

Suryoday Small Finance Bank Limited

Customer Compensation Policy

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1. Introduction

Suryoday Small Finance Bank (hereinafter referred to as “the Bank”) believes in fair treatment to its customers and providing responsive banking service to the lesser served sections of the society. The Bank promotes ethical behaviour based on the principles of integrity and transparency by staff towards its customers. The Bank seeks to offer quality customer service and shall endeavour to ensure that the customers do not face any challenges while utilizing any of the Bank’s products or services.

In case of any customer grievances, the customer shall be free to voice his grievances through the Grievance Redressal machinery. This policy seeks to document the principles on which customers will be compensated for any defect/ deficiency in products/ services.

2. Objectives of the Policy

The prime objective of this policy document is to establish a system whereby the Bank shall compensate the customer due to defect/ deficiency in products/services on the part of the Bank or for any act of omission or commission, directly attributable to the Bank and/or its employees wherever feasible.

The key objectives of the Customer Compensation Policy are to:

- Put in place a comprehensive document in which compensation under other policies are covered
- Lay down a framework for compensating customers in different types of scenarios without demur, which is in line with the regulatory requirements
- Ensure that the Bank employees at all levels are aware of the policy of the Bank in this regard, so that dealing with the customers is uniform across geography and types of customers and is based on transparent standards/procedures.
- Communicate clearly to the customer that the Bank shall be liable only to the extent of direct financial loss suffered by the customer and the timelines within which the customer shall be compensated

This policy document shall include the compensation relating to the following:

- Erroneous Debits arising on fraudulent or other transactions through any channel
- ECS direct debits/ other debits to accounts
- Payment of cheques after issuance of ‘Stop Payment’ instructions
- Payment of interest for delays in cheque collection
- Cheques/ Instruments lost in transit/ in clearing process or at branches
- Transaction of ‘at par’ instruments of co-operative banks
- Payment of interest for delay in issuance of duplicate draft
- Delay in crediting amounts of failed ATM transactions
- Delay in affording credits and/ or returning of electronic transactions
- Credit cards
- Force Majeure
- Other unauthorised actions of the Bank leading to a financial loss to customer
 - Delay in release of securities/ documents/ title deeds
 - Mis-selling of third-party products
 - Timelines for payment of compensation amount
 - Violations of Code of Commitment to Customer by the Bank’s agents

3. Applicability of the Policy

The policy shall cover all customers of the Bank irrespective of the product/ service they may have availed of. The policy document shall cover the details of the procedure the employees of the Bank need to follow when compensation is to be paid in respect of any complaint/grievance. The policy will also apply to Business Correspondents (BCs)/ Agents and shall be applicable in respect of all customers catered by branches or BCs/ Agents of the Bank. The policy will cover all the products and services offered by the Bank including third party products distributed by the Bank.

Grant of compensation under this policy is without prejudice to the Bank's rights in defending its position before any Court of Law, Tribunal or any other forum duly constituted to adjudicate banker-customer disputes and does not constitute admission of liability or any other issue, of any nature whatsoever for the purposes of adjudicatory proceedings.

4. Governance Structure

In line with RBI guidelines, the Bank will have grievance redressal mechanism at three levels i.e. the Board, Senior Management and Branches. The Customer Service Committee at the Board level shall assess and review the overall implementation of customer service policies and initiatives. The Standing Committee on Customer Service at Senior Management level shall serve as a micro level executive committee for driving the implementation of customer service policies and initiatives and shall act as a bridge between the various units of the Bank and Customer Service Committee of the Board. The Branch Level Customer Service Committee shall act as a formal channel of communication between the customers and the Bank at the branch level.

The customer may approach the Branch Manager about the dissatisfaction or defect/ deficiency in the products/ services that is being utilized. Alternatively, the customer may highlight his grievances through the customer care helpline or through email. Apart from the internal channels, the customer may also point out the defects/ deficiencies in products/ services through external channels such as the Banking Ombudsman (BO), Ombudsman for Digital Transactions and Centralized Public Grievance Redressal and Monitoring Systems (CPGRAMS). Customers are to be educated and encouraged to approach the Bank's grievance redressal machinery before approaching any external agencies.

The customer complaints shall be dealt with as per the procedure outlined in the Customer Grievance Redressal Policy. Upon investigation of the complaint, if the customer has been found to be unfairly treated or has been subject to any unauthorized actions of the Bank staff or his account has been debited wrongly (as detailed in paragraph 5 below), the customer shall be compensated in line with the principles as laid down in this policy.

