



Banking Codes and Standards  
Board of India

भारतीय बैंकिंग कोड एवं मानक बोर्ड

[www.bcsbi.org.in](http://www.bcsbi.org.in)

# Customer Matters

## Chairman's Message

Dear Readers,

It is a great pleasure and honour to stay connected with you all through "Customer Matters".

The first quarter has been significant. In April we placed the 2017 Code Compliance Survey Rating of 51 select Banks, in public domain. As promised in our earlier issue, we are sharing a short summary of the survey. The average compliance levels of the Banks surveyed is at 77% a shade lower than the 78% average of the 2015 survey. This is a matter of concern and Banks which have been rated "Average" should take appropriate steps to improve on their adherence levels to the Codes. Full details of the rating exercise are available on our website [www.bcsbi.org.in](http://www.bcsbi.org.in). The rating exercise will instill a sense of competition among member banks for achieving a higher level of compliance of the Codes thereby improving customer service.

On May 30, 2017 BCSBI hosted the Principal Code Compliance Officers' (PCCO) conference in Mumbai. I am sharing some of the highlights of the conference which would be of interest to our readers.

Deputy Governor delivered the key note address for the conference and stressed on the need for Banks to take ownership of Business Correspondents and to put in place appropriate grievance redressal mechanism for cases involving Business Correspondents. He also emphasized the need for timely rehabilitation support to MSMEs and synergizing the roles of PCCOs and Internal Ombudsman (IO) of their Banks. He stated that the first time bank customers of new small finance banks and payment banks may be made adequately aware by respective Banks about the need for exercising due prudence while transacting else they fall easy prey to fraudsters. More details are available as a separate article in this newsletter.

The Code of Bank's Commitment to Customers 2014 is currently being reviewed by a Working Group Committee which will deliberate upon the key changes that have taken place in the banking space over the last three years. We hope to release the revised version of the Code by the year end incorporating relevant changes and additions related to the developments post 2014 in the banking field in general and electronic/digital banking areas in particular.

This issue also contains the second in our series of guest writer articles. We are grateful to Shri Dukhabandhu Rath, Chief General Manager SBI who has written this informative article on Customer Service which will be of great interest to our readers.

This issue also has our other regular features, news items and hope our readers find this interesting. I once again appeal to you to please provide your valuable feedback on the new initiatives taken. Your suggestions for improving the Newsletter may please be sent to [ceo.bcsbi@rbi.org.in](mailto:ceo.bcsbi@rbi.org.in).

Regards,

(A. C. Mahajan)  
Chairman



### BCSBI News

During the quarter ended June 2017, with five associate Banks and Bharatiya Mahila Bank merging into State Bank of India and closure of Commonwealth Bank of Australia, the membership of Banking Codes and Standards Board of India (BCSBI) stands at 129.

## What's Inside

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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.

A Customer Meet was organized at Kochi in association with TransUnion CIBIL Ltd. on January 23, 2017. Shri Anand Aras, Chief Executive Officer, BCSBI, Shri P S Rajan, DGM, Union Bank of India, Smt. Harshala Chandorkar, COO, TransUnion CIBIL Ltd., and Smt. Sati Nair, Senior VP, BCSBI addressed the meeting. Around 320 customers and officials of banks in and around Kochi attended the meeting.



▲ Shri Anand Aras, CEO, BCSBI addresses the Customer Meet at Kochi. Seated from left are Shri P S Rajan, DGM, Union Bank of India, Smt. Harshala Chandorkar, COO, TransUnion CIBIL Ltd., and Smt. Sati Nair, Senior VP, BCSBI.

Another Customer Meet was held at Vadodara in association with TransUnion CIBIL Ltd. on February 16, 2017. Shri A C Mahajan, Chairman, Shri Anand Aras, CEO, BCSBI, Shri R K Goyal, DGM, Bank of Baroda, and Shri Amit Panwar, Manager, TransUnion CIBIL Ltd. addressed the gathering. Around 300 customers including officials of banks having a major presence in and around Vadodara attended the meeting.



