

COMPENSATION POLICY

1 PREAMBLE

- 1.1 With the introduction of Government Policy on liberalization, banking sector witnessed transformation since the early 1990s in terms of improved banking operations, increased business opportunities, introduction of innovative products & services more particularly in the retail banking sector, introduction of internet banking services etc.. Value added services such as collection and payment system, improvements in clearing of instruments such as ECS, introduction of various remittance facilities such as NEFT, RTGS, transactions through net banking have contributed to the increased volume of banking business. This period also witnessed the entry of maximum number of private sector and foreign banks in India focusing on client acquisitions and also retaining their existing customers.
- 1.2 Technological progress in payment & settlement systems and qualitative changes in operational systems & processes have been undertaken by various players in the market from time to time in order to retain customers. These improvements have enabled market forces of competition to come into play for enhancing the efficiency in providing better service to customers and other users of the banking system.
- 1.3 At Corporation Bank, it will be our endeavor to offer quality services to our customers with the best possible utilization of technology infrastructure.
- 1.4 This Compensation policy of the bank is, therefore, designed to provide compensation on account of financial losses, if any, suffered by customers in 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., financial loss incurred by customers on account of frauds on account of deficiency in the services provided by the bank to customers subject to the terms and conditions of such services rendered to customers and also as per the norms prescribed in the policy. This policy is designed based on principles of transparency and fairness in treating customers.

2 NEED FOR THE COMPENSATION POLICY

- 2.1 Due to phenomenal growth in number of branches, customers, volume of business and number of transactions, instances of claims seeking compensation from banks have increased substantially. Erosion in value of money resulted in number of high value transactions involving frauds, leading to increase in the number of claims by way of compensation on account of fraud/ deficiency in service/ errors etc.
- 2.2 Further, in the case of advisory/ awards issued by Banking Ombudsman, judgment given by civil Courts/Consumer Forums etc., amount directed by the concerned authority as compensation is to be paid within the time frame stipulated in the order. To address all the above operational issues, need for a Compensation Policy was felt.

3. OBJECTIVES OF THE POLICY

- 3.1 To establish a system whereby the bank compensates its customer for any financial loss incurred due to deficiency in service on the part of bank or any act of omission or commission directly attributable to the bank, transactions involving frauds wherever applicable;
- 3.2 By ensuring that customers are compensated without having to ask for it, the bank expects that instances on the need to approach Banking Ombudsman or any other forum for redressal by customers shall come down substantially;

4. LIMITATIONS OF THE POLICY

- 4.1 It is reiterated that the policy covers only compensation for financial losses which customers might incur due to deficiency in 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.
- 4.2 Once prima facie, forgery is established or an error/ fault is detected, payment shall be made to the account promptly . In such cases, Bank shall give value-dated credit and interest at 2 percentage points above the prevailing interest rate for SB Accounts for the relevant period to compensate for financial loss suffered by customer. No other financial loss will be compensated.
- 4.3 In case of OD/CC accounts, if the error/omission is on account of Bank's mistake, compensation will be paid at the rate applicable for respective borrowal account in which the error has occurred.
- 4.4 Erroneous transaction reported by customers in respect of credit card operations which require reference to a merchant establishment will be handled as per the rules laid down by card association. The Policy also covers areas in which frauds are committed on account of deficiency in service by bank including loss suffered by customer due to credit card/ debit card frauds.
- 4.5 Nowadays in respect of large number of cases referred to Banking Ombudsman and Consumer forum, banks have been ordered to pay compensation to complainants. With a view to settle compensation without delay and as per the Compensation Policy, bank proposes to utilise the limits mentioned in Annexures for making payment of compensation in respect of Ombudsman and Consumer Forum Cases.

5. AREAS/ TRANSACTIONS WHERE OMISSIONS LEAD TO CLAIM FOR COMPENSATION

- 5.1 Financial loss suffered by customers on account of omissions attributable directly to the Bank in respect of the following areas/ transactions lead to payment of compensation subject to the rules & regulations/ guidelines laid down by the bank from time to time.

