



Banking Codes and Standards
Board of India

भारतीय बैंकिंग कोड एवं मानक बोर्ड

www.bcsbi.org.in

Customer Matters

CEO's Message

Dear Readers,

It has always been a great pleasure and honour to stay connected with you all through our newsletter 'Customer Matters'.

For this edition let me list out a few important initiatives taken up during the quarter.

BCSBI had undertaken a study on monitoring of implementation of the Code of Bank's Commitment to Customers at the level of bank branches. Banks have reported a variety of measures that have been put in place for monitoring of Code compliance at the branch level. Some of the notable measures reported by Banks are :

- i) implementing a Checklist –cum- Questionnaire for verification of compliance with important Code provisions,
- ii) mystery shopping at Branches on a regular basis,
- iii) branch audits of Customer Service by service quality teams and
- iv) setting up of a Compliance team which proactively interacts with all the branches for effective implementation of the Codes, etc.

Going forward we propose to conduct a reality check on the effectiveness of the measures reported by Banks and also evolve a framework of standardized best practices to raise the implementation level of Code compliance as a step towards better customer service.

I am glad to note that some member Banks are now regularly conducting customer awareness meetings/town halls as part of their customer

service initiatives and updating customers about their Charter of rights as per the Codes of Bank's Commitment to customers. This initiative should go a long way in increasing customer awareness about their rights and the grievance redressal mechanism.

This issue also contains the next in our series of guest articles. We are grateful to Ms. Priya Raghunath, Head of Client Experience, Standard Chartered Bank, who has contributed an article on "Converting customer feedback into great experiences" which will be of immense interest to our readers.

I once again appeal to you to please provide your valuable feedback, on the new initiatives taken by us. Your suggestions for improving the Newsletter may please be sent to ceo.bcsbi@rbi.org.in.

Regards,



(Anand Aras)

Chief Executive Officer

BCSBI News

As of the quarter ended June 2018, the membership of Banking Codes and Standards Board of India (BCSBI) stands unchanged at 133.

What's Inside

AWARENESS
ACTIVITIES

THEME OF THE
QUARTER

EXEMPLARY
CASES

GUEST
COLUMN

Banking Codes and Standards Board of India (BCSBI) continued its ongoing efforts to increase awareness of the Codes and Standards developed by it and adopted by member banks among bank officials and customers.



▲ Seen at the Customer Meet at Wardha are from left Shri S K Nayak, SVP, BCSBI; Shri Arun Shiravadekar, SVP, BCSBI; and Shri Murali Krishna Raju, ZM, BOI.

During the quarter ended June 2018, BCSBI organised customer awareness meetings at (i) Nagarcoil on April 25, 2018 when around 60 customers along with bank officials from various banks situated in the region attended; (ii) Thiruvananthapuram on April 26, 2018 when around 275 customers along with bank officials from various banks situated in the region attended; (iii) Wardha on June 21, 2018 when around 145 customers and 25 bank officials from various banks situated in the region attended.

The issues raised during the above meetings among other things pertained to:

- (i) Why do banks take customer credit information from more than one Credit Information Company before approving a loan?
- (ii) Due to non maintenance of minimum balance the bank deducts charges as soon as salary is credited to account. How can this be avoided?
- (iii) Can BCSBI suggest to the banks to shorten and simplify loan documents which are lengthy and complicated?
- (iv) Senior citizens are not given priority in bank branches
- (v) Bank branches fail to promptly update CIC records
- (vi) On transfer of account to another branch, why KYC compliance is insisted upon?

BCSBI along with TransUnion CIBIL Ltd. organised Customer Rights Awareness workshops with officers of banks at



▲ Shri Anand Aras, CEO, BCSBI addresses the Customer Meet at Thiruvananthapuram. Others from left are Smt. Sati Nair, SVP, BCSBI; Shri H N Iyer, Banking Ombudsman; and Smt. Asha Jain, Manager, TransUnion CIBIL Ltd.

Thiruvananthapuram on April 26, 2018 and at Wardha on June 21, 2018. An official from BCSBI also attended a meeting of bank officers organised by Bank of Maharashtra at Satara on May 11, 2018.



▲ Seen at the Customer Meet organized by Indian Bank at Chennai are Shri M K Bhattacharya, ED, Indian Bank (left), Smt. Jyoti Sharma, SVP, BCSBI and Shri A C Mahajan, Chairman, BCSBI (right).