▲ Shri P K Abrol, Customer Care, SBI welcomes the participants of the Customer Meet at Kalka. Seated from left are Shri P K Agrawal, Senior VP, BCSBI; Shri P Raghavendra, DGM, SBI; Shri S L Paul, Chief LDM, Punjab National Bank; and Smt. Jyoti Sharma, Senior VP, BCSBI

The third Customer Meet of the preceding quarter was held at Kalka on March 1, 2017 which was attended by about 250 customers and officials of local banks.



▲ A cross section of the audience at Kalka

Some of the issues raised during the above meetings pertained to (i) recourse available to a customer if he/she is not informed about the changes in interest rates or service charges; (ii) recourse available to the customer if Most Important Terms and Conditions are not conveyed before documentation of a loan; (iii) why payment



▲ Shri A C Mahajan, Chairman addresses the Customer Meet at Kolkata. Seated on the dais are Smt. Shruti Sinha, TransUnion CIBIL Ltd., Shri Anand Aras, CEO, BCSBI, Smt. Reena Banerjee, Banking Ombudsman and Shri Vinay Gandotra, GM, United Bank of India.

of cheques are made in some cases even after request of "Stop Payment"; (iv) problem in opening of account for want of local address; (v) reduction in number of days for clearing of cheques, and (vi) why forms are not made available by banks in local language.

Two more Customer Meets were organized in April 2017, viz. one at Panjim on April 5, 2017 and the other at Belapur, Navi Mumbai on April 27, 2017. Around 200 customers including bank



officials attended each of these Meets. The latest Customer Meet was held at Kolkata on June 8, 2017. The total participation in this Meet was around 400. The issues raised in these meetings mainly centred on (i) problem in opening of account for want of local address; (ii) reduction in number of days for clearing of cheques; (iii) difficulty in understanding the terms and conditions of loan documents because of their complexity; (iv) ensuring facility of SMS alerts, etc. Shri AC Mahajan, Chairman and Shri Anand Aras, CEO, BCSBI addressed the queries raised by the customers.

BCSBI along with TransUnion CIBIL Ltd. organized Customer Rights Awareness workshops with

underprivileged sections of banks' customers. The programme focused on simplifying the technicalities of the Banking Codes through a skit and puppet show. This show enlightened the participants on the Banking Codes and how to protect their rights while using the banking services.



▲ Puppet show at Kochi



▲ Shri Anand Aras, CEO, BCSBI addresses the Customer Meet at Panjim. He is flanked by Shri P Mohanta, DGM, SBI and Shri Yogesh Tarate, Manager, TransUnion, CIBIL (right).

officers of banks operating at Kochi and Vadodara on January 23 and February 16, 2017 respectively. In the following months, such meetings were organized at Panjim, Belapur and Kolkata on April 5, April 27 and June 9, 2017 respectively. At the said meetings, Shri Anand Aras, CEO, BCSBI replied to some questions as to (i) why banks were charging more than Marginal Cost of Lending Rates (MCLR) on loan accounts; (ii) why there was an increase in complaints regarding digital transactions; (iii) why it is mandatory to display the BCSBI Membership Certificate and (iv) whether it is mandatory to mark the terms and conditions of the loan as MITC. The representative from CIBIL touched upon the issue of why loan account was not appearing as "closed" even after closure of loan account; and how credit card overdues and settled accounts affect one's credit score.

