



THE MAHANAGAR CO-OP. BANK LTD.

Scheduled Bank

Customer Compensation Policy

Approved as per Board Resolution No. 925
Dated 15th February, 2018

Introduction

The Mahanagar Co-op. Bank Ltd., offers high levels of service to its customers. In the event, for some reasons beyond the control of the bank or inadvertently, the bank is unable to meet the service levels committed in the dealings with individual customer, this compensation policy will be applicable. The Compensation policy is 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 etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this policy is to observe the guidelines issued by RBI on payment system through various customary as well as electronic channels, customer service and render the qualitative customer service, 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. To provide protection to customer limiting his liability in unauthorized electronic banking transactions. 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.

It is reiterated that the policy covers only compensation for financial losses in real terms for specific value 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.

1. The Mahanagar Co-op. Bank Ltd., a Schedule Co-operative Bank and is carrying on business of banking as a Co-operative Bank within the meaning of Sub-section (10) of section 2 of the Maharashtra State Co-op. Societies Act, 1960 and registered under the MCS Act, 1960 vide reg. No. BOM/BNK/128/1973.

The policy does not cover and is not applicable in respect of claims made by customers on account of opportunity losses or damages or claims pertaining to reputation loss.

1. Un-authorized / Erroneous Debit:

If the bank has raised an unauthorized/erroneous direct debit to an account and upon being informed by the customer of the erroneous debit, the entry will be reversed with proper value date, after due verification. In such cases, the Bank will compensate the customer, by way of loss of savings account interest due to reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest to the bank in a loan account or any charges levied for balance falling below minimum balance requirement or any charges levied for return of cheques due to shortfall in balance.

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 seven 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. In case where neither the Bank is at fault nor the customer, but the fault lies elsewhere in the system, bank will help in restoring actual amount involved and as gesture of goodwill and to deal with the customer fairly.

2. ECS direct debits/other debits to accounts:

The bank undertakes to carry out direct debit/ ECS debit instructions of customers in time subject to (a) Customer having already provided valid and complete mandate to accept any debit received from ECS (b) Direct debit / ECS received is complete and correct. Failure to carry out the instruction subject to clause (a) and (b) as above and for reasons directly attributable to the bank, the customer shall be compensated at the prevailing fixed deposit interest rate for the period between the due date of direct / ECS debit and the date of actual debit carried out by the bank. Direct / ECS debits which are towards payments of an Equated Monthly Installment (EMI), the bank would reimburse the customer, penal interest, late payment charges, if any levied upon producing evidence of the same... Electronic payments such as RTGS / EFT / NEFT instructions will be governed by the applicable terms and conditions communicated to the customer.

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 with value when pointed out by the customer subject to scrutiny of agreed terms and conditions and such other terms and conditions as may be communicated from time to time.

Issue of ATM/Debit cards without written consent of Customer:

Where it is established that the bank had issued and activated a Debit card without written consent of the recipient, the bank would reverse the charges immediately and also pay a penalty without demur to the recipient amounting to twice the value of charges reversed in this regard. Operation of credit account shall be in accordance with The Mahanagar Co-op. Bank Ltd., Debit card terms and conditions.

3. Payment of Cheques after Stop Payment Instructions:

In case a cheque has been paid after stop payment instruction is received and acknowledged by the bank, and there have been no subsequent and contradictory instructions received 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 after ascertaining the facts within seven working days of the customer intimating the transaction to the bank.

4. Foreign Exchange Services:

The Bank would compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as indicated in the Cheque Collection Policy of the bank. Further bank would also compensate the customer for any possible loss on account of adverse movement in foreign

exchange rate.

5. Remittances in India:

The compensation on account of delays in collection of instruments would be as indicated in the bank's cheque collection policy in the following instances

- a. Payment of Interest for delayed Collection of Outstation Cheques:
- b. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:

II) In terms of the RBI guidelines on payment of interest for instances of delay in affording credits/return of RTGS/NEFT/NECS/ECS transactions, The Mahanagar Co-op. Bank Ltd. undertakes to afford the credits to destination account holders or return the instruction to the remitting bank within the prescribed time line. In cases where it is not possible to afford the credits to the beneficiary account within the prescribed time line without any valid reasons, customer will be compensated for the delayed period of credit at the rate of RBI LAF repo rate + 2%.

6. Erroneous Debits Arising on account of Fraudulent or Other Transactions:

a) In case of a claim raised by any of the customers, the bank shall depute staff personnel to investigate the matter in its entirety and if the bank is convinced that an irregularity /fraud has been committed by its staff towards any constituent, the bank will acknowledge its liability and pay the just claim.

b) In cases where the bank is at fault, the bank will compensate the customer without demur.

c) In cases where neither the bank nor the customer is at fault, but the fault lies elsewhere in the system, the Manager can take a decision to reimburse the customer up to an amount of Rs 1,000/-.

d) For any claim greater than Rs 1,000/- the matter would be required to be referred to the General Manager/Managing Director. The GM/MD would then after updating the Board of Director take a final decision in this regard.

e) Transactions reported as erroneous by customers in respect of Debit card operations, which require specific reference to a merchant establishment will be handled as per chargeback rules laid down by Rupay/Platinum card RBI / NPCI Policies. The bank will provide explanation and, if necessary documentary evidence to the customer within a maximum period of sixty days.

