



# **INDIA POST PAYMENTS BANK (IPPB)**

## **Customer Compensation Policy**

**Revised Date : 10<sup>th</sup> August 2020**

## Approvals

Date	Name	Designation
Jan 19, 2017	Approval from IPPB Board	

## Version Control

Date	Version	Change Description (in brief)
Sep 09, 2016	1.0	First Draft
Nov 02, 2016	2.0	Second draft with DoP Advisor's comments incorporated
Jan 16, 2017	3.0	Third draft with DDG PBI's comments incorporated
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## **1. Customer compensation policy**

### **1.1. Policy details**

- 1.1.1. This policy is in line with India Post Payment Bank's (IPPB or "the Bank") constant endeavor to uphold the highest standard of customer trust along with upholding the principles of fairness and transparency. By upholding these values, the Bank aims to become the customer's most trusted partner for fulfilling the Banking and financial payments needs.
- 1.1.2. This Compensation Policy of the Bank is designed to cover all the incidences where the Bank is liable to make good any financial loss suffered by the customer including instances related 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, etc. The policy is based on principles of transparency and fairness in the treatment of customers.
- 1.1.3. 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, the Bank expects a significantly low number of instances when the customer has to approach Banking Ombudsman or any other forum for redress.
- 1.1.4. It is reiterated that this 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 shall have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.
- 1.1.5. The compensation amount will be determined on a case to case basis by a competent internal authority / committee as per Delegation of Powers.

### **1.2. For an unauthorized / erroneous debit**

- 1.2.1. If there is an unauthorized / erroneous direct debit to an account, the entry shall be reversed at the earliest on being informed of the erroneous debit, after verifying the position and obtaining due approval of the competent authority. In the event of the unauthorized / erroneous debit resulting in a financial loss to the customer by way of reduction in the minimum balance applicable for payment of interest on savings account balance, the Bank shall compensate the customer for such loss. The customer should report the error to the Bank within a maximum period of 30 days from the date of unauthorized / erroneous debit.
- 1.2.2. 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 shall compensate the customer to the extent of such financial losses.

1.2.3. The Bank shall compensate the financial loss, supported with documentary evidence, to the extent of actual amount that the customer 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, its employees or its agents. A few instances of such cases of unauthorized debits and / or erroneous debit or credit entries and their possible impacts on the interest of the customers are enumerated below –

- Due to erroneous debit in savings account, payment of telephone / electricity bill, school fees, etc. may get delayed and payment after due date may result in deprivation of rebate / discount / commission and / or imposition of fine / penalty etc. In such cases, the Bank shall compensate the actual amount of rebate / discount / commission/fines/penalty etc., as the case may be.
- Due to wrong debit in a savings account the balance in the same may be less by that sum for the purpose of calculation of interest. To compensate the loss, the amount wrongly debited shall be credited with value-dated effect.
- Consequent upon unauthorized / erroneous debit, due to fall in minimum balance in the account resulting in levying of service charges, if any, shall be refunded to the customer.

1.2.4. In case of 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 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 time period of one month from the date of reporting of erroneous transaction by the customer.

1.2.5. The provision of compensation for unauthorized / erroneous debit shall not apply to legitimate charges applied by the Bank, which is in line with the terms and conditions accepted by customer and is in accordance with the standard processes laid down by the Bank.

### **1.3. Erroneous debits arising on account of fraudulent or other transactions**

1.3.1. In case of any fraud, if the Bank is convinced that an irregularity / fraud has been committed by its employees towards any customer, the Bank shall at once acknowledge its liability and pay the just claim. However, such claims for restitution shall be disposed of as per the powers delegated to authorities at various levels by the Bank via circularized instructions from time to time.

1.3.2. In cases where the Bank is at fault, the customer shall be compensated without demur in accordance with this policy.