### Women's Empowerment Programme

For the first time, BCSBI organized a "Know Your Rights" programme in Kochi on January 22, 2017, targeting the rural women who form the

During the quarter, the officials of BCSBI extended faculty support to:

1. Zonal Training Centre, RBI, New Delhi
2. Indian Institute of Banking and Finance, Mumbai
3. Seminar-cum-Customer Meet (MSME) organized by All India Forum for Small and Medium Industries at Hyderabad
4. Town Hall meet at Sirmaur, Himachal Pradesh organized by Banking Ombudsman, Chandigarh



▲ Shri AC Mahajan, Chairman, BCSBI welcomes Shri S S Mundra, Deputy Governor, RBI at the annual Principal Code Compliance Officers' Conference - 2017 held on May 30, 2017. Others from left are Shri S V Patil, DGM, CEPD, RBI; Shri Anand Aras, CEO, BCSBI, Shri C Krishnan, Member, Governing Council; and Shri Uday Phadke, Member, Governing Council

## Annual conference of the Principal Code Compliance Officers (PCCOs)

The annual conference of Principal Code Compliance Officers (PCCOs) representing 129 member banks of BCSBI was held on May 30, 2017 at Mumbai. Shri S S Mundra, Deputy Governor, RBI delivered the keynote address and also interacted with the participants. Shri A C Mahajan, Chairman, Shri S V Patil, DGM CEPD(RBI), Shri C Krishnan and Shri Uday Phadke, members of the Governing Council and Shri Anand Aras CEO, BCSBI also addressed and interacted with the participants. A live interaction with the press was held with Shri S S Mundra, Deputy Governor. The same was extensively covered in print and electronic media.

A few key takeaways from the conference are as under.

- Steps to be taken to create greater awareness and understanding amongst the frontline staff of Banks including operationalising a query portal or FAQs for their benefit.
- An appropriate grievance redressal mechanism to be put in place for cases involving Business Correspondents.
- To ensure that there is synergy in the roles of PCCOs and IBOs (Internal Banking Ombudsman).
- To ensure that complaints which are partially or fully rejected have been referred to the Internal Ombudsman and communication to the customer has a mention of the same.
- To take the initiative of getting the pictorial book encompassing 19 basic rights of the customer translated into other regional languages and publicize it.
- To proactively review the Codes and make it contemporaneous in view of the new developments in the economy.

A detailed report of the Conference is available on the BCSBI website. ([www.bcsbi.org.in](http://www.bcsbi.org.in))



▲ A cross section of the PCCOs who attended the Conference held on May 30, 2017.

## Ratings of Banks on Code Compliance - 2017

BCSBI as part of its mandate monitors the compliance of Banks to the Code of Commitment to Customer, 2014 and Code of Commitment to Micro and Small Enterprise, 2015 by carrying out a survey of select branches of member Banks.

BCSBI Code Compliance Rating Survey was done this year for 26 Public Sector Banks (PSBs), 17 Private Sector Banks, 3 Foreign Banks and 5 Scheduled Urban Cooperative Banks (SUCBs).

The Field Managers visited 2733 Branches in 87 major centres and districts and 8485 customer feedbacks were obtained. The BCSBI developed a rating model with the help of Rating Agency CRISIL.

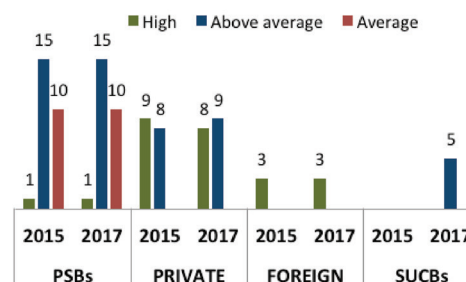
The compliance is measured across five broad categories, viz; Information Dissemination, Transparency, Grievance Redressal, Customer Centricity and Customer Feedback. The Branch visit findings and customer feedback are grouped into these five main categories and numerical weightages are allocated to them.

BCSBI assigns ratings to banks based on the overall score achieved. A snapshot of the overall position of the 51 Banks vis-à-vis position in previous survey is given below:

S. No	Scoring Scale indicating compliance level in percentage	Rating	Number of banks			
			2015		2017	
1	85 and above	High	13	30%	12	23%
2	70 to less than 85	Above Average	23	49%	29*	57%
3	60 to less than 70	Average	10	21%	10	20%
Total			46	100	51	100

\*includes 5 Scheduled Urban Co operative Banks which were included in survey for the first time. A snapshot of sector wise breakup of the Banks is shown below.

