

## **Introduction**

Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the endeavor of Calyon Bank ('the Bank') to offer services to its customers with best possible utilization of its technology infrastructure. Withdrawal of the Reserve Bank of India instructions to Banks on time frame for collection of outstation cheques, payment of interest on delayed collection of outstation cheques/instruments, with effect from 1 November 2004, had offered bank further opportunities to increase its efficiency for better performance. This Compensation policy of the Bank 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, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

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 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 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. Unauthorised/ Erroneous Debit:**

If the Bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In the event the unauthorized/erroneous debit has resulted in a financial loss for the customer by way of 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, the Bank will compensate the customer for such loss by refunding / crediting the interest charged for minimum balance, had there been no erroneous debit. Further, 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 will compensate the customer to the extent of such financial losses which shall be limited to refunding the cheque return charges or interest payable to the Bank, if any, by the Customer.

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 15 working days from the date of reporting of erroneous debit. In case, the verification involves a third party, the Bank shall endeavor to complete the verification process within a maximum period of 2 months from the date of reporting of erroneous transaction by the customer.

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

The Bank will undertake to carry out direct debit instructions of customers in time. In the event the Bank fails to meet such commitments, customer Will be compensated to the extent & any financial loss the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions.

The Bank would debit the customer's account with any applicable service charge as agreed by the customer and the Bank or 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 when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

## **3. Payment of Cheques after Stop Payment Instructions:**

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. Any consequential financial loss to the customer will be compensated as provided under para 1 above. Such debits will be

reversed within 2 working days of the customer intimating the transaction to the Bank.

#### **4. Foreign Exchange Services:**

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the Bank would not be able to ensure timely credit from overseas Banks. It is the Bank's experience that time for collection of instruments drawn on Banks in foreign countries differ 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. However, the Bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the Bank with its correspondent. Such compensation will 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:

- a) Interest for the delay in crediting proceeds as indicated in the collection policy of the Bank.
- b) Compensation 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 collection policy which is reproduced below for information:

##### **'Payment of Interest for delayed Collection of Outstation Cheques:**

As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection instruments in case there is inordinate delay (maximum 2 months) in gMng credit due to negligence on the part of the Bank. Such interest shall be paid at Bank's prevailing 7 days deposit rate.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

The Bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the Bank for collection by the customer would also be as indicated in our collection policy. The same is extracted below for information:

**"Cheques I Instruments lost in transit I in clearing process or at paying Bank's branch:**

In the event 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 of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques I instruments. The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. Only in cases of gross negligence on the part of the bank, compensation @ 7 days deposit rate will be paid.

**6. Violation of the Code by Bank's agent**

In the event of receipt of any complaint from the customer that the Bank's representative I courier or OSA 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 compensate the customer for financial losses, if any.

**7. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks**

The RBI has expressed concern over the lack & transparency in the arrangement for payment of "at par" instruments of co-operative Banks by commercial Banks resulting in dishonour of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the Bank will not honour cheques drawn on current accounts maintained by other Banks with it unless arrangements are made for funding cheques issued. Issuing Bank should be responsible to compensate the cheque holder for non payment/delayed payment of cheques in the absence of adequate funding arrangement.

**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.

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