During the quarter, the BCSBI officials participated in Customer Meets organized by Banks to spread awareness of the BCSBI Codes and the grievance redressal mechanism. These Meets were organized by : (i) Bank of Maharashtra at Vile Parle, Mumbai, Thane, Chennai and Hyderabad on May 5, 2018, May 12, 2018, June 2, 2018 and June 23, 2018 respectively; (ii) Bank of Baroda at Jalna and Nagpur on May 12, 2018 and June 29, 2018 respectively; (iii) Karur Vysya Bank at Coimbatore and Chennai on June 1, 2018 and June 19, 2018 respectively; and (iv) Indian Bank at Chennai on June 26, 2018.

The subject of deliberation during the above meetings included a presentation by the BCSBI officials on "Code of



▲ A cross section of the audience

▲ Smt. Hemalatha Rajan, SVP, BCSBI, makes a presentation at the Customer Awareness Meet organized by Karur Vysya Bank at Coimbatore on June 1, 2018.

Bank's Commitment to Customers" and "Code of Bank's Commitment to MSEs". The discussions were aimed at enhancing the awareness of participants about their rights as bank customers.

The bank officials were informed of the new initiative taken by some banks to conduct region wise customer awareness meetings.

The interactive sessions during the meetings mainly focused on the following questions raised by the customers:

- Over-charging of interest rates on term loans i.e. they are higher than that fixed in the loan agreement
- Delay in cheque collection
- Grievance redressal procedure and the reason for the 30 days' window before complaining to the Banking Ombudsman
- Complaints related to POS machine working and acute shortage of adequate staff at branches leading to much customer dissatisfaction
- Clarifications regarding CGTMSE scheme for MSE; If loan requirement of a customer increases, can additional loan be covered under CGTMSE?
- Safety concerns at unguarded ATMs
- Problems faced by senior citizens especially pensioners who are asked to withdraw money from the ATMs
- Difference between the functions of BCSBI and Banking Ombudsman
- An unauthorized transaction had taken place in a customer's account four years ago. Can he still go to the Banking Ombudsman for redressal of his complaint?

During the quarter, the officials of BCSBI also participated in the following town hall meetings held by RBI Banking



▲ Seen at the Town Hall Event organized by the Banking Ombudsman, Bhopal are from left Shri Mohan C Samuel, DGM, Central Bank of India; Shri Rajesh Jai Kanth, GM, Reserve Bank of India (RBI); Shri Vijaykumar Nayak, BO, Bhopal; Shri Anurag Kumar, RM, State Bank of India; Shri D P Sudhaker, SVP, BCSBI; Shri J P Anand, Manager, RBI

Ombudsman Offices:

- Customer Awareness Meeting at Hoshangabad organized by the Banking Ombudsman (BO), Bhopal
- Meeting with bank officers followed by Customers' Meet at Kheda, Gujarat organized by Banking Ombudsman (BO), Ahmedabad

BCSBI participated in the Town Hall meeting organized by Andhra Bank at Bengaluru.



▲ Seen at the Town Hall Meeting organized by Andhra Bank at Bengaluru are from left Ch. Gopalakrishna, Circle General Manager, Andhra Bank; Shri S K Nayak, SVP, BCSBI; Shri Kulbhushan Jain, ED, Andhra Bank; Shri C Sadananda Rao, DGM, Andhra Bank; and Shri G S Jaya Prakash, Zonal Manager, Andhra Bank

Privacy and Confidentiality in Banking

We often receive calls from telemarketers with offers of holiday resorts, upgrades in mobile data plans, insurance plans, personal loans, credit cards and a host of such products. One always wonders how these marketing/finance companies get your personal information in the first place. We sometimes suspect that it could be from our Bank. The purpose of this article is to allay that suspicion and to repose confidence that Banks are committed to uphold the customer's right to privacy and confidentiality.

Technology is used extensively in every sphere of banking right from the Bank's internal processes to payments and settlements, remittances, communication and interactions with the customers. With this comes the risk of misuse of technology leading to leakage of sensitive data and breach of confidentiality.

In a very recent happening, a man was surprised when his bank accounts were produced in court as evidence, in a dispute between him and his wife. While both of them maintained accounts in the same Bank, the wife managed to get his account details though it was held in single name. The bank maintained that they did not know of any dispute between them and hence gave the account details in good faith. The Bank's stand however was not tenable since no information can be provided to another irrespective of the relationship between account holders without an authorization by the account holder.

