multi-lingual pictorial booklet, highlighting in simple terms the "basic Customer Rights" for the benefit of Basic Saving Bank Deposit Account (BSBDA) & Jan Dhan Yojana customers.
- Organized four 'Know Your Rights' programmes under the Financial Inclusion & Literacy programme through skits, puppet shows etc for new banking/unbanked customers to know about their banking rights.
- For the first time conducted a Code Compliance Rating for select RRBs and at a conference of Chairmen of RRBs shared with them an action plan on how to improve on various rating parameters going forward.
- Lastly, advised PSBs/private bank members to organize customer awareness meetings and provided support by way of conducting "Train the trainer" programme for member Banks.

During the year, we also conducted a study of the methodology and content used by select Banks to train their officers and staff attending to customer service. Based on the findings and best practices followed by

the Banks, we have prepared an e module for both the Codes i.e. Code of Bank's Commitment to Customers and Code of Bank's Commitment to Micro & Small Enterprises. This e-module can be used by Banks for training their staff and for assessing their understanding of the Codes. A question bank, based on the Codes has been sent to member Banks which will facilitate a quick and easy recap of the Codes for the branch/frontline staff.

I sincerely hope that member Banks take up the responsibility of educating their customers on the Charter of Rights and provisions of the two Codes. Banks which are included in our regular Code Compliance Survey will be incentivized for their efforts in creating customer awareness through the number of town halls conducted in proportion to their branch network across the country.

As I mentioned in the preceding issue of 'Customer Matters', the revised Code of Bank's Commitment to Customers, 2018 has since been operationalised and it is therefore considered apt to make it the 'theme of the quarter' for this edition and highlight some of the prominent changes in the Code titled "Code of Bank's Commitment to Customers, 2018". We have also included a guest column on "Service Irritants for Banking Customers.. An Outside in Approach to Handle Customer Discomforts" by Ms. Tina Arora, Director, Customer Value Management, IDFC Bank.

This issue also has our other regular features, news items and I hope our readers find it interesting. I once again appeal to you to send your valuable feedback on the new initiatives taken as also suggestions for improving the Newsletter to ceo.bcsbi@rbi.org.in.

Finally, I would like to thank all member Banks for their support and participation in all activities/initiatives undertaken by BCSBI and hope that we will have your continued confidence in the journey towards customer excellence.

Regards,

(A.C. MAHAJAN)
Chairman



What's Inside

AWARENESS
ACTIVITIES

THEME OF THE
QUARTER

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Banking Codes and Standards Board of India (BCSBI) continued its ongoing efforts to increase awareness of the Codes and Standards developed by it and adopted by member banks among bank officials and customers.



▲ Smt. Jyoti Sharma, SVP, BCSBI addresses the Customer Meet at Rohtak while Shri S K Nayak, SVP, BCSBI is also seen in the picture.

During the January-March 2018 quarter, BCSBI organized the following customer awareness meetings viz. (i) at Ramgarh Cantt. on January 8, 2018 when customers along with officials from 23 major banks situated in the region attended; (ii) at Mandar on January 9, 2018 when customers with officials from 8 major banks situated in the region participated; (iii) at Jalandhar on January 24, 2018, in association with TransUnion CIBIL Ltd. when 220 customers and officials of 39 banks operating in the region participated; (iv) at Rohtak on February 16, 2018 when around 225 customers and officials from 34 major banks situated in the region participated; (v) at Thrissur on February 20, 2018, in association with TransUnion CIBIL Ltd. when around 340 customers and officials from major banks functioning in the area participated; (vi) at Agartala on March 9, 2018 when around 275 customers and officials from major banks functioning in the area participated; and



▲ Smt. Sati Nair, SVP, BCSBI addresses the Customer Meet at Thrissur. Seated from left are Shri Kanakambaran, LDM, Canara Bank; Shri C K Girish, AGM, Canara Bank; Shri S M Pillai, SVP, BCSBI; and Ms. Asha Jain, Manager, TransUnion CIBIL Ltd.



▲ Shri Arun Shiravadekar, SVP, BCSBI addresses the Customer Meet at Agartala while Shri S K Nayak, SVP, BCSBI and Shri A K Chowdhury, Chief Manager, United Bank of India look on.



(vii) at Siliguri on March 20, 2018, in association with TransUnion CIBIL Ltd. when about 230 customers and officials from 31 banks operating in the area participated.

