



IDFC Bank

Customer Compensation Policy

Customer Compensation Policy	
A. Background	<p>IDFC Limited has received an in-principle approval from RBI on April 9, 2014 for establishing a new bank in the private sector.</p> <p>As per extant guidelines of RBI, Banks should formulate a Customer Compensation Policy duly approved by the Board. The policy should cover the following aspects to protect the interest of customers:</p> <ol style="list-style-type: none"> 1) Erroneous debits arising on fraudulent or other transactions 2) Payment of interest for delays in collection 3) Payment of interest for delay in issue of duplicate draft 4) Other unauthorized actions of the bank leading to a financial loss to customer <p>IDFC Bank is launching in October, 2015. The bank will have various lines of businesses (LOB) e.g. Consumer Banking, Corporate Banking, Rural Banking etc. The bank will offer various products and services under these LOBs. Customer service is a priority objective for the bank along with profit, growth and fulfillment of social obligations; hence the Bank has formulated a Customer Compensation Policy.</p>
B. Brief description of the Policy	<p>This Compensation policy of the bank is 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.</p>
C. Regulatory Requirements	<p>As per the Reserve Bank of India, Master Circular No. DBR No.Leg.BC. 21/09.07.006/2015-16, dated July 1, 2015 on Customer Service in Banks, Compensation Policy to be formulated as duly approved by the board. This policy is drafted in line with the IBA recommended policy on Customer Compensation.</p>
D. Risk type	<p>The policy intends to manage/mitigate Legal, Reputational & Financial Risk, Compliance and Operational Risk.</p>
E. Impact Assessment	<p>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.</p>

F. Risk Management & Controls	<p>The respective business units of Consumer/Bharat Banking and other Groups of the Bank will liaise with the Governance, Compliance, Information Security, Risk, Operations and other departments of the Bank for Monitoring the manner in which the policy is implemented at the ground level.</p> <p>The detailed policy guidelines framed based on the standard IBA Policy temple is provided as Annexure A with this note.</p>
G. Delegation of Power	<p>The Board shall be on an annual basis updated on the review of customer compensation policy of the preceding year and the final customer compensation policy of the ensuing year.</p>
Responsibility Matrix	<p>The business units of Wholesale/Consumer/Bharat Banking of the Bank will be responsible in implementing the policy requirements at their respective business unit level</p>
Review	<p>The Policy shall be reviewed at least on an annual basis or at earlier intervals, if there any regulatory changes necessitating such interim reviews.</p>

Annexure A

Customer Compensation Policy

IDFC Bank Limited

Introduction

IDFC Bank offers high levels of service to its customers. In the event, for some reasons beyond the control of the bank or inadvertently, the bank is unable to meet the service levels committed in the dealings with individual customer, this compensation policy will be applicable. The Compensation policy 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, 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 in real terms for specific value 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. The policy does not cover and is not applicable in respect of claims made by customers on account of opportunity losses or damages or claims pertaining to reputation loss.

1. Un-authorized / Erroneous Debit:

If the bank has raised an unauthorized/erroneous direct debit to an account and upon being informed of the erroneous debit, the entry will be reversed with proper value date, after due verification. In such cases, the Bank will compensate the customer, 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. The customer should approach the Bank within a maximum period of six months from the date of the erroneous debit.

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 seven working days from the date of reporting of erroneous debit. In case, the verification involves a third party, the bank shall 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/other debits to accounts:

The bank will undertake to carry out direct debit/ ECS debit / standing instructions of customers in time. In the event the bank fails to meet such commitments customer will be compensated to the extent of any financial loss the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions provided sufficient balance is available in the account of the customer on the date of debit and a valid ECS mandate / standing instruction has been registered with the bank.

The bank would debit the customer's account with any applicable service charge 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. Bank may compensate the customer to the extent of payment of interest at the savings bank deposit rate for such loss.

Where it is established that the bank had issued and activated a credit card without consent of the recipient, the bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of charges reversed as per regulatory guidelines in this regard. Between the due date and the actual debit, the Bank shall also reimburse the customer to the extent of any penal interest, late payment charges levied by the originating bank upon providing evidence. Electronic payments such as RTGS / IMPS / NEFT instructions will be governed by the applicable terms and conditions communicated to the customer.

3. Erroneous Debits Arising on account of Fraudulent or Other Transactions:

a) In case of a claim raised by any of the customers, the bank shall depute staff personnel to investigate the matter in its entirety and if the bank is convinced that an irregularity /fraud has been

committed by its staff towards any constituent, the bank will acknowledge its liability and pay the just claim.

b) In cases where the bank is at fault, the bank will compensate the customer without demur.

c) In cases where neither the bank nor the customer is at fault, but the fault lies elsewhere in the system, the matter would be required to be referred to the Grievance Redressal Cell.

4. 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, if any to the customer will be compensated as provided under para1 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

5. 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. 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 the day when the amount is due for credit after taking into account normal cooling period as detailed in the cheque collection policy. 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.

6. 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 mentioned as per the Cheque Collection Policy. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between the 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:

- a. Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques
- b. Where the delay is beyond 14 days, interest will be paid at the rate applicable for term deposit for the corresponding period or Saving Bank rate, whichever is higher
- c. 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
- d. In the event of proceeds of Cheque under collection was to be credited to an overdraft / loan account of the 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

7. Compensation for loss of instrument in transit:

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 indicated in our collection policy. The same is extracted below for information.

7.1 Cheques / Instruments lost in transit / 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 / instruments. The bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the Cheque.

In line with the compensation policy of the bank, the bank will compensate the accountholder in respect of instruments lost in transit in the following way:

- a. 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 above.
- b. In addition, bank will pay interest on the amount of the 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.

The 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 for a bank / institution who would charge a fee for issue of duplicate instrument.

8. 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.

9. Violation of the Code by banks agent:

In the event of receipt of any complaint from the customer that the bank's representative / courier or DSA 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 workings days from the date of receipt of complaint and wherever justified, compensate the customer for financial loss, if any, as contemplated under this policy.

10. 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 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.

11. Lenders liability - Commitments to Borrowers:

The bank has adopted the principles of lenders of liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to customer adopted by the bank, the bank would return to the borrowers all the securities / documents / title deeds to mortgaged property within 15 days of repayment of all dues agreed to or contracted. The bank will compensate the borrower for monetary loss suffered, if any due to delay in return of the same. In the event of loss of title deeds to

mortgage property at the hands of the banks the compensation will cover out of pocket expenses for obtaining duplicate documents plus a lumpsum amount as decided by the bank.

12. 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 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, etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

13. ATM Failure:

The bank would reimburse the customer for wrongfully debited amount on account of failed ATM transaction 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 the complaint, bank shall pay compensation of Rs. 100/- per day to the aggrieved customer starting from the 8th working day onwards. 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. 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 transactions. Details of chargeback in case of ATM transaction by the customer of the bank when he uses other bank ATM may be included.

Policy Revision

This policy is subject to revision based on the extant RBI guideline from time to time.