1.3.3. In cases where neither the Bank nor the customer is at fault, but the fault lies elsewhere in the system, the Bank shall compensate the customers. The concerned controlling offices shall forward such claims with their views / comments to Corporate Office of the Bank for them to

place the same before the Board of Directors of the Bank for their direction / decision on whether the claimant shall be compensated or not, and the corresponding value of claim (if the decision is to compensate the claimant). The value of such compensation shall not exceed INR 10,000 and shall only be paid once over the lifetime of the account.

- 1.3.4. In case of fraudulent debit arising out of internet / mobile banking, the Bank shall be responsible in case the debit has arisen out of fraudulent activities committed by its staff. The Bank shall appropriately compensate the customer upon verification and investigation by the Competent Authority. In cases where the Bank is not directly / indirectly at fault and the customer has acted inadvertently acted irresponsibly with respect to managing confidential information (such as PIN, internet banking id and password, etc.) whether in paper or electronic form, the Bank shall not be responsible for such cases as stipulated in the Code of Bank's Commitment to Customers by Banking Codes and Standards Board of India

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

- 1.4.1. The Bank, in the event of failure to meet the ECS / direct debit instructions of the Customer in time, shall compensate to the extent of any financial loss that the customer would incur on account of delay in carrying out the instruction / failure to carry out the instructions. The Bank shall refund the amount of service charges debited in the customer's account in excess / in violation of schedule of service charges when pointed out by the customer after proper scrutiny. The Bank shall also compensate the consequential financial loss, if any, to the customer for debit of excess service charges after proper verification / scrutiny of agreed terms and conditions.

#### **1.5. Payment of Cheques after stop payment instructions**

- 1.5.1. 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. The Bank shall compensate the financial loss, to the extent of actual amount that the customer might incur, after ascertaining and being satisfied about the amount of such loss. Such debits will be reversed within 7 working days of the customer intimating the transaction to the Bank.

#### **1.6. Foreign exchange services**

- 1.6.1. The Bank shall not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the Bank may not be able to ensure prompt credit from overseas banks. Time for collection of instruments drawn on banks in foreign countries differs 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.
- 1.6.2. The Bank shall compensate the customer for undue delays in credit of remittance amount to the customer's account once the proceeds are credited to the Nostro Account of the Bank or to Nostro Account of other

domestic bank with which IPPB has such arrangement. Such compensation shall 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 –

- Savings bank rate for the period of delay up to 90 days
- In case of extraordinary delay, i.e. delays exceeding 90 days, interest will be paid at the rate of 2% above the corresponding savings account rate
- Compensation for any possible loss on account of adverse movement in foreign exchange rate.

### **1.7. Compensation related to cheque clearing / collection**

#### **1.7.1. Payment of interest for delayed collection of outstation cheques**

1.7.1.1. The Bank shall pay interest to the customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned hereinafter. 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.

1.7.1.2. Interest for delayed collection shall be paid in accordance with the Bank's Cheque Collection Policy.

- Savings Bank rate for the period of delay up to 90 days
- Savings Bank rate for the period of delay beyond 7/10/14/21 days as the case may be in collection of outstation cheques
- In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding savings account rate

1.7.2. Compensation for financial loss suffered by the customers due to loss of instrument after it has been handed over to the Bank for collection shall be as per the Bank's Cheque Collection Policy.

1.7.3. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch

1.7.3.1. In case 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 about the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and can also ensure that other cheques issued by him / her are not dishonored due to non-credit of the amount of the lost cheque / instruments. The Bank shall provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. The Bank shall bear the stop payment charges incurred after presentment of appropriate documentary evidence and necessary internal investigation by a competent authority.

- In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14/21 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the Savings Bank rate of the Bank.
- In addition, the Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.
- 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.

#### 1.7.4. Compensation for delay in collection of local cheque

1.7.4.1. In case of delay in collection of local cheques, the customer shall be compensated at the savings bank interest rate for the corresponding period of delay.

### 1.8. Issue of duplicate draft and compensation for delays

1.8.1. Duplicate draft shall be issued within 7 working days from the receipt of such request (along with required supporting documents) from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for savings account shall be paid as compensation to the customer for such delay.