### Overall Rating



The ratings of all the Banks have been displayed on the website. There was a press meet to release the results.



## Exemplary Cases Decided at Banking Ombudsmen Offices

### Fraudulent encashment of cheque

The complainant alleged that an account payee cheque No.295504 dated September 01, 2016 for ₹ 361961 issued to “client A” had been fraudulently credited to an account “B” with that of another bank (Bank B) on September 06, 2016. The complainant (drawer of the cheque) contended that he had issued a “stop payment” order to his bank on the same day along with a copy of letter from courier service. The office of the Banking Ombudsman (OBO) took up the matter with “Bank A” and it was observed that the customer had failed to report the matter of loss of cheque in transit in time and also stop payment order before the passing of the cheque image in CTS. The paying bank (Bank A) at New Delhi had passed the cheque for payment on September 06, 2016. The scanned image of the disputed cheque had been obtained and no alteration was identifiable. Hence OBO could not attribute any deficiency on the part of paying bank (Bank A). To scrutinize the case, the collecting “Bank B” was advised to provide copies of KYC documents of the account holder who had encashed the cheque.

On a perusal of the image of disputed cheque, KYC documents and the account statement, minimal activity was observed in the account till the credit of disputed amount. The amount of disputed cheque (₹3,61,961) on September 06, 2016 was the only high value credit to the account. On the same date, an amount of ₹30,000 was withdrawn followed by withdrawal of balance amount through continuous ATM transactions within the next twelve days. The statement of account showed further credit entries received from seven different banks through clearing transactions and subsequent withdrawal in a similar pattern in the subsequent days of the same month and balance became nil by the month end. The profile of the customer shows that he was a milk supplier of a dairy at Delhi. Banking Ombudsman (BO) observed that the presenting “Bank B” had not adhered to para 3.3.1 of RBI KYC norms contained in Master Circular on Customer Service, 2015 which states that banks should exercise due diligence with respect to every customer and closely examine the transactions to ensure that the account activity is consistent with customer’s profile and source of funds. Further, as per the procedural guidelines of Cheque Truncation System (CTS), all the cheques are transmitted electronically and as per section 131 of the Negotiable

Instrument (Amendment and Miscellaneous Provisions) Act, 2002, the onus of due diligence lies with the collecting bank (Bank B) who receives payment based on an electronic image of a truncated cheque to ensure the genuineness of the cheque presented under CTS.

The presenting bank (Bank B), in the instant case, had failed to observe any of the due diligence measures and was deficient in service on account of failure to monitor account. Accordingly, the collecting bank (Bank B) was advised to pay the entire disputed amount (₹3,61,961) along with simple interest from the date of cheque encashment to the date of credit to the customer’s account.

### Levy of Foreclosure charges on CC A/c

The complainant was maintaining cash credit account with Bank ‘A’. During March 2016, due to operational convenience and higher rate of interest, the borrower shifted his account to Bank ‘B’. On closure of account the borrower noted that his account was debited with foreclosure charges of ₹2,26,977 as penalty. The complainant alleged that the bank was levying various service charges in his account and the levy of foreclosure charges was huge and requested for refund of the same.

The matter was taken up with the bank and the bank stated that the complainant had availed Cash Credit facility of ₹100 lacs originally sanctioned in 2007 for a period of 12 months which was subsequently renewed for a further period of 12 months every year. The cash credit limit was subsequently taken over by Bank ‘B’. Bank ‘A’ levied foreclosure charges of ₹2,26,977 and borrower was aware of the applicability of penalty. On verification of terms and conditions OBO observed that the pre-closure charges are included under the head “Other charges-as applicable from time to time” in the sanction letter issued to the complainant and duly acknowledged by him. The sanction letter acknowledged by the customer did not specifically mention pre-closure charges. The applicability of pre-closure charge ought to have been intimated to the complainant either at the time of sanction of cash credit or incorporated in terms and conditions signed by the customer. The bank had not even informed the customer in writing at the time of take-over proposal. Bank ‘A’ was advised to reverse the pre-closure charges levied as the bank had not adhered to the guidelines of customer service policy of banks and was not transparent in its dealings.

