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Customer complaints and resolution: Banking ombudsman scheme

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Abstract

Banking being a service industry a well-defined and functional mechanism to ensure fairness and satisfaction to the bank users is important hence RBI has undertaken a large number of initiatives on ensuring fair treatment to customers .However, a number of challenges still need to be addressed to make customer services responsive to the small customer. The Banking Ombudsman Scheme attempts to 'Treating the bank customers fairly' with the awakening of consumers on the issues of investor/consumer protection. Banking Ombudsman offices receive the complaints from general public relating to their grievances against commercial banks, regional rural banks and scheduled primary co-operative banks. Complainants have the facility to send the complaints by email, online or by post. As number of complaint received are though significant and are handled but total consumer awareness needs to grow in order to the get total satisfaction of consumer and also BOS needs to handle complaints efficiently and promptly in order to not deny a consumer justice as its delayed is denied. The Ombudsman plays a unique role in this broader initiative as it not only assists the consumers but also enables the regulators to understand consumer doubts and insecurities.81 Schemes such as this act in tandem with other legislations such as the Consumer Protection Act to effectively address consumer grievances. Provisions in the scheme such as the prerequisite of seniority, an appellate mechanism etc. ensures that the Ombudsman can effectively perform his role as an impartial adjudicator. This paper is an attempt to overview the theoretical and functional aspects of Banking Ombudsman Scheme

Keyword: *Banking Ombudsman Scheme, RBI, Complaints, Acceptance and rejection grounds*

Introduction:

Banking being a service industry a well-defined and functional mechanism to ensure fairness and satisfaction to the bank users is important hence RBI has undertaken a large number of

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initiatives on ensuring fair treatment to customers .However, a number of challenges still need to be addressed to make customer services responsive to the small customer. The Banking Ombudsman Scheme attempts to 'Treating the bank customers fairly' with the awakening of consumers on the issues of investor/consumer protection. Banking Ombudsman offices receive the complaints from general public relating to their grievances against commercial banks, regional rural banks and scheduled primary co-operative banks. Complainants have the facility to send the complaints by email, online or by post.

Banking Ombudsman Scheme introduced by the RBI in the year 1995. It is cost-free alternative consumer dispute redressal mechanism in the banking industry. Its credibility is evident in the number of complaints handled by the offices of Banking Ombudsmen (OBOs) across the country. The major category of complainants is individual bank customers. The objective of the Scheme is to provide a cost free avenue to common bank customers for resolution of their complaints on deficiency of banking services. The Scheme is applicable to Scheduled Commercial Banks, Regional Rural Banks and Scheduled Urban Cooperative Banks. The Scheme is implemented through 15 offices of Banking Ombudsmen situated across the country. Complaint can be lodged on a plain paper and sent through post/Fax/courier. For net-savvy bank customers the complaint can be sent through e-mail or lodged through online complaint form kept on the web site of the RBI.

As bank-branch is the first nodal point for the customer for resolution of grievance, the Scheme requires that the complainant first approaches his bank for resolution of his grievance. If he is not satisfied with bank's resolution or there is no response from the bank within one month from the date of his complaint, he can approach the BO.

The Banking Ombudsman can receive and consider any complaint relating to the following deficiency in banking services: non-payment or inordinate delay in the payment or collection of cheques, drafts, bills, etc.; non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission for this service; non-

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acceptance, without sufficient cause, of coins tendered and for charging of commission for this service; non-payment or delay in payment of inward remittances ; failure to issue or delay in issue, of drafts, pay orders or bankers' cheques; non-adherence to prescribed working hours; failure to honour guarantee or letter of credit commitments ; failure to provide or delay in providing a banking facility (other than loans and advances) promised in writing by a bank or its direct selling agents; delays, non-credit of proceeds to parties' accounts, non-payment of deposit or no observance of the Reserve Bank directives, if any, applicable to rate of interest on deposits in any savings, current or other account maintained with a bank ; delays in receipt of export proceeds, handling of export bills, collection of bills etc., for exporters provided the said complaints pertain to the bank's operations in India; refusal to open deposit accounts without any valid reason for refusal; levying of charges without adequate prior notice to the customer; non-adherence by the bank or its subsidiaries to the instructions of Reserve Bank on ATM/debit card operations or credit card operations; non-disbursement or delay in disbursement of pension to the extent the grievance can be attributed to the action on the part of the bank concerned, (but not with regard to its employees); refusal to accept or delay in accepting payment towards taxes, as required by Reserve Bank/Government; refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities; forced closure of deposit accounts without due notice or without sufficient reason; refusal to close or delay in closing the accounts; non-adherence to the fair practices code as adopted by the bank; and any other matter relating to the violation of the directives issued by the Reserve Bank in relation to banking or other services.