Similarly, matters like appointment of nominees, details of safe deposit lockers etc are also bound by the right to privacy and cannot be disclosed to relatives/third parties.

The Supreme Court has ruled that privacy is a fundamental right and the regulator has also said that there is a need to adopt a rights based approach to privacy while collecting financial data rather than the traditional consent based approach.

In this context the Code of Bank's Commitment to Customers has a number of privacy related provisions. As per the provisions of the Code, Banks are committed to treat customer information collected by them as private and confidential. The Code prohibits Banks from using customer information for marketing purposes unless

specifically authorized to do so.

The Code also lists out the exceptional circumstances in which Banks can reveal customer information.

In view of the fiduciary relationship between a customer and his Bank, the Bank is committed to keep the customer information secure. The confidentiality aspect is not just restricted to account transactions. Banks will use personal information of its customers only for the purpose for which it was collected and will not divulge the information to a third party without the explicit consent of the customer.

As a recent addition to the Code provisions, it is stipulated that if Banks collect information other than KYC requirement, it will collect it separately and not as a part of account opening. Whenever Banks collect any additional information, they will explain to the customer the purpose for which it is collected and also take specific consent for the same.

A breach of privacy is a breach of trust. Customers expect high standards of integrity and trust from their Banks. If customers discover that their personal and financial information are divulged to someone without their knowledge, it could result in violation of the Right to Privacy.

It is important for customers to be informed on how to address their grievances in the event of breach of trust and confidentiality. The Code also lays down a simple redressal procedure. In case of breach of trust, a customer can approach the grievance redressal authority of his/her Bank. In case his/her complaint is not resolved within 30 days, one can escalate the matter to the Banking Ombudsman of the region under which the Branch operates.

Finally, the customer also needs to exercise due diligence in taking care of one's banking transactions and security information. The Code offers a piece of advice in this regard and the customer would do well to pay heed as there are instances where the Banking Ombudsman held the customer liable for loss in disputes between banker and customer, for the latter's failure to maintain confidential information privy to oneself.

Mis-selling and Right to Suitability

The complainant, aged 75 years, submitted that her FD matured on 22.02.16. She was offered by the bank to invest this sum (₹19 lakh) in a special FD scheme for senior citizens under which she would get 14% interest. However, a sum of ₹15 lakh was invested in some Mutual Fund, ₹2, 93,600 in fixed deposit and ₹99,000 in Life Insurance product of a company. Complainant disputed that the investment made in mutual fund and insurance were done without her consent as she simply wanted to invest all her amount in a simple FD. Although the complainant could recover ₹99,000 from Life Insurance Company by approaching IRDA, the bank, vide its email dated 01.08.2016, submitted that the complainant had visited their branch on maturity of her FD and inquired regarding long term investment options with an inflow of money at regular intervals. The bank submitted the application forms for insurance and Capital Protection MF in which signatures of the complainant were obtained agreeing to T&C and also added her grandson as nominee.

A meeting was held at BO Office and the BO took a view that it is a case of mis-selling as the investment products defies customer's right to suitability. Thus, it was decided that the bank will refund the amount of ₹15 lakh to the complainant after cancelling the mutual fund. After various reminders sent to the bank, the bank finally refunded the amount of ₹15 lakh to the complainant on 06.01.17.

The complainant, however, again approached the BO's office for payment of interest on delayed discharge of funds. The BO found the complainant's concern to be genuine and instructed the bank to either pay FD interest applicable or net NAV appreciation value as the bank unduly delayed the payment for almost a year and harassed the complainant. The bank handed over the demand draft of ₹ 1,13,389 to the complainant towards compensation.

Interest on Personal Loan – Called by Bank Later

The complaint was regarding interest on personal loan. The complainant was working with a University and had taken voluntary retirement in 2004. On his retirement, he requested his employer to deduct the outstanding amount of his personal

loan amounting to ₹1, 64,000 which he had availed from the bank. The bank advised the University that outstanding amount is ₹ 82,400 along with interest and the same was deducted from his retirement benefits. Then on 07.03.2017, the complainant received a letter from the bank that ₹80,731 was still outstanding against his personal loan of ₹ 1, 64,000. The relevant documents were called for from the bank and conciliation meetings were held with the bank official and the complainant. The Banking Ombudsman advised the bank to waive off the interest as the bank failed to produce any documentary evidence that the borrower was informed that there is still an outstanding of ₹2,200 approximately after receiving the payment from his employer. The lapse on the part of the bank was that it did not inform his employer properly that the interest will continue to accrue till the date of receipt of the money and ₹ 82,400 is not the full and final outstanding amount against the loan availed by the complainant. The bank waived off the interest and the case was closed u/c 11(1) of BOS-2006.