The issues raised during the above meetings among other things pertained to: (i) Introduction of compensation mechanism in case of loss to customers having lockers on account of theft and burglary, if possible, by having arrangements with an Insurance Company; (ii) Exemption of cash handling charges in case of prime borrowers; (iii) Customer approaching banks for loans be properly educated about operation of the account and repayment of loan; (iv) Service charges to be made uniform in all Banks; (v) The impact of rejection of a loan on the CIBIL score; (vi) Why short term loans are not a help in building a healthy credit score; (vii) Whether the recent Doorstep Banking assured to senior citizens of 70 years and above, will be implemented as per regulatory guidelines; (viii) Does the bank have to compulsorily provide a copy of the Code to the customer; (ix) Delay in updating credit card payments and OTS in loan accounts by banks affect CIBIL score, etc.

BCSBI along with TransUnion CIBIL Ltd. organized Customer Rights Awareness workshops with officers of banks at Jalandhar on January 23, 2018; at Thrissur on February 28, 2018; at Agartala on March 8, 2018 and at Siliguri on March 22, 2018



▲ Shri A C Mahajan, Chairman, BCSBI addresses the officers of banks at Jalandhar. Seated from left are Shri Gagandeep Singh, Manager, TransUnion CIBIL Ltd; and Shri Anand Aras, CEO, BCSBI

Meeting of Chairmen of Regional Rural Banks

BCSBI had for the first time conducted a survey of 28 select Regional Rural Banks (RRBs) during October-December 2017, to assess their compliance level vis-a-vis the Codes. Based on the Surveys and customer feedback, the findings were then conveyed to the respective RRBs. Subsequently, a conference of the Chairmen of the said 28 RRBs was organized on February 9, 2018 at Mumbai to discuss the anomalies and suggest areas for improvement of Code implementation. During the conference, a detailed presentation was made on the highlights of the revised “Code of Commitment to Customers 2018” which could be utilised for their customer awareness meetings as well as training of staff.



▲ Shri A C Mahajan, Chairman, BCSBI delivers the key note address at the conference of Chairmen of RRBs, Seated from left are Shri Anand Aras, CEO, BCSBI and Shri Ramesh Prabhu, AGM, Corporation Bank, Guest Speaker.



Training Programme for conducting Customer Awareness Meetings

BCSBI has urged Public Sector/ Private Sector member banks to take sustained steps to create awareness about the Codes amongst their customers. The banks would now be required to



▲ Shri Anand Aras, CEO, BCSBI addresses the participants of the training programme

conduct certain number of customer meets in a year, based on their branch network. To assist the banks in conducting such meetings, BCSBI held two training programmes for bank officials at Mumbai on March 6, 2018 and at Chennai on March 22, 2018 to familiarize them with the methodology of organizing such meetings.

Outreach Programme

A “Know Your Rights” programme was organized on March 21, 2018 in Siliguri, West Bengal where nearly 200 daily wage tea plantation workers assembled. Awareness of the bank customer’s basic rights was conveyed to them through a skit in local dialect. This was followed by a small interactive quiz to assess how well they had understood the basic rights as a first time entrant to banking or as a new bank customer. The tea plantation workers were also given a copy of the pictorial booklet in Hindi to facilitate easy understanding of the basic rights of the customers. This programme was the fourth edition of the “Know Your Rights” series being conducted by BCSBI.



▲ Seen at the “Know Your Rights” programme are from left Shri Rajesh Joshi, Manager, Tea Estate at Singhijhora; Smt. Hemalatha Rajan, SVP, BCSBI; Shri Anand Aras, CEO, BCSBI; and Shri S K Nayak, SVP, BCSBI



A skit in progress ▲

During the quarter, the officials of BCSBI also participated in the following town halls held by various RBI Banking Ombudsman Offices.

- Meeting of local Branch Heads at Patan, Gujarat convened by Banking Ombudsman, Ahmedabad
- Customers’ awareness meeting at Dharamshala organized by the Banking Ombudsman, Chandigarh
- Meeting of local Heads and officers of Banks at Ujjain organized by the Banking Ombudsman, Bhopal

BCSBI News

As of the quarter ended March 2018, with the addition of Utkarsh Small Finance Bank Ltd. and Capital Small Finance Bank Ltd. the membership of Banking Codes and Standards Board of India (BCSBI) stood at 133.

Revision of Code of Bank's Commitment to Customers

BCSBI in collaboration with RBI/IBA and member banks evolved the Code of Bank's Commitment to Customers in 2006. It was thereafter periodically reviewed and revised twice in 2009 and 2014.

In 2017, a fresh revision of the Code has been undertaken to bring about further enhancements in banking practices relating to customer service and make it contemporaneous with the fast changing banking scenario. A Working Group with members drawn from RBI, IBA and select member Banks and Depositors' Association was constituted for the purpose. The Working Group deliberated over the numerous suggestions and offered its recommendations. The Code has since been approved by BCSBI Governing Council and forwarded to member banks for adoption effective January 2018.