Bank is the first touch point for the complainant for resolution of grievance. Clause 9 (3) of the BOS stipulates that, '; No complaint to the Banking Ombudsman shall lie unless:- (a) the complainant had, before making a complaint to the Banking Ombudsman, made a written representation to the bank and the bank had rejected the complaint or the complainant had not received any reply within a period of one month after the bank received his representation or

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the complainant is not satisfied with the reply given to him by the bank';. In terms of this Clause the complainant must first approach his bank for redressal of his grievance. However, a large number of complainants approach the OBO without first approaching the bank. These complaints are termed First Resort Complaint (FRC) and returned to the complainant with suitable advice. However, a copy of the complaint is also forwarded to concerned bank for suitable resolution. 24% of the complaints received in the OBOs during the year were FRCs.FRCs received online through the complaint form placed on the website of RBI is directly forwarded to the concerned bank for suitable action. During the year, 20077 FRCs received through this mode were forwarded to the banks concerned. The software used in OBOs for processing of complaints has the facility to forward FRCs received in the OBO physical form, to concerned banks online by attaching scanned copy of the complaint. OBOs forwarded 3713 FRCs to concerned banks through this module during the year.

Objectives of the study

1. To understand the concept of banking ombudsman scheme
2. To study the category wise classification of complaints
3. To study the mode of disposal and the grounds of rejection.

Review of literature

Shankar (2004) opined that customer focus is not being viewed as just a business strategy, but should become a corporate mission. The ongoing review shows that a customer's satisfaction of is an invaluable asset for the modern organization. To reduce the complaints, bank should improve service because the survival of banking business is dependent on customer service.Khan (2010)opined that attempts should be made to increase the instances of disputes being resolved by mediation or conciliation rather than by awards. Further, in the event, if ombudsman has to give an award; it must be made final and binding on the parties with only single appeal allowed to a higher court of law. As far as performance of bank ombudsman is

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concerned no exhaustive study has been conducted so far.Mahesh Baburao (2011), points out that the awareness created by the Reserve Bank of India is not enough. He also points that if there is an individual ombudsman for each urban co-operative bank, then his objectives would be satisfied.Tejinderpal Singh (2011) revealed that there is a substantial increase in the complaint received by the banking ombudsman, it shows the confidence the customers are getting about the banking ombudsman, but it has not reached the rural poor, so the awareness should be spread**.** Patil (2011), clearly pointed out that it shall be appropriate if the individual UCBs have their own customers knowing about the scheme, they would surely complain about their dissatisfaction regarding any service.Malyadri, P. And Sirisha, (2012)Deregulation and information technology initiatives in banking sector have given competitive advantage to banks in India. Present thinking is that competition would take care of consumer welfare more than any other legislative measure. This apart, the ombudsman should demonstrate its impartiality for consumer protection to win the confidence of small consumers. Sharma Vijaykumar and Ramchandra (2012)The Disputes Redressal Agencies under the Consumer Protection Act, 1986 adjudicate upon the complaints of consumers relating to defaults in products and deficiency in service. `Service' as defined in the Act includes the provision of facilities in connection with banking (RBI). Analysis of the various judgments of the Consumer Courts reveals that they have not only been awarding the value of the goods or services for the defect and deficiency in service but also the compensation for the mental agony and harassment.

Research methodology

To study the role and performance of banking ombudsman scheme various books on banking ombudsman scheme was referred. Various articles were reviewed for literature. For the analysis of the data secondary sources published by RBI were used. The study is descriptive in nature

Following are the data sources used for the analysis in support of the topic.