Compensation for Delayed Refund of EMD Amount

The complainant had applied for a plot at Panchkula, Haryana. The application along with cheque for ₹ 71,521 payable at the collecting bank branch towards earnest money deposit (EMD) was deposited on 21.03.2006 at the branch of issuing bank. His application for plot was rejected by the concerned authority, however, he did not receive refund of EMD amount. He continued to follow up with issuing bank for refund of his money. The complainant, vide his letter dated 02.02.2017 demanded his money back along with interest and compensation for the loss suffered by him. Comments were sought from the bank. The issuing bank offered to pay interest @ 6.5% per annum on the EMD amount from 21.03.2006 to date of payment. A meeting was held at BO office and the BO took a view that bank should pay 1% additional penalty for holding the payment for so long. The bank adhered to the advisory issued by the Banking Ombudsman and paid the amount and the matter was resolved amicably u/c 11(1) of BOS-2006.

*(Source: Cases dealt by
Banking Ombudsman, Chandigarh)*

ABOUT THE
AUTHOR



Priya Raghunath

has 18 years of experience in Standard Chartered Bank and is currently the Head of Client Experience for the Retail Bank in India and was previously heading Client Services for the Standard Chartered Private Bank in India

She has worked in the domain of customer service across dimensions of service proposition development, process reengineering, embedding service culture, grievance redressal and creating bespoke service solutions.

Converting customer feedback into great experiences

- **Priya Raghunath**

Head, Client Experience
Standard Chartered Bank

The phrase “service as a competitive differentiator” is an oft-repeated one in today’s times. This is because in a world of a myriad options for a customer to choose from, a well-designed customer experience will not only retain a customer but also create a positive word of mouth for the brand.

But how can organisations, and in particular banks, truly make service a USP for their brand?

One important place to start is by listening to what customers say and using this information to build the service edifice. Every company has a variety of sources that reflect the voice of customer (VoC) – these could be through customer surveys, grievances or even via feedback from the frontline teams that interact with customers.

Surveys could be used to gauge customer loyalty, satisfaction, advocacy or even garner feedback on a specific transaction. These could be administered across different timeframes and via several media – digital, telephonic or even face-to-face. The important differentiator of surveys as a VoC source is that it allows us to also learn what customers are positive about and like about the brand.

Grievances or complaints are another important source of VoC. A customer who registers a complaint is giving us an opportunity to not only fix the issue but also repair the relationship and address the underlying root cause that led to the complaint.

Thirdly, our teams who speak with customers everyday are an invaluable source of information on what clients are experiencing. It is critical to institutionalise a mechanism through which these inputs can be received e.g: an idea forum for staff to participate.

The VoC thus received needs to be analysed and there will be two main outcomes – a) Processes

and teams that cause negative experiences and create customers who are Detractors of the brand and b) Process and teams that create great positive experiences and make customers Promoters of the brand.

Detractors are created when the bank fails to meet the core need of a customer. This failure could be caused by a faulty/inefficient process. Or by people who have not followed a well-designed process. In either case, it is important to fix this through understanding and addressing the underlying root cause. Process improvement methodologies can be used to improve procedures. And people-related issues may be addressed through knowledge enablers, training, performance management and scorecard related interventions.

Equally important is to build a service recovery mechanism that helps to identify such failures before/when they occur in order to build a safety net and prevent negative client impact.

Promoters are created when the bank exceeds the customer’s expectations in not only meeting the core need but also creating an experience that is exceptional. Mapping the client experiences/emotions at each step of the processes which cause the most Promoters will yield insights which can be applied to other processes as well. People and teams who create the most Promoters need to be rewarded. And it is also critical to recognise these good behaviours/approaches so these staff can be used as role models and the culture can be embedded through the organisation.

Building great service propositions is not a one time activity – it is a continuous circle of improvement. So after implementing any change, it is important to go back to the VoC and listen to customer feedback on how they are receiving these changes.

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The views expressed in 'Customer Matters' are not necessarily the views of BCSBI Management.