### 1.9. Penal interest for delayed credit / refunds of NEFT transactions

1.9.1. In case of delay in crediting the beneficiary customer's account or in returning the uncredited amount to the remitter in case of NEFT, the Bank shall pay compensation at 2% above the current RBI LAF Repo Rate for the period of delay / till the date of refund as the case may be. The Bank shall pay for such delay without waiting for claim from the customer(s).

1.9.2. In Case of failed transaction i.e., the transaction which has not been fully completed, such as failure in communication links, time-out of sessions, etc. Failed transactions will also include the credits which could not be effected to the beneficiary account on account of lack of full information or lack of proper information and delay in initiating a reversal transaction.

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1	Immediate Payment System (IMPS)		



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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 delayis beyond T + 1 day.
2	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 delayis 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 delayis beyond T + 5 days.
3	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 delayis beyond T + 5 days.
b	Account debited but beneficiary account not credited.		
4	Aadhaar Payment Bridge System (APBS)		
a	Delay in crediting beneficiary’s account.	Beneficiary bank toreverse the transaction within T +1 day.	₹100/- per day if delayis beyond T + 1 day.
5	National Automated Clearing House (NACH)		
a	Delay in crediting beneficiary’s account or reversal of amount.	Beneficiary bank toreverse the uncredited transaction within T +1 day.	₹100/- per day if delayis beyond T + 1 day.
b	Account debited despite revocation of debit mandate with the bank by the customer.	Customer’s bank will be responsible forsuch debit. Resolution to be completed within T + 1day.	

### 1.10. Penal interest for delayed credit of pension, revised pension or arrears for the delayed period beyond due date

1.10.1. Banks, acting as agents, for pension are required to compensate all pensioners, including non-state resident pensioners at a fixed rate of 8% for delay in credit of their pension, revised pension or arrears for the delayed period beyond due date.

### 1.11. Violation of the Code by the Bank's employees and agents

1.11.1. In the event of receipt of any complaint from the customer that the Bank's employee / CSP / representative / post office representative 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 30 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.

- 1.11.2. Adoption of the compensation policy shall not absolve accountability of the concerned employee responsible for the lapses / deficiencies leading to financial loss to the Bank.

### 1.12. Force Majeure

- 1.12.1. 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.

### 1.13. ATM Failure including Micro-ATMs

**The Bank shall refund the customer the amount wrongfully debited on account of failed ATM transactions as failure in communication links, non-availability of cash in an ATM, time-out of sessions, etc.**

I. 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.

### 1.14. Other unauthorized actions of the Bank leading to a financial loss to customer

- 1.14.1. Any other unauthorized actions of the Bank, which may not be covered herein, shall be given due consideration upon request / complaint from the customer and the Bank shall investigate the matter and endeavor to communicate the findings to the customer within 10 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.
- 1.14.2. The Bank is not liable to compensate the customer for any non-functioning of the ATM

### 1.15. Timelines for payment of compensation amount

- 1.15.1. In case the Bank is liable to pay compensation to the complainant after due completion of Bank's investigation in the matter, the compensation amount

shall be paid within 7 working days from the date of completion of the investigation / issuance of decision.