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Table 1: Profile of customer complaints handled by the OBOs

Particulars	2014-15	2015-16	2016-17	2017-18
Complaints brought forward from previous year	3,307	3,778	5,524	11,215
Complaints received	85,131	102,894	130,987	1,63,590
Total No of complaints handled	88,438	106,672	136,511	1,74,805
Complaints disposed	84,660	101,148	125,319	1,68,623
Complaints pending at the end of the year	3,778 (4%)	5,524 (5%)	11,192 (8%)	6,182 (3.53%)
Complaints Pending for less than one month	2,375 (2.55%)	3,136 (2.9%)	4,511 (3.10%)	2584 (1.48%)
Complaints Pending for one to two months	1,207 (1.23%)	1675 (1.5%)	3,181 (2.35%)	2140 (1.22%)
Complaints Pending for two to three months	105 (0.12%)	481 (0.4%)	1,361 (1%)	871 (0.50%)
Complaints Pending for more than three months	91 (0.1%)	232 (0.2%)	2,139 (1.55%)	587 (0.34%)
Appeals pending at beginning of the year	30	15	3	7
Appeals received	73	34	15	125
Total no. of Appeals handled	103	49	18	132
Appeals Disposed	88	46	11	37
Appeals pending at the end of the year	15	3	7	95*
Representations to review the decision of BOs	810	855	835	849

Source: RBI 2018-19

The above table depict the profile of customer complaints handled by OBOs in 2014- 15 to 2017-18. It shows the trend in complaint received by the OBOs. There is increase in the number of the complaints handled by the OBOs and these complaints are disposed of to the maximum extent. Fifteen OBOs covering 29 States and 7 Union Territories, handle the complaints received from bank customers regarding deficiency in banking services under the various grounds of complaints specified in the BOS. During the year 2017-18, OBOs received 1, 63,590 complaints. Comparative position of complaints received during the last three years. During the year 2017-18 there has been an increase of 25% in the number of complaints received over the previous year. Introduction of variety of banking products and services, increasing customer base coupled with rise in awareness about the grievance redress

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mechanism under the BOS 2006 are some of the reasons for the increase in number of complaints received at the OBOs.

Category-wise distribution of complaints: Grounds of complaints regarding deficiency in banking services specified under Clause 8 of BOS 2006 for which complaints can be lodged with the OBO. Complaints received under these grounds are broadly categorized into 11 major heads

Table 2: Category-wise distribution of complaints

Particulars	**No of complaints received**			
	2014-15	**2015-16**	**2016-17**	**2017-18**
Failure to meet commitments /Non observance of Fair Practice Code/BCSBI Codes	24850 (29.2%)	34928 (33.9%)	44379 (33.9%)	36,146 (22.10%)
Others	14482 (17%)	16988 (16.5%)	23169 (17.7%)	24,672 (15.10%)
ATM/ Debit Cards	10651 (12.5%)	13081 (12.7%)	16434 (12.5%)	12,647 (7.70%)
Pension Payments	5777 (6.8%)	6342 (6.2%)	8506 (6.5%)	11,044 (6.80%)
Credit Cards	7472 (8.7%)	8740 (8.5%)	8297 (6.4%)	8487 (5.20%)
Levy of Charges without prior notice	5510 (6.5%)	5705 (5.5%)	7273 (5.6%)	8,209 (5%)
Deposit accounts	4661 (5.5%)	5046 (4.9%)	7190 (5.5%)	7,833 (4.80%)
Out of purview of BO Scheme	3774 (4.4%)	3751 (3.7%)	6230 (4.8%)	6,719 (4.10%)
Loans and advances	4846 (5.7%)	5399 (5.3%)	5559 (4.2%)	6,226 (3.80%)
Remittances	2700 (3.2%)	2494 (2.4%)	3287 (2.5%)	3,962 (2.40%)
DSAs and recovery agents	347 (0.4%)	357 (0.3%)	330 (0.25%)	3,330 (2%)
Notes and coins	61 (0.1%)	63 (0.1%)	333 (0.25%)	1,282 (0.80%)
Total	85,131	102,894	130,987	579 (0.40%)
(Figures in bracket indicate %age to total complaints of respective years)				

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Source: RBI 2018-19

It is clear from the above table that, Complaints pertaining to failure to meet commitments, non-observance of fair practices code, BCSBI Codes taken together constituted largest category of complaints with 22.10% of the complaints received. A large number of complaints in this category indicate the lack of awareness about these Codes amongst bank staff as also the customers. It also reveals the lack of bank's commitment to adhere to agreed terms & conditions. There is a need for the banks to devote special attention to this aspect and provide appropriate training to their front level staff regarding these Codes.