- 5.1.1 Unauthorised/ Erroneous Debit;
- 5.1.2 Electronic Clearing Service (ECS) direct debits/ other debits to accounts;
- 5.1.3 Erroneous debit arising out of fraudulent or other transactions;
- 5.1.4 Payment of cheques after receipt of stop payment instructions;
- 5.1.5 Foreign Exchange services;
- 5.1.6 Remittances in India such as:
 - a] Payment of Interest for delayed Collection of Outstation Cheques;
 - b] Payment of Interest for delayed Collection of Local Cheques;
 - c] Compensation for loss of instrument in Transit;
 - d] Cheques/ instruments lost in transit/ clearing process or at paying bank's branch.
 - e} Claims arising out of issues relating to Selling of Insurance products (both life & non-life), Bonds & Securities, Payment of Pension to Central & State Pensioners, Insurance covered under Govt. Schemes such as Jan-Dhan Yojana & such other schemes, remittance of income-tax remitted by customers to Income-tax dept, deduction of TDS from interest on deposits and remittance thereof, and other third party products.
- 5.1.7 Violation of code by Bank's Agent;
- 5.1.8 Transaction of "At Par instruments" of Co-operative Banks by Commercial Banks;
- 5.1.9 Lenders' liability - Commitment to Borrowers;
- 5.1.10 ATM failure;

6. UNAUTHORISED/ ERRONEOUS DEBIT

- 6.1 If the bank has raised an unauthorized/erroneous direct debit to an account, such entry will be reversed immediately on being informed, after verifying the position. In the event of an unauthorized/ erroneous debit resulting in financial loss to customer by way of [a] reduction in balance applicable for payment of interest on savings bank deposit, [b] payment of additional interest to the bank in a loan account, [c] reduction in balance in current account, bank will compensate customer for such losses.
- 6.2 In case customer has suffered any financial loss incidental to returning of a cheque or failure of direct debit instructions due to insufficient balance in the account due to such unauthorized/ erroneous debit, bank will compensate the customer to the extent of such financial losses ascertainable from the books of the branch/our Bank. For example, if consequent to erroneous debit/unauthorized debit, standing instruction given by customer to credit monthly installments to RD account/s could not be carried out, Bank will compensate the customer the penal interest, if any, charged on account of delayed credit in RD account apart from ensuring that there is no change in maturity value in such cases. Similarly, in case cheque of our branch

given for credit of loan installment at some other branch is returned for erroneous/unauthorized debit, Bank will compensate the additional interest payable in such cases.

- 6.3 In case verification of the entry reported to be erroneous by customer does not involve a third party, bank will endeavor to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit. In case, verification involves a third party or cases where verifications are to be done at overseas centers, bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by customer.

7. ECS DIRECT DEBITS/OTHER DEBITS TO ACCOUNTS

- 7.1 Bank will undertake to carry out direct debit/ ECS debit instructions of customers in time. In the event the bank's failure to meet such commitments, concerned customer will be compensated to the extent of any financial loss suffered by the customer, if any, on account of the delay in carrying out the instruction/ failure to carry out such instructions.
- 7.2 Bank would debit customer's account with any applicable service charge as per the schedule of charges notified by the bank from time to time. In case, bank levied any charge in violation of the arrangement, such charges will be reversed when pointed out by customer subject to scrutiny of agreed terms and conditions. Consequential financial loss to customer, if any, will also be compensated.
- 7.3 Where it is established that the bank had issued and activated a credit card without the consent of the recipient, bank would not only reverse the charges immediately but also pay a penalty without demur to such recipient amounting to twice the value of charges reversed as per regulatory guidelines issued from time to time in this regard.

8. ERRONEOUS DEBITS ARISING ON FRAUDULENT OR OTHER TRANSACTIONS

- 8.1 In case of any fraud, if the Bank is convinced that an irregularity/ fraud was committed by its staff towards any constituent, Bank shall at once acknowledge its liability and pay the just claim.
- 8.2 In cases where the Bank is at fault, Bank shall compensate the customer without demur.
- 8.3 In cases where neither the Bank nor the customer is at fault, but the fault lies elsewhere in the system, Bank shall compensate customer upto the actual amount of loss suffered by the complainant. However, no notional loss claim will be compensated.
- 8.4 Erroneous transaction reported by customers in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by card associations like VISA Master Card as the case may be within a period of 60 days.

- 8.4.1 Debit card skimming reported by customer which was executed through a counterfeit debit card and respective PIN captured through extraneous fittings.
- 8.4.2 Claims from credit card holders of the Bank in respect of fraudulent transactions carried out using their cards because of card skimming, compromised card data, cloned/ counterfeit cards, produced from data obtaining through hacking.