*(Source: Cases handled by Banking Ombudsman, Thiruvananthapuram)*



**Dukhabandhu Rath**  
Chief General Manager  
State Bank of India  
Corporate Centre  
Mumbai.

Shri Dukhabandhu Rath, joined SBI as a Probationary Officer in 1984. In the past 32 years of banking career he has wide experience in Domestic operations, Foreign operations, Human Resources, Network Operations and Customer Service.

## CHALLENGES IN CUSTOMER SERVICE IN DIGITAL INDIA

*Dukhabandhu Rath*  
Chief General Manager  
State Bank of India

With globalization taking its roots in the last 2 decades, the products of all competitors are almost the same. Customer service is the differentiator for the individual Banks to take an edge over others. In the recent past, with renewed emphasis on digital Banking, a plethora of technology products are available on alternate channels. The regulator is now thinking of permitting Account number portability like that of telecom industry to empower the Banking customers to switchover to their Bank of choice, if satisfactory service is not available with the present Banker. This is an opportunity for all Banks to revamp their Customer Service to attract such new customers through lateral movement. Simultaneously, it is a challenge for banks where customer service is poor and grievances are plenty.

Successful resolution of customers' issue is the key to build customer loyalty. Hence a robust and easily accessible Grievance Redressal Mechanism is required and should be used as a tool to analyze customers' expectations, process deficiencies of the organization and pitfalls with the delivery system.

Let us analyse the major customer expectations in a digital environment and the challenges/mitigations for the Banks in the changed scenario.

a) **Customer touch points:** Customer preference for digital banking is fast replacing the need to visit Brick and Mortar Branches for various services. More than 75% of Banking transactions are now happening through online modes/alternate channels. With more than 100 crore mobile density in the country, Mobile Banking (MB) is fast emerging as most preferred channel by the customers even replacing the Internet Banking (INB) mode of transaction. It is a challenge for Banks to integrate all functions of INB in a small screen of Mobile. Such conversions are technically possible

b) **Customer queries/ grievances:** Customers expect their queries and griev-

ances to be redressed fast. Though many Banks have established Call centres to address this issue, it is largely criticised by customers because of call drop, long wait time, requirement of toggling through so many options before getting desired response etc. For cost effectiveness, the Call centres are largely outsourced. Being an outsourced outfit, Banks face challenges to delegate transaction-based customer queries which require some authorisation. The solution could be again a Mobile-based app. The requests must be segregated from complaints. The non-financial requests can be assigned to outsourced entities and the financial ones could be attended by hybrid teams of outsourced and the permanent staff depending on the risk mitigation envisaged in the process.

c) **Customer empowerment:** Feedback from customers enables us to understand the pitfalls in our system which can prevent the probable damage to the organization. Presently there is no proven institutional mechanism to get feedback from customers. A suitable mobile app backed by appropriate Management Information system can make the management aware of the prevailing pain points in operations. The attitude of staff at all touch points largely decides the customer service level of a Bank. To keep a watch on such indifferent staff, a staff feed back mobile app also will be of much use.

d) **Security of digital transactions:** Our Banking customers are largely semi-literate and are the first generation to adopt digital banking. There is a high risk of falling an easy prey to phishing/vishing attacks. So Banks should have an appropriate mechanism for velocity check on the number of transactions effected per day / per beneficiary/ per channel and any suspicious operations should be subject to alert within the bank and to the customer. A sustainable grounding of these mechanisms will repose customer confidence and will lead to customer stickiness.

"Customer Service" is a journey and not a destination in any service industry including Banks. We must continuously reinvent our products and processes to remain relevant.