Card related complaints comprised 12.9% of the total complaints and formed the second largest category of complaints. There was a marginal decline in card related complaints over the previous year. Out of total 21134 card related complaints 12647 complaints were pertaining to ATM/Debit Cards. Broadly, the reasons for these card-related complaints are issue of unsolicited cards, sale of unsolicited insurance policies and recovery of premium, charging of annual fees in spite of being offered as 'free' card, authorization of loans over phone, wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card holder, exorbitant charges, wrong debits to account, non-dispensation/short dispensation of cash from ATM, skimming of cards, fraudulent withdrawals using debit/credit cards etc.

Pension related complaints which stood at 6.80% of the total complaints received, recorded a marginal increase of 0.3% over the last year. These complaints were mainly regarding delayed payments, errors in calculations and difficulties in switching over to family pension.

Complaints on 'loans and advances' accounted for 3.80 % of the total complaints received during the year. These complaints mainly pertained to non-sanction/delay in sanction of loans, charging of excessive rate of interest, non-return of title deeds, non-issuance of no due certificate, wrong reporting to CIBIL etc.

5.0% of the complaints received pertained to the category of 'levy of charges without prior notice'. These were mainly regarding charges for non-maintenance of minimum balance, processing fees, pre-payment penalties in loan accounts, cheque collection charges, etc.

Complaints in the category of 'Deposit Accounts' constituted 4.80 % of complaints received. Delays in credit, non-credit of proceeds to parties accounts, non-payment of deposit or non-observance of the Reserve Bank directives, if any, applicable to rate of interest on deposits in

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savings, current or other account maintained with a bank were the major reasons for complaints in this category.

Non-payment or delay in payment of inward remittances, Non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc were some of the reasons for 2.4% complaints received under the category of 'Remittances'

15.10% complaints received under 'Others' category include complaints relating to other grounds of complaints under the BOS such as, those related to non-adherence to prescribed working hours, delay in providing banking facilities, refusal or delay in accepting payment towards taxes as required by RBI/Government, refusal or delay in issuing/servicing or redemption of government securities, non-adherence to RBI directives, etc.

Complaints received under the category of 'Out of Subject' are those which are not under the grounds of complaints specified under the BOS. 4.10% of the complaints received during the year were under this category. Lack of awareness about applicability of the BOS is the major reason for receipt of such complaints.

Table 3: Classification of complaints received by OBOs based on bank group

Bank Group	**No of Complaints Received During**					**% change (Year-on-year)**
	2014-15	**2015-16**	**% (year on year)**	**2016-17**	2017-18	
Nationalized Banks	28,891 (34%)	35,447 (35%)	22.69%	45,364 (35%)	54,970 (34%)	21%
SBI & Associates	26,529 (31%)	29,585 (29%)	11.52%	35,950 (27%)	46,993 (29%)	31%
Private Sector Banks	19,773 (23%)	26,931 (26%)	36.20%	35,080 (26.5%)	42,443 (26%)	21%
Foreign Banks	3,406 (4%)	3413 (3%)	0.21%	3284 (2.5%)	3,850 (2%)	17%
RRBs/ Scheduled Primary Urban Co-op. Banks	1966 (2%)	2293 (2%)	16.63%	2481 (2%)	3,229 (1.97%)	30%
Others	4,566 (6%)	5225 (5%)	14.43%	8828 (7%)	11,632 (7%)	32%
Total	85,131	102,894		130,987	163590	

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Source: RBI 2018-19

It is clear from the above table that Public Sector Banks accounted for 63% of the total complaints received shared equally between SBI & its Associates and other nationalized banks. Private Sector Banks accounted for 26.% whereas Foreign Banks received 2.% of total complaints received. Regional Rural Banks and Scheduled Urban Co-operative Banks received 2% of the complaints received. 7% of the complaints were against other non-bank entities not covered under the BOS.