### **1.16. Liability of Customers in Unauthorized Electronic Banking Transactions**

- 1.16.1. The extent of liability of a customer in case of unauthorized electronic banking transactions in his account shall depend upon the date and time of delivery of SMS alerts in respect of such transactions to customer and the receipt of customer's response, if any, to such alerts by the Bank. On receipt of report of an unauthorized transaction from the customer, the bank shall take immediate steps to prevent further unauthorized transactions in his account. The extent of liability of a customer in respect of unauthorized electronic banking transaction shall be as under:
- 1.16.1.1. Zero Liability of a Customer: A customer shall incur zero liability, where the unauthorized transaction occurs in the following events:
- Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
  - 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 unauthorized transaction.
- 1.16.1.2. Full Liability of a Customer: A customer shall be liable for the entire loss occurring due to unauthorized transactions in his account due to his negligence, such as where he has shared the payment credentials. 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 Bank, until the Bank has been notified by the customer. Bank will not be responsible for the loss to the customer, if the customer acts fraudulently and/or acts without reasonable care which has resulted into loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords/secured or confidential information, until the time the Bank has been notified and has taken steps to prevent misuse. Any loss occurring after the reporting of the unauthorized transaction to the Bank shall, however, be borne by the bank.
- 1.16.1.3. Limited Liability of a Customer: In cases, where the responsibility for the unauthorized 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 Savings Bank accounts • Pre-paid Payment Instruments • Current Accounts	10,000

- 1.16.1.4. Liability of a customer if there is delay of more than seven working days in reporting unauthorized transactions: If the delay in reporting unauthorized transaction(s) is beyond seven working days, the liability of the customer shall be determined as below:

The customer shall be fully liable where the date of reporting is beyond 7 days from the date of the transaction. However, the Bank, may with the approval of senior management, waive off the liability of the customer partly or fully. While considering the waiver, the Bank would consider the overall relationship value, personal exigencies of the customer and any other reasonable grounds leading to delay in reporting

- 1.16.2. Overall liability of the customer in third party breaches, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in the Table 3:

**Table 3: 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	The customer shall be fully liable where the date of reporting is beyond 7 days from the date of the transaction. However, the Bank, may with the approval of senior management, waive off the liability of the customer partly or fully. While considering the waiver, the Bank would consider the overall relationship value, personal exigencies of the customer and any other reasonable grounds leading to delay in reporting
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1.16.3. Reversal Timeline for Zero Liability/ Limited Liability of customer.

1.16.3.1. 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). Bank may also at their discretion decide to waive off any customer liability in case of unauthorised electronic banking transactions even in cases of customer negligence. The credit shall be value dated to be as of the date of the unauthorised transaction.

1.16.3.2. The Bank reserves its right to debit the account for reversing the amounts in case a wrong shadow credit is posted to a customer's account without payment of any compensation and the customer shall be notified accordingly for their record

1.16.3.3. Further, bank shall ensure that: (i) a complaint is resolved and liability of the customer, if any, established within such time, but not exceeding 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions of paragraphs 1.16.1 to 1.16.2 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 paragraphs 1.16.1 to 1.16.2 above is paid to the customer.

## 2. Policy revision

2.1.1. The Customer Service department shall be responsible to own, maintain and update this policy.

2.1.2. Any revisions to the policy may seek inputs from various departments of the Bank.

2.1.3. This policy shall undergo an annual review and approval process by the Board. If any change in this policy is subsequently approved, consequent upon any change in regulatory guidelines, market conditions, etc., such changes and approvals shall be deemed to be part of the policy until the policy and framework are comprehensively reviewed. All such interim

changes shall be approved by the Board. The reviewed policy should be made available for information of all employees.

## Annexure I - Glossary

Term	Description
IPPB	India Post Payments Bank
PIN	Personal Identification Number
ECS	Electronic Clearing System
NEFT	National Electronic Fund Transfer
RBI	Reserve Bank of India
LAF	Liquidity Adjustment Facility
CSP	Customer Service Point
ATM	Automated Teller Machine

## Annexure II – Reference

Sr. No.	Reference	Description
1	RBI Master Circular DBR No.Leg.BC.21/09.07.006 /2015-16, dated 1st July, 2015	Master Circular on Customer Service in Banks, consolidating the important instructions issued by RBI in the area of customer service up to June 30, 2015
2.	RBI Circular DBR.No.Leg.BC.78/09.07.005/2017-18, dated 6 <sup>th</sup> July, 2017	Circular on Customer Protection – Limiting Liability of Customers in Unauthorized Electronic Banking Transactions
3.	RBI Circular RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20	Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems