

# Compensation Policy

## Introduction

We offer high levels of service to our customers. In the event, for some reason beyond our control or inadvertently, we are unable to meet the service levels committed by us in our dealings with individual customers, this Compensation policy will be applicable. This Compensation policy is therefore designed to cover areas relating to:

- erroneous debits to accounts,
- payment of interest to customers for delayed collection of cheques/instruments,
- erroneous credit card charges,
- payment of cheques after acknowledgement of stop payment instructions,
- delays or errors in remittances,
- payment of interest for delay in issue of duplicate draft
- cheques lost in transit.
- dispute resolution : cash not dispensed at ATM
- delay in return of original security documents and title deeds on repayment of the loan
- payment of interest for delay in credit / return of NEFT / NECS / ECS transactions

The policy is based on principles of transparency and fairness in the treatment of customers. The objective of this policy is to compensate the customer for direct financial loss, as detailed in this policy, that the customer may incur in cases where the bank does not meet the service levels committed by it.

Commitments under this policy are without prejudice to any right the bank will have in defending its position before any court, forum or authority duly constituted to adjudicate customer/bank disputes.

### **1. Erroneous Debits arising on fraudulent or other transactions:**

**a)** In case of any fraud, if the bank is convinced that an irregularity/fraud has been committed by its staff towards any constituent, bank shall at once acknowledge its liability and pay the just claim.

**b)** In cases where it is established that the bank is at fault, the bank would compensate the customer without demur.

In the above cases, the Bank will compensate the customer for direct financial loss, if any, 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.

**c)** 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 bank shall compensate up to 25% of the direct

financial loss suffered by the customer subject to a maximum of Rs.15,000/- (Rupees fifteen thousand only).

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 7 working days from the date of reporting of the erroneous debit. In case the verification involves a third party, the bank shall strive to complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

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

The bank undertakes to carry out direct debit/ ECS debit instructions of customers in time. In the event the bank fails to meet such commitments, the customer will be compensated to the extent of direct financial loss, if any, incurred by way of loss of savings account interest on account 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 or any charges levied for reason of balance falling below the minimum balance requirement or any charges levied for return of cheques due to shortfall in balance. 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 tariff schedule notified by the bank. In the event the bank levies any charge that is not as per such tariff, upon being informed of the erroneous charge by the customer, the bank will reverse the charges after verification. In such cases, the bank shall compensate the customer for any direct financial loss by way of loss of savings account interest on account 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 or any charges levied for reason of balance falling below the minimum balance requirement or any charges levied for return of cheques due to shortfall in balance.

## **3. 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 card, the bank would not only reverse such fees/charges immediately but also pay without demur to the recipient of the card, a penalty being twice the value of charges reversed. Operation of the credit card account shall be in accordance with the HSBC credit card terms and conditions. In particular, the cardholder is responsible for all the transactions approved on his/her credit card prior to report of the loss to the bank as per the HSBC credit card terms and conditions as amended from time to time and prevalent at the time of such event. Also, in accordance with the HSBC credit card terms and conditions, the bank reserves the right to honor, refer or decline any transaction on the credit card, at its sole discretion and without assigning any reason whatsoever. 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. The bank will provide explanation and, if necessary, documentary evidence to the customer within a maximum period of sixty days.

#### **4. Payment of Cheques/Payment instructions after Stop Payment Instructions**

In case the bank receives a stop payment instruction from the customer well in time for the bank to give effect to such instruction and the bank erroneously pays out the amount on a stopped cheque/payment instruction, the bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank. In such cases, the bank shall compensate the customer to the extent of direct financial loss, if any, by way of loss of savings account interest on account of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest in a loan account or any charges levied for reason of balance falling below minimum balance requirement or any charges levied for return of cheques due to shortfall in balance.

#### **5. Collection of cheques in foreign currency**

The Bank will 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. The bank however, may consider upfront credit against such instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past. 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 for return of instruments. The compensation in such cases will be worked out as follows:

- a) Interest for the delay in crediting proceeds as indicated in the Cheque Collection Policy of the bank.
- b) Compensation for any loss on account of adverse movement in foreign exchange buying rate of the Bank as applicable to the transaction.