7. Issuance of Duplicate Demand Draft.

a) The bank will issue duplicate demand draft upto and including Rs 5000/- in lieu of lost demand draft, on basis of adequate indemnity on stamp paper and request from the purchaser or beneficiary.

b) The issuance of such duplicate draft will be within a fortnight of the receipt of the necessary documents at the branch.

c) For any delay caused by the Bank in issuing duplicate draft beyond the above stipulated period, the Bank will pay interest at the rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such a 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, bank shall take appropriate steps to investigate and to handle the complaint and to revert to the customer within seven days from the date of receipt of complaint and wherever justified, shall compensate the customer for financial losses, if any.

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 since the "at par" instruments are only cheques drawn on accounts maintained with the bank and are not prepaid instruments, the drawee bank will not honour cheques drawn on the current accounts maintained by the concerned banks with it unless arrangements are made for funding the cheques issued. This has been communicated very clearly in the agreements entered into with the co-operative banks concerned. Thus, the issuing bank i.e. Cooperative Banks /Drawer of the cheque would be responsible to compensate the cheque holder for non payment /delayed payment of cheques in the absence of adequate funding arrangement.

10. Delay in Release of Securities / Documents / Title Deeds:

The original title documents should be returned to the Borrower(s) / Guarantor(s) within 15 working days of repayment of all dues by the Borrower(s) / Guarantor(s). The dues include principal amount, interest, service charges and all other amounts due under any other financial facility availed by the Borrower(s) / Guarantor(s) from the Bank in capacity as individual, partner, director or guarantor.

Borrower(s) / Guarantor(s) needs to visit the bank branch for collecting the original title documents. In case of delay on part of the Bank in returning such documents, the Bank will compensate the customer at the rate of Rs. 100/- per week, subject to a maximum payment of Rs. 1000/-.

There will be no compensation paid to the Borrower(s) / Guarantor(s) in following circumstances:

1. Force Majeure events.
2. If there is delay on part of the Borrower(s) / Guarantor(s). For e.g. : if any of the Borrower(s) / Guarantor(s) is not available or does not have required Identity Proof to prove that he is the same person.
3. If the Borrower(s) / Guarantor(s) have changed their residential / mailing address / phone numbers and have not intimated the bank and bank is not

able to contact them for collection of original title documents. (Intimation by way of phone, letter or email to any one of the Borrower(s) / Guarantor(s) will be deemed intimation to all Borrower(s) / Guarantor(s).)

In case the Bank receives any complaint/claim/demand from the Borrowers/Guarantors, legal heirs, executors, successors, joint owners/holders, etc. intimating the Bank about inter se disputes and/or not to hand over the title documents or hand over the same to particular person/s, etc., Bank shall direct the parties to resolve their disputes and thereafter approach the Bank with a joint application signed by all concerned for release of such title documents or obtain necessary direction from competent authority/court. Till such time, the Bank shall not liable to release the title documents to the Borrowers/Guarantors (as the case may be) and shall not liable to pay any compensation to any party.

11. Limited 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.

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 7 (ii)

Type of Account	Maximum liability (Rs)
BSBD Account	5,000
All other SB accounts Current / Cash Credit / Overdraft Accounts of the MSMEs Current / Cash Credit / Overdraft Accounts of	10,000

Individuals with annual average balance (during 365 days preceding the incidence of fraud) / limit up to Rs.25 lakh. Credit Cards with limit up to Rs. 5 lakh Pre-paid payment instruments and gift cards	
All other Current / Cash Credit / Overdraft Accounts Credit cards with limit above Rs.5 lakh	25,000

Further, if the delay in reporting is beyond **seven working days**, the customer liability shall be determined as per the bank's Board approved policy. Banks shall provide the details of their policy in regard to customers' liability formulated in pursuance of these directions at the time of opening the accounts. Banks shall also display their approved policy in public domain for wider dissemination. The existing customers must also be individually informed about the bank's policy.

Overall liability of the customer in third party breaches, as detailed in paragraph 6 (ii) and paragraph 7 (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 (Rs.)
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	As per bank's Board approved policy

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.

12.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). Banks 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.

Further, banks shall 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 paragraphs 6 to 9 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 6 to 9 is paid to the customer; and
- (iii) in case of debit card/ bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

ABOVE STATEMENTS IS SUBJECT TO THE FOLLOWING VERY IMPORTANT NOTS:

The Bank reserves the right to reject claims arising as a consequence of:

- Violation of terms and conditions for MCBL – Internet / Mobile banking including UPI, BBPS and Pos banking offered or any other digital banking services that may be offered in future by the Bank
- Non adherence by the customer to various guidelines released by the Bank from time to time for ensuring safeguard of MCBL – Internet / Mobile banking including UPI, BBPS, Pos banking account or other sensitive information etc. for the services as mentioned above.
- Customers must always ensure that they have updated their current contact details especially a working mobile number and email id so as to receive alerts promptly. Failure to keep such contact information with the bank updated may result in the customer being held liable for any loss suffered as a result of misuse of Internet banking and Mobile Banking facilities and other banking facilities as mentioned above.

CUSTOMERS' RESPONSIBILITY:

- 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 responsible for the loss arising out of misuse, of lost PIN, compromise or password/secure or confidential information, suffered by the customer until the time the Bank has been notified and has taken steps to prevent misuse.

DISCLAMIER CLAUSE:

- I. Notwithstanding anything contained here above, the Bank shall not pay any compensation in the following cases:
- II. Any deficiency in regard to loans and advances activities of the Bank.
- III. Dishonor of the payment agreement with other banks, due to non-funding and security compliance.
- IV. 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 the calculation of delay etc.
- V. Where the issues are sub-judice and pending before Courts, Ombudsman, arbitrator and matter put on hold due to stay.

13. 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 labor

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.

Amendments / Modifications 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.