4.1 Grievance Redressal Division & Principal Nodal Officer

The Bank shall form a Customer Service Cell at its Head Office to oversee the level of customer service provided by the Bank and also the implementation of the customer complaint handling mechanism for the entire bank. This cell shall be headed by a Principal Nodal Officer (PNO) (Head – Customer Service) who shall review on monthly basis the cases where customer compensation proceedings were initiated. The PNO shall identify and study trends and report it to the Standing Committee on Customer Service and shall provide appropriate direction to the Complaint Resolution Officers (CRO) at every Region.

5. Internal Ombudsman (IO)

The Internal Ombudsman of the Bank, who is the focal point for the Internal Grievance Redressal System, shall ensure that all complaints which are rejected or partially accepted by the Bank are examined and he/she shall facilitate resolution/settlement/agreement of such grievances through conciliation and mediation between the Bank and the aggrieved party or by passing an Advisory in accordance with the Scheme. The detailed policy guidelines pertaining to Internal Ombudsman are more descriptively provided under the Customer Grievance Redressal Policy of the Bank along with the Grievance Redressal Mechanism of the Bank.

6. Recognition of deficiency and compensation

6.1 Erroneous debits arising on fraudulent or other transactions through any channel

- In case of any fraudulent encashment/debit, the Bank shall compensate its customer without demur if it is evident that an irregularity/ fraud had been committed by its staff towards the customer. The amount of compensation shall be the amount of debit along with the direct financial loss (savings bank interest, waiver of interest in a loan account or waiver charges on account of non-maintenance of balance or dishonour of cheques/ ECS/ NEFT due to insufficient balance on account of such debit) to the customer.
- In cases where it is established through process of Court/Banking Ombudsman/ Ombudsman for Digital Transactions / Consumer Forum or other authorised mechanism or sufficient documentary records that the Bank is at fault, the Bank would compensate the customer appropriately as per the orders of such authorities.
- In cases where neither the Bank nor the customer is at fault, depending on the facts of the case and on case to case basis the relevant committee shall decide about the payment of compensation in respect of such cases on merits.
- In case if the verification of the erroneous entry does not require verification from a third party, the Bank shall arrange the verification of the entry within 7 working days from the date of reporting the erroneous debit. However, if the verification involves a third party, the Bank shall ensure completion of the verification process within 1 month from the date of reporting of the erroneous debit.

6.2 National Automated Clearing House (NACH), direct debits/ other debits to accounts

- If the Bank fails to carry out the direct debit/ NACH instructions of customers, the Bank shall compensate the customer to the extent of direct financial loss, if any, as decided by the relevant committee
- If the Bank levies any service charges or other fees which are not as per the tariff schedule, terms and conditions governing the product and/ or the agreement of the Bank with the customer, the Bank shall reverse the charges after verification and compensate the customer as decided by the relevant committee.

6.3 Payment of cheques after 'Stop Payment' instructions

- In case a cheque is debited after 'Stop Payment' instructions have been received and acknowledged by the Bank, the Bank shall reverse the transaction within 2 working days from the date of reporting by the customer and give value-dated credit to the customer's account. The Bank shall also compensate the customer towards the direct financial loss, if any, suffered by the customer on account of such debit as decided by the relevant committee

6.4 Payment of interest for delays in cheque/ instrument collection

- The Bank shall compensate the customer in case of any delay in collection or realisation of local and/ or outstation cheques in the form of interest on the amount of the instrument if there is any delay in giving credit beyond the stipulated time period, without any distinction between instruments drawn on the Bank's own branches or on other banks for the purpose of payment of interest on delayed collection.
 - The Bank shall pay interest for delayed collection at the following rates:
 - Applicable Savings Bank rate for the period of delay beyond 7/10/14 days for State Capitals / major cities / other locations as the case may be in collection of outstation cheques.
 - Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the respective period.
 - In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
 - In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.
- Payment of interest for Delays in collection of bills
- The Bank shall pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts. The delayed period should be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for (i) Despatch of bills; (ii) Presentation of bills to drawees (iii) Remittance of proceeds to the lodger's bank (iv) Crediting the proceeds to drawer's account

6.5 Cheques/ Instruments lost in transit/ in clearing process or at Branches

- If a cheque/ instrument accepted for collection is lost in transit or in clearing process or at the Branch, the Bank shall immediately inform the accountholder so that the drawer can be informed to record stop payment. The Bank shall also request the customer to ensure that other cheques issued by him/her are not dishonoured due to non-credit of the amount of the lost cheque/instrument.
- The Bank shall pay interest for the period exceeding the stipulated cheque collection period (7/ 10/ 14 days). In addition, the Bank shall pay interest on the amount of the cheque for a further period of 15 days at the savings bank rate to provide for likely further delay in obtaining duplicate cheque/ instrument and collection thereof.
- The Bank shall also compensate the accountholder for any direct charges the customer incurs in getting duplicate cheques/instruments, upon production of relevant documentary proof.