Mode of disposal of maintainable complaints

The redressal process under the Scheme envisages settlement of dispute by conciliation and mutual agreement. This is evident from the Clause 7(2) of the Scheme which states that ';The Banking Ombudsman shall receive and consider complaints relating to the deficiencies in banking or other services filed on the grounds mentioned in clause 8 irrespective of the pecuniary value of the deficiency in service complained and facilitate their satisfaction or settlement by agreement or through conciliation and mediation between the bank concerned and the aggrieved parties or by passing an Award as per the provisions of the Scheme';

Table 4:

Mode of disposal of maintainable complaints				
Disposal of Maintainable Complaints	**2014-15**	**2015-16**	**2016-17**	**2017-18**
By Mutual Settlement/agreement	16893 (39.3%)	18031 (35.93%)	26535 (42.43%)	54,987 (65.82%)
Disposal by Award	87 (0.2%)	18 (0.04%)	31 (0.05%)	133 (0.159%)
Maintainable Complaints Rejected	25976 (60.3%)	31946 (63.65%)	35792 (57.23%)	28,259 (33.82%)
Maintainable Complaints Withdrawn	79 (0.2%)	192 (0.38%)	181 (0.29%)	153 (0.18%)
Total maintainable complaints disposed	43035	50187	62539	**83,532**
(* Figures in brackets indicate percentage to Maintainable Complaints)				

Source: RBI 2018-19

The above table depicts 65.82% of the maintainable complaints were resolved by mutual settlement whereas Awards were passed only in 0.15% of cases. 33.82% maintainable

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complaints were rejected after examination whereas 0.18% complaints were withdrawn by the complainants.

Table: 5-.Grounds for rejection of Maintainable complaints:

Ground for Rejection	No of Complaints Rejected		
	2015-16	**2016-17**	**2017-18**
Not on grounds of complaint (Clause 8) or not in accordance with provisions of Clause 9 (3)	26,929 (84.3%)	31,162 (87.06%)	25,114 (89%)
Beyond Pecuniary Jurisdiction of BO - Clause 12 (5) & (6)	135 (0.42%)	152 (0.42%)	115 (0.41%)
Requiring elaborate documentary and oral evidence - Clause 13 (c/d)	4,501 (14.09%)	3,883 (10.85%)	2,337 (8.27%)
Complaints without sufficient cause - Clause 13(e)	136 (0.42%)	132 (0.37%)	298 (1.05%)
Not pursued by the complainants - Clause 13(f)	219 (0.69%)	440 (1.23%)	272 (0.96%)
No loss/damage/inconvenience to the complainant- Clause 13 (g)	26 (0.08%)	23 (0.06%)	123 (0.44%)
Total	**31,946**	**35,792**	**28,259**

Source: RBI 2018-19

The above table reveals the grounds for rejection of complaints. Out of total complaints rejected 89% of the total complaints were rejected due to not in accordance with the provisions, beyond the jurisdiction of BO (0.41%), improper documentary and oral evidence (8.27%), without sufficient cause (1.05%), not perused by the complainants (0.96%) and inconvenience to the complainant (0.44%)

Conclusion

Banks being the institutions of financial importance in every part of the world, the resolution of the complaints relating to their conduct is also an essential attribute of consumer satisfaction. Therefore the ombudsman or the officer for dealing with consumer complaints regarding the banks has been appointed by an authority in various nations. The Ombudsman scheme is a boon and a very important channel for redressal of grievances by the general public against banks and banking services. It is framed in such a manner that it does not oust the jurisdiction of other courts, and hence, aggrieved people do not hesitate in using

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the banking ombudsman as a primary forum for resolution of disputes regarding banks. The hallmark of the banking ombudsman probably is that it is in position to do justice in an individual case, in the sense it is not bound by the precedents and in certain circumstances, can ignore technicalities and legal rules of evidence while resolving disputes between aggrieved customer and the bank. Apart from above BOs offices have also started outreach activities for creating awareness among customers like interface with banks, organizing awareness camps, participation in exhibitions, responding to readers,Queries in newspapers, broadcasting advertisements through AIR, Doordarshan and many others avenues. So far the achievements of BOS have been remarkable however there is a lot to achieve.As number of complaint received are though significant and are handled but total consumer awareness needs to grow in order to the get total satisfaction of consumer and also BOS needs to handle complaints efficiently and promptly in order to not deny a consumer justice as its delayed is denied. The Ombudsman plays a unique role in this broader initiative as it not only assists the consumers but also enables the regulators to understand consumer doubts and insecurities.81 Schemes such as this act in tandem with other legislations such as the Consumer Protection Act to effectively address consumer grievances. Provisions in the scheme such as the prerequisite of seniority, an appellate mechanism etc. ensures that the Ombudsman can effectively perform his role as an impartial adjudicator.

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