9. PAYMENT OF CHEQUES AFTER RECEIPT OF STOP PAYMENT INSTRUCTIONS

In case a cheque has been paid after stop payment instruction is acknowledged by the bank, bank shall reverse the transaction and provide value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as follows:

- Bank shall give value-dated credit and interest at 2 percentage points above the prevailing interest rate for SB Accounts for the relevant period to compensate for financial loss suffered by customer. No other financial loss will be compensated.
- In case of OD/CC accounts, if the error/omission is on account of Bank's mistake, compensation will be paid at the rate applicable for respective borrowal account in which the error has occurred.
- Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

10. FOREIGN EXCHANGE SERVICES

10.1 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. Bank, however, may consider upfront credit against such instrument by purchasing the cheque/instrument, provided conduct of the account has been satisfactory in the past. However, bank will compensate the customer for undue delays in affording credit once proceeds are credited to 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.

10.2 Foreign Currency instruments up to and inclusive of USD 3000/- or equivalent are sent through Cash Letter System. Under the "Cash Letter System", cheque/ instrument amount is due for payment after the cooling period calculated from the value date (i.e., the date of credit to Nostro A/c). The cooling period shall be three weeks from the value date. If the beneficiary of the instrument is not paid beyond one week from the due date calculated as aforesaid, customer will be compensated for the delayed period by payment of interest at 2% over the applicable Savings Bank rate of interest as per FEDAI rule.

10.3 The cheques/instruments above USD 3000/- or equivalent are sent for collection on “confirmed credit” basis. Under the “Confirmed Credit” system, the cheque/instrument amount is due for payment on the value date (i.e., date of Credit to Nostro A/c). If the beneficiary of the instrument is not paid beyond one week from the due date, customer will be compensated for the delayed period by payment of interest @ 2% over the applicable Savings Bank rate of interest as per FEDAI rule.

The compensation in such cases will be worked out as follows:

- Interest for the delay in crediting proceeds as indicated in the collection policy of the bank.
- Compensation for any possible loss on account of adverse movement in foreign exchange rate.

10.4 In the event a cheque or an instrument accepted for collection is lost in transit, the bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment. The bank would provide all assistance to the customer to obtain either a duplicate instrument from the drawer of the cheque or the payment of the instrument lost in transit. The charges, if any, levied by the drawee Bank or our correspondent Bank for recording the stop payment or for obtaining the payment of the instruments lost in transit shall be borne by the Bank.

10.5 The bank will compensate the account holder in respect of instruments lost in transit in the following way:

Instruments lost in transit are not covered under the Compensation policy stated above except to the extent of bearing of the charges, if any, levied by the drawee bank or our correspondent bank for recording the stop payment or for obtaining payment of the instruments lost in transit.

11. REMITTANCES IN INDIA

Compensation on account of delays in collection of instruments would be as indicated in the bank’s collection policy issued from time to time.

11.1 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 delay in giving credit beyond the time period specified in banks cheque collection policy. 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. Interest for delayed collection shall be paid at the following rates:

- Savings Bank rate for the period of delay beyond 7/10/14 days 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 corresponding respective period or Saving Bank rate, whichever is higher;
- 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 a cheque under collection was to be credited to an overdraft/ loan account of 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.

11.2 Payment of Interest for delayed Collection of Local Cheques

Collection of local cheques should ordinarily be completed within clearing cycle plus three days. If the delay is beyond clearing cycle plus three days and up to 14 days then SB rate interest will be paid as penalty after getting approval from Zonal Offices. If there is delay in collection beyond 14 days then in all such cases staff accountability is to be examined. Relevant maturity term deposit rate interest will be paid as penalty in all such cases after getting approval from Zonal Offices.

Compensation time norms for local cheques	
Period of Delay	Rate
Clearing Cycle plus three days (excluding holidays)	Nil
Beyond Clearing Cycle plus three days up to 14 days	SB rate
Beyond 14 days	Relevant Maturity Term Deposit Rate

11.3 Compensation for loss of instrument in Transit

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.

11.4 Cheques/ instruments lost-in-transit/ in clearing process or at Paying bank's branch

- a] 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 account holder so that the Account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheques / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.
- b] In line with the compensation policy of bank, compensation to the account holder in respect of instruments lost in transit will be effected in the following way:

- In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified shall be payable.
- In addition, bank will pay interest on the amount of 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.
- 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.

C] Issue of Duplicate Draft and Compensation for delays:

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of Corresponding period will be paid as compensation to the customer for such delay.

12. SELLING OF INSURANCE POLICY & SUCH OTHER THIRD PARTY PRODUCTS.

In the event of complaint from any customer with regard to the loss suffered on account of any of the following, the actual loss suffered by the complainant shall be ascertained and the same shall be reimbursed.

- 12.1 Claims relating to wrong selling of third party products such as Insurance Policies (e.g. amount remitted for keeping in Fixed deposit is remitted as one time premium for purchase of Insurance Policy etc.).
- 12.2 Claims due to non-remittance of insurance premium pertaining to Jan-dhan Yojan and such other schemes despite the customer maintaining the required balance and given instructions for remittance of premium.
- 12.3 Claims arising out of discrepancies occurred while selling Govt. Gold Bonds and similar other products.
- 12.4 Penalty levied by Income-tax dept on account of delay in remittance of Income-tax deposited by the customer at the branch to Income-tax dept. Similarly delay in remittance of TDS deducted from interest paid on deposits & penalty levied thereon if any.
- 12.5 Penalty claimed by Life Insurance Corporation of India towards delay in remittance of funds to their pooling account from branches.

- 12.6 Penalty claimed by BSNL towards delay in remittance of funds to their pooling account by our branches.
- 12.7 Claim by pension account holders on account of delay in crediting their monthly pension.
- 12.8 Penalty claimed by New India Insurance Company on account of delay in remittance of funds to their pooling account by our branches.
- 12.9 Claims arising on account of non-remittance of premium towards assets financed by the Bank and customer has authorized the Bank to remit such premium.
- 12.10 Claims arising out of discrepancies occurred while selling mutual funds products.

13. VIOLATION OF THE CODE BY BANKS AGENT

In the event of receipt of any complaint from customer that the bank's representative/ courier/ DSA / other outsourced agency 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 7 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.

14 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 the bank will not honor 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.

15. LENDERS LIABILITY - COMMITMENTS TO BORROWERS

Bank has adopted the principles of lenders liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to customers adopted by the bank, it would return to borrowers all the securities/documents/title deeds to mortgaged property within 15 days of repayment of all dues agreed to or contracted. In case the security has been charged to multiple loan accounts as a continuing security, the same shall be returned to the borrower within 15 working days of closure of all loan accounts. If any delay occurred on the part of Bank in returning the security as stated above, borrower shall be entitled for compensation to the tune of Rs.10 per day subject to a maximum of Rs.5000/-. In the event of loss of title deeds to mortgage property at the hands of the bank, compensation will cover out of pocket expenses for obtaining duplicate documents plus a lump sum

amount as decided by the bank. Similarly, if any other security offered such as RC Book/LIC Policy/NSC etc. is lost at the hands of the Bank, compensation will cover out-of-pocket expenses incurred for obtaining/creating the security lost.

In the case of loss of pledged goods/articles or articles kept for Safe Custody, the proposals for payment of Compensation shall be referred to Head Office only and shall be placed before the Committee of General Managers by the functional Division for deciding future course of action. Amount of Compensation in such cases shall be determined by ascertaining the replacement cost at the prevailing prices on a case to case to basis.

16. FORCE MAJEURE

Bank shall not be liable to compensate customers for delayed credit if any 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., which are beyond the control of bank and prevents the bank from performing its obligations within the specified service delivery parameters.

17. FAILURE OF ATM TRANSACTIONS

It is mandatory for bank to reimburse the customer, amount wrongfully debited on account of failed ATM within a maximum period of 7 working days from the receipt of complaint. For any failure to re-credit the customer's account within 7 working days from the date of receipt of complaint, bank shall pay compensation of Rs.100/- per day to the aggrieved customer. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transactions. Details of charge back in case of ATM transaction by a customer of the bank when he uses other bank ATM maybe included.

18. PAYMENT OF COMPENSATION TO THE ISSUER BANK

As per the guidelines of Reserve Bank of India, issuer bank is entitled to claim such compensation paid to the customer from the acquirer bank, if the delay is attributed to the latter and the same principle is to be adopted in case of delayed collection of cheques.

19. CUSTOMER'S RESPONSIBILITY.

19.1 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 the Bank, until the Bank has been notified by the customer.

19.2 Bank will not be responsible for fraudulent acts of customers and/or acts without reasonable care which has resulted in loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of

passwords or confidential information, until the time the Bank has been notified of such loss/compromise and has taken steps to prevent its misuse.

20 DISCLAIMER CLAUSE

Notwithstanding anything contained here above, the Bank shall not pay any compensation in the following cases:-

- 20.1 Any deficiency in regard to loans and advances activities of the Bank.
- 20.2 Dishonour of at par payment agreement with other banks, due to non- funding and security compliance.
- 20.3 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 calculation of delay etc.
- 20.4 Where the issues are sub-judice and pending before Courts, Ombudsman, arbitrator , Government and matter put on hold due to stay.

21 AMENDMENT/MODIFICATION 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 endeavour to review the Policy at annual intervals.