6.6 Payment of interest for delay in issuance of duplicate draft

- In case of loss of demand draft, the Bank shall issue a duplicate draft, in lieu of lost draft within a fortnight from the receipt of such request. For any delay beyond the stipulated period, the Bank shall pay interest at the rate applicable for fixed deposit of corresponding maturity as compensation to the customer, provided the request for the duplicate demand draft is made by both the purchaser and the beneficiary jointly and the documentation formalities are completed. The compensation shall not be available if the draft is endorsed to third parties.

6.7 Delay in affording credit and/ or returning electronic transactions

- If the Bank fails to meet the RBI /ACH (Automated Clearing House) prescribed timelines with respect to NEFT/ ECS/ ACH transactions, the Bank shall compensate the customer to the extent of penal interest at the RBI LAF (Liquidity adjustment facility) Repo Rate plus 2% from the due date of credit till the date of actual credit for any delayed credit to the customer's account. Penal interest shall be credited to the beneficiary's account even if no claim is lodged.
- In case of delay in credit on the same day for RTGS transactions, compensation shall be paid to the customer for one day. In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the Bank in the completion of funds transfer pursuant to receipt of payment instruction by the Bank leading to delayed payment to the customer, the Bank will pay compensation at current RBI LAF Repo Rate plus 2% for the period of delay.
- In the event of delay in return of the funds transfer instruction for any reason whatsoever, the Bank will refund the amount to the remitter together with interest at the current RBI LAF Repo Rate plus 2% till the date of refund. In case of delay in return of funds on the same day for RTGS transactions, compensation shall be paid to the remitter for one day.

6.8 Delay in crediting amounts of failed ATM transactions

- In case if there is a debit to the customer's account but the cash is not dispensed through the ATM and the account is wrongfully debited, the Bank shall be liable to reverse the transaction within a maximum of T + 5 days from the date of receipt of the customer complaint.
- Further, the Bank shall compensate the customer if the transaction is not reversed within the stipulated time period at Rs. 100, per day beyond T+5 days. Bank shall pay such compensation together with the amount of the failed ATM transaction. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when the Bank affords the credit for the failed ATM transaction. Such compensation shall be affected to the customer's account suo moto, without waiting for a complaint or claim from the customer.

6.9 Credit cards

- Where it is established that the Bank had issued and activated a credit card without consent of the recipient and fees/ charges have subsequently been levied on the credit card, the Bank would not only reverse such fees/ charges immediately but also pay to the recipient of the credit card, a penalty being twice the value of charges reversed.
- Transactions reported as erroneous by customers in respect of credit card operations, which require specific reference to a merchant establishment will be handled as per Chargeback rules laid down by Visa/ MasterCard International/NPCI. The Bank will provide explanation and, if necessary, documentary evidence to the customer within a maximum period of 1 month.

6.10 Delay in Credit/Payment of Pension

RBI has issued a circular that in case of genuine delay in payment of pension, the Bank will pay Bank rate plus 2% for the entire delayed period to the pensioner without asking for the same. The same may be circulated by the Bank to the pensioners and displayed in all branches.

6.11 Force Majeure

- The Bank shall not be liable to compensate customers for delayed credit if the Bank's or its correspondent bank's facilities are damaged due to unforeseen events (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other "Acts of God", war), due to which the Bank is not able to perform its obligations within the specified service delivery parameters.

6.12 Other unauthorised actions of the Bank leading to a financial loss to customer

- **Delay in release of securities/ documents/ title deeds**

The Bank shall return the original security documents submitted by the borrower within 15 days of repayment of all dues by the borrower, including principal amount, interest, EMI, costs, service charges, and all other amounts due as per the loan agreement. The Bank shall retain the right to set off for settlement of any other claim, after giving due notice with full about the pending claims and shall retain the securities/ documents/ title to mortgaged property as continuing security till the relevant claim is settled/paid. The relevant committee shall decide the compensation payable if any in respect of such cases on merits subject to claim by the customer.

- **Mis-selling of third-party products**

With respect to mis-selling, the Bank shall take appropriate steps to investigate any disputes related to insurance/ investment distribution and ascertain if there were any violations. The relevant committee shall decide the compensation if any payable in respect of such cases on merits subject to claim by the customer.

6.13 Timelines for payment of compensation amount

If the Bank is liable to pay any compensation under this policy, the same will be paid to the customer within 7 days from the completion of the investigation or in the case of failed electronic transactions using authorised Payment Systems, the timelines specified by RBI (Refer Section 7 of this policy).

Violations of Code of Commitment to Customers by the Bank's agents

- In the event of receipt of any complaint from the customer that the Bank's authorised representatives such as Direct Sales Associates (DSAs), Debt Collection Agencies (DCAs) etc. have engaged in any improper conduct or acted in violation of any Code adopted by the Bank, the Bank shall take appropriate steps to investigate and to handle the complaint. The relevant committee shall decide the compensation payable if any in respect of such cases on merits.

7. Harmonisation of Turn-Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems

7.1 In terms of regulatory directives issued by RBI vide Circular No. DPSS.CO.PD No.629/02.01.014/2019-20 dated 20.09.2019, the Bank shall adhere to the framework for turn-around-time (TAT) for customer compensation got failed transactions using authorised payment systems. While the prescribed TAT is the outer limit for resolution of failed transactions, the bank shall endeavour towards quicker resolution of such failed transactions.

7.2 Wherever financial compensation is involved, the same shall be affected to the customer's account Suo moto, without waiting for a complaint or claim from the customer.

7.3 Customers who do not get the benefit of redress of the failure as defined in the TAT, can register a complaint to the Banking Ombudsman / Ombudsman for Digital Transactions of Reserve Bank of India.

7.4. General Instructions covering the TAT:

- The principle behind the TAT is based on the following:
 - If the transaction is a 'credit-push' funds transfer and the beneficiary account is not credited while the debit to originator has been affected, then credit is to be affected within the prescribed time period failing which the penalty has to be paid to the beneficiary.
 - If there is delay in initiation of a transaction at the originator bank's end beyond the TAT, then penalty has to be paid to the originator.
- A 'failed transaction' is a transaction which has not been fully completed due to any reason not attributable to the customer such as failure in communication links, non-availability of cash in an ATM, time-out of sessions, etc. Failed transactions shall also include the credits which could not be affected to the beneficiary account on account of lack of full information or lack of proper information and delay in initiating a reversal transaction.
- Terms like, Acquirer, Beneficiary, Issuer, Remitter, etc., have meanings as per common banking parlance.
- 'T' is the day of transaction and refers to the calendar date.
- 'R' is the day on which the reversal is concluded, and the funds are received by the issuer / originator. Reversal should be affected at the issuer / originator end on the same day when the funds are received from the beneficiary end.
- The term bank includes non-banks also and applies to them wherever they are authorised to operate.
- Domestic transactions i.e., those where both the originator and beneficiary are within India are covered under this framework.

7.5. Table of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems

The TAT and customer compensation for failed transactions using authorised payment system shall be separately annexed to the policy. The TAT / compensation payable may subject to change from time to time as may be notified by RBI. The Standing Committee for Customer Service is hereby authorised to update the TAT and Compensation as when required as per RBI Guidelines. (*Refer Annexure I*).

7.6. Burden of Proof

- The burden of proving customer liability in case of unauthorised electronic banking transactions shall lie on the Bank.
- The Bank has a process of second factor authentication for electronic transactions, as regulated by the Reserve Bank of India. Bank has onus to prove that all logs / proofs / reports for confirming two factor authentications is available. Any unauthorized electronic banking transaction which has been processed post second factor authentication known only to the customer would be considered as sufficient proof of customer's involvement / consent in effecting the transaction.

8. Force Majeure

- The bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other “Acts of God”, war, damage to the bank’s facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc. beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

9. Record Keeping

All the documents and records as applicable will be maintained as per Policy on Preservation of Records

10. Policy Review and Updates

- This policy will be reviewed on an annual basis or earlier, if required for incorporating changes and regulatory updates, if any, in overall grievance redressal mechanism, to improve customer experience and satisfaction.

11. Regulatory References

- RBI Master Circular on Customer Service in Banks dated July 1, 2015
- RBI Master Direction – Know Your Customer (KYC) Direction dated February 25, 2016
- RBI Circular No. DPSS.CO.PD No.629/ 02.01.014/2019-20on Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems dated September 20, 2019.
- Indian Banks’ Association (IBA) Model Customer Compensation policy
- IBA Model Customers’ Rights Policy
- BCSBI Code of Commitment to Customers

12. Annexure I

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	Card to card transfer Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not affected to the beneficiary account.	₹ 100/- per day of delay beyond T + 1 day.
b	Point of Sale (PoS) (Card Present) including Cash at PoS 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	Card Not Present (CNP) (e-commerce) 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	Off-Us transaction 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	On-Us transaction 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.