#### **6. Collection of domestic cheques**

The compensation on account of delays in collection of instruments as well as loss of domestic instruments after the same have been handed over to the bank for collection by the customer, would be as per the Cheque Collection Policy of the Bank

## **7. Violation of the Code by banks agent**

In the event of receipt of any complaint from the customer that the bank's authorized representatives such as Direct Sales Associates (DSA), 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 and to compensate the customer for direct financial loss, if any, by way of loss of savings account interest on account 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 or any charges levied for reason of balance falling below minimum balance required or any charges levied for return of cheques due to shortfall in balance the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions.

## **8. Transaction of “at par instruments” of Co-operative Banks by Commercial Banks**

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 nonpayment/ delayed payment of cheques in the absence of adequate funding arrangement.

## **9. Payment of interest for delay in issue of duplicate Draft**

Duplicate Draft, in lieu of lost draft drawn on the Bank, up to and including Rs. 5000/- will be issued to the purchaser on the basis of adequate indemnity and without insistence on seeking non-payment advice from drawee office irrespective of the legal position obtaining in this regard. The Bank will issue duplicate Draft (drawn on the Bank) to the customer within a fortnight from the receipt of such request. For the delay beyond this 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 delay. The period of fortnight prescribed would be applicable only in cases where the request for duplicate draft drawn on the Bank is made by the purchaser or the beneficiary and would not be applicable in the case of third party endorsements.

## **10. Cheques lost in transit**

In the event a cheque or an instrument accepted for collection is lost in transit or in clearing process or at the paying Bank's Branch, the Bank would immediately on coming to know of the loss send a letter to the account holder so that the account holder can inform the drawer to record stop payment and also take care that other cheques issued by him/her are not dishonored due to non credit of the amount of the lost cheques/instrument. In case intimation regarding loss of instrument is conveyed to the customer beyond the

time limit stipulated for collection (as defined in category A, B, C and D of the Cheque Collection Policy) interest will be paid for the period exceeding the stipulated collection period at the rates specified above. In addition Bank will 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 would compensate the account holder for any direct and reasonable charges the customer incurs in getting duplicate cheques / instruments, upon production of relevant documentary proof.

### **11. Dispute resolution: Cash not dispensed at ATM.**

It is mandatory for the banks to reimburse the customers; the amount wrongfully debited on account of failed ATM transactions, within a maximum period of 7 working days from the date of receipt of the customer complaint. For any failure to re-credit the customer's account within 7 working days from the date of receipt of the complaint, the 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 the bank accords the credit for the failed ATM transaction.

Providing credit within 7 working days would be applicable for domestic card transactions and not applicable for international card transactions.

Any customer is entitled to receive such compensation for delay, only if a claim is lodged with the bank within 30 days of the date of the transaction.

### **12. Delay in return of original security documents and title deeds on repayment of the loan**

The original security documents submitted by the borrower would be returned to 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 terms and conditions in the loan agreement signed by the borrower. The borrower would be paid a amount of INR 100/- per week in case of any delay in returning of the documents beyond 15 days of loan repayment, subject to a maximum payment of INR 500/-.

### **13. Delay in credit / return of NEFT / NECS / ECS transactions**

The bank undertakes to process credit / return of NEFT / NECS / ECS transactions received from RBI within the prescribed timeline. In the event the bank fails to meet the RBI prescribed timelines, the customer will be compensated to the extent of penal interest at the RBI LAF Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the customer's account.

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 two per cent 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 together with interest at the current RBI LAF Repo Rate plus two per cent till the date of refund.

#### **14. Force Majeure**

The bank shall not be liable to compensate customers for any grievance covered under this policy, arising out of an 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.

#### **15. General**

The Bank shall not be liable for any loss of profits, or any indirect or consequential loss, damages or expenses. Acceptance of the compensation under this policy shall be full and final settlement of all issues arising out of grievances for which compensation is claimed.