The major changes in the Code have been:

The Charter of Customer Rights has been integrated with Key Commitments to make it comprehensive;

Operational changes that characterized the digital and mobile banking space over the last three years have been captured, including safeguards which should be exercised by the customers; and

All the relevant RBI guidelines pertaining to customer service including the recent one on customer's "Limited Liability for Unauthorized Electronic Transactions" are taken note of.

For a quick reference, a few other changes which have taken place in the revised version are mentioned below:

DEPOSIT ACCOUNTS:

Banks will:

Exchange soiled/ mutilated notes and /or small coins up to a prescribed limit per day.

Ensure that customers are not subjected to unfair practices, negative confirmations or misleading representations.

Provide sufficient details and information about Deposit Insurance cover in the passbooks.

Ensure that the balance in the customer's account does not turn into negative, solely on account of charges for non maintenance of minimum balance.

Not seek payment of unpaid charges levied due to non maintenance of minimum balance in case the account is to be closed or revived.

Endeavour to provide "Doorstep Banking" for Senior Citizens above 70 years of age.

Ensure that Life certificates for pensioners are accepted at any Branch of the Bank.

LOAN ACCOUNTS:

Banks will:

Not levy foreclosure charges/prepayment penalties on floating rate term loans sanctioned to individual borrowers irrespective of whether paid from own funds or takeover by other Bank.

Levy one time charges for conversion of loan from fixed rate to floating rate or vice versa.

Give their customers a notice, sufficiently in advance, if they decide to recall/accelerate payment or performance under the agreement or seek additional securities.

CREDIT INFORMATION COMPANIES (CICs):

Banks will:

Provide correct information to CICs; update the credit status and closure of loan immediately, but not later than 30 days.

Reverse erroneous charges on a credit card and the reversal will not be deemed as settlement of dues.

Inform the customer about the implications of settlement in their credit history.

ELECTRONIC AND DIGITAL BANKING:

Banks will:

Take appropriate measures to provide safe and secure internet and Mobile Banking.

Protect customers from liabilities arising from unauthorized transactions.

Provide a list of "Dos and Don'ts" for Internet and mobile banking which should be followed by customers.

Ensure that the systems and procedures/ infrastructure of the bank provides for safety of transactions, fraud detection and prevention, risk assessment and measurement of liability and mitigation of risks.

We have presented in brief some of the changes and for those of our readers who wish to read the revised Code we inform that the same is available in both English and Hindi on our website www.bcsbi.org.in.

We hope the changes to the Code will go a long way in protecting bank customers' interests within the framework of regulatory guidelines.

Fraudulent Withdrawals through ATM card

The complainant alleged that while he was in possession of his ATM card, 5 fraudulent withdrawals took place within a span of 5 days from his account. He immediately approached his bank for refund of money and also filed FIR with Police.

On being taken up with the Banking Ombudsman (BO), the issuing bank submitted the electronic journal log showing all transactions as successful. However, it could not produce the CCTV footage of all the disputed transactions to establish the customer's presence in the ATMs during the time of occurrence of the disputed transactions. The bank was also found deficient in not raising charge back for all the five transactions. It was further observed that two of the disputed transactions had taken place at different ATMs of different locations on the same date and time. One transaction had taken place in another city while the complainant was physically present at his branch to block his ATM card. It was thus evident that transactions had taken place even when the card was in possession of the complainant. The bank was also unable to provide the CCTV footage for the disputed transactions. Therefore, the bank was held deficient and was advised to compensate the complainant with the disputed amount.

Insurance Cover for Housing Loan Repayment

The complainant had availed a housing loan jointly with her husband from the bank and also purchased a life insurance policy for hedging the housing loan repayment. As per the scheme, in the event of death of the insured the amount outstanding in the books of the bank towards housing loan availed by the insured would be settled by the Insurance Company. On sudden demise of the husband, a claim was lodged by the complainant (wife of the insured) with the Insurance Company and they settled the claim for outstanding loan amount as per their records on the date of death. However, when the wife of the insured viz. the complainant, approached the bank for "No Dues Certificate", they asked her to repay some more amount which according to them was outstanding in their books. The complainant paid the residual outstanding as on date as advised by the bank. As the complainant did not agree with the recovery of the said amount by the bank she

made a complaint to the OBO. The bank argued that settlement of claim was between complainant and Insurance Company and according to them there was some amount outstanding in their books which had to be paid by the complainant. A conciliation meeting was held with complainant and bank officials. After hearing both the parties, BO advised the bank to restore the amount overpaid by the complainant for which both the bank and complainant gave their consent and accordingly the complaint was closed.

Mis-selling of Financial Products

The Complainant had approached the bank for a grant of loan under Chief Minister Yuva Udhmi Yojna for starting a transport business and purchase of commercial vehicles. The bank representative persuaded him to make an investment of ₹10,00,000/- in insurance plan with yearly instalment of ₹ 2,00,000/-. The sanction of loan was linked to this investment. The complainant did not have any source of income and agreed to invest the initial amount of ₹ 2,00,000/- by borrowing from other sources. The loan was subsequently rejected after four months. The complainant filed a complaint with the Office of the Banking Ombudsman (OBO) stating that he was misled to participate in the investment plan by the bank official with the promise that the investment would guarantee his loan approval and the processing of the loan was deliberately delayed so that the free-look period for cancellation of policy lapsed. On receipt of complaint, the bank was advised to furnish its comments more specifically with regard to linking the investment policy to the grant of the loan and the reasons for delay in processing the loan application, etc. As regards mis-selling of policy, the bank was also advised to comment whether the suitability of the product sold to the complainant was examined in the light of the borrowed funds for investment when the investor did not have any regular source of income. The bank submitted their reply stating that they investigated the matter and resolved the complaint by cancelling the policy and crediting the amount together with the interest to the account of the complainant.

Source: Banking Ombudsman Scheme 2006, Annual Report 2016-17

Service Irritants for Banking Customers

An Outside-In Approach to Handle Customer Discomforts

Customer Service is a dynamic, demanding and determined face of the banking industry. Banks in India are displaying a neverbefore, 'all-for-customer' attitude in acquiring and retaining their customers, being conscious of the fact that each customer has a banking account elsewhere.

Our independent banking industry watchdog and our vigilant regulator have taken upon themselves to increase awareness about service irritants, sharing examples of unethical conduct and how the banks must evade these to ensure a fair deal for our customers.

Mr. N. P. Tripathy (2009), a renowned researcher in Financial Services wrote about the shift towards customer focus of banking over the decades as follows:

Decade	Focus on Customer
1950 -1960	Serving the customer
1960 -1970	Satisfying the customer
1970 -1990	Pleasing the customer
1990 - 2000	Delighting the customer
2000 and beyond	Retaining the customer

Various studies indicate multiple factors that act as irritants for banking customers, including:

- gaps in providing assurances,
- being unreliable,
- un-empathetic towards customer needs,
- delays in servicing, force selling products,
- being indifferent to customer needs and so on.

The top three irritants that appear as common reasons across most of the attributes are as under:

1. Lack of training: Inconsistency of information serves as a critical failure point in servicing customers. A customer gets different information from different bank staff on common procedures like account upgradation, product features, Immediate Payment Service (IMPS) timings, address updation etc. Nothing is more damaging for a bank than a customer who is left confused on account of misinformation. Banks sometimes write these errors off stating human error and training needs to fix them.

What can be done: An outside-in approach is the need of the hour. Banks must work with the customers in their monthly service forums to understand specific topics where staff at all levels can be trained better. Strengthening the knowledge of the teams must be a prerogative by all teams with regular knowledge dipsticks conducted pan bank. Some intriguing questions remain - Can we use customers' help in doing mystery checks? Is there a need for the regulators to include a self-declaration by the banks certifying apt knowledge at all levels?



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2. Operating in Silos: A common but nagging service irritant is when the banks operate in their own silos without paying heed to customer's requirements. A customer who places a request via a certain service channel, may not get his request fulfilled because another team feels that the request is unwarranted or too challenging for them to be fulfilled. With the ever-growing size of teams processing service requests, creating internal procedures to suit the department needs seems to take precedence over fulfilling customer needs.

What can be done: Removal of operating silos is a discerning need of the hour. Different departments need to come together as 'One Service Team' for the customers. While departments must continue to highlight their challenges, focus on removal of barriers has to be an invariable effort by all teams of the bank. Customers must see the bank as 'One' than speaking about 'Departments' he needs to approach to get his requests fulfilled.

3. Covenants Dilemma: A common man needs ease of access to banking services with least disruptions. Often banks lay down the covenants without really understanding adverse impact for the customer. The fallout of such an approach may lead to several arbitrages, inconsistency and mistrust in the environment.

What can be done: Banks must endeavor to make a gradual move towards an integrated approach which can enable them, customers and the regulators to unravel synergies, enhance transparency while minimizing gaps and overlaps. There is a substantial need for inter-regulatory engagement and self-assessment of the covenants from customer's viewpoint rather than defining or arbitrarily modifying what's beneficial for the banks alone.

Dr. N S Rajan, an industry veteran, says in one of his most liked social media publications — 'When we believe we have reached our best, it is time to treat it as a baseline and endeavor to raise the bar'.

It's time banks understand that their best efforts at improving customer experience only needs to get better with each passing day. Banks' collective efforts in this direction would alone help create an environment of faith, stability and reconciliation in the banking system.

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