

NSDL Payments Bank Limited

**Customer Protection
and Compensation
Policy Version 1.1**

NSDL Payments Bank Limited

Customer Protection and Compensation Policy

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REVISION HISTORY

SR. NO.	DATE OF REVISION	VER	SECTION NUMBER	DESCRIPTION OF CHANGE	CHANGE REQUEST	CHANGE MADE BY
1	12-Jun-20	1.1	3.3	Added "Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems", as per RBI letter dtd 20-09-2019	Addition	Customer Service Team
2	12-Jun-20	1.1	3.4	Added "compensation for delay in NEFT / RTGS credit or return"	Addition	Customer Service Team
3	12-Jun-20	1.1	3.5	Clause on Violation of the Code by banks agent as per Indian Bank's Association (IBA) model policy	As per Audit observation	Customer Service Team
4	12-Jun-20	1,1	3.6	Clause on Force Majeure Indian Bank's Association (IBA) model policy	As per Audit observation	Customer Service Team
5	12-Jun-20	1.1	Page 14	Updation of correct e-mail ID of Bank	Modification	Customer Service Team

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1. POLICY STATEMENT

NSDL Payments Bank offers its customers a seamless and hassle free banking experience through its self-service and assisted digital channels. Customer education on rights, responsibilities and liabilities in case of unauthorized/erroneous/delayed transactions or customer services is an integral part of Customer service framework of the Bank. This policy details the same in line with various RBI regulations and the Bank's customer service and grievance redressal strategy

1.1. REGULATORY REQUIREMENTS

1.1.1. Master Circular on customer service of Banks (July, 2015)

- Banks must have a well-documented Customer Compensation Policy duly approved by their Board
- Banks policy should, at a minimum, incorporate the following aspects: (a) Erroneous Debits arising on fraudulent or other transactions; (b) Payment of interest for delays in collection; (c) Payment of interest for delay in issue of duplicate draft; (d) Other unauthorised actions of the bank leading to a financial loss to customer

1.1.2. Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions (July, 2017)

- Banks shall formulate/ revise their customer relations policy, with approval of their Boards, to cover aspects of customer protection, including the mechanism of creating customer awareness on the risks and responsibilities involved in electronic banking transactions and customer liability in such

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cases of unauthorized electronic banking transaction

- The Bank shall follow the minimum instructions detailed in the guidelines on sharing of liability between customer and Bank basis the source of the unauthorized transactions and the lag in customer reporting.

2. PURPOSE AND OBJECTIVES

2.1. SCOPE

This policy extends to all forms of customer complaints which involve monetary loss to the customer and/or the Bank. It shall cover complaints received on both self-service and assisted channels and impacting all departments, branches, DP/BCNM partners and other third party vendors of the Bank

2.2. OBJECTIVE

The objective of the policy is to provide a framework for verifying and determining division of rights, responsibilities and liabilities between Bank and Customer.

3. POLICY RULES

3.1. GOVERNANCE

- At an executive level the following functions/departments shall be responsible for the implementation of the policy
 - Customer Service Team (Nodal officer/Customer Service coordinator)
 - Legal team
 - IT department/Business department/Product Department/Risk Team as relevant
 - Finance Team

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The following shall be roles and responsibilities of each of these functions/teams:

3.1.1. Customer service team/function

The Customer service team/function shall receive customer complaints. The team/function shall identify complaints falling under either of classifications mentioned in Section 3.2 below and forward it to relevant departments

3.1.2. IT team

If customer complaint is basis a technology issue (system, application, hardware, etc), then these are shared with IT team. The IT team shall identify the responsibility for the service/transaction failure (eg Bank, Customer, Third party) and share the same to Finance team. Sample template in *Annexe 1*

3.1.3. Business/sales teams

If customer complaint is basis mis-selling or inadequate service standards at BC/branch/DP, same is shared with Business/Sales. The Business/Sales team shall identify the responsibility for the service/transaction failure (eg Bank, Customer, Third party) and share the same to Finance team. Sample template in *Annexe 1*

3.1.4. ERM team

If customer complaint is basis an alleged fraudulent issue (system, application, hardware, etc), then these are shared with Risk for Fraud investigation. The ERM team shall identify the responsibility for the service/transaction failure (eg Bank, Customer, Third party) and share the same to relevant departments and Finance team. Sample template in *Annexe 1*

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3.1.5. Operations team

If customer complaint is basis alleged TAT breaches/operational delays same shall be shared with operations team. The Operations team shall identify the responsibility for the service/transaction failure (eg Bank, Customer, Third party) and share the same to relevant departments and Finance team. Sample template in *Annexe 1*

3.1.6. Products team

If customer complaint is basis faulty product design resulting in loss, same shall be shared to Product team. The Products team shall identify the responsibility for the service/transaction failure (eg Bank, Customer, Third party) and share the same to relevant departments and Finance team. Sample template in *Annexe 1*

3.1.7. Finance team

The Finance team shall identify the division of liability between Customer, Bank and Third party basis legal agreements signed, T&Cs, RBI guidelines and this policy. The Finance dept shall authorize payment/reversal/claims post approval by CFO

3.1.8. The Standing Committee on Customer Service at the executive level shall periodically review the unauthorized electronic banking transactions reported by customers or otherwise, as also the action taken thereon, the functioning of the grievance redress mechanism, amount and trends in customer compensation paid and take appropriate measures to improve the systems and procedures. Till the constitution of the SCSS same shall be presented before the ERMC. All such transactions shall be reviewed by the bank's internal auditors.

3.1.9. Summary of significant customer dispute/compensation/grievance cases as reviewed by the SCSS may also be identified and reported to the Board customer service committee.

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3.2. GUIDELINES

- The Bank shall be transparent, fair and efficient in providing compensation to its customers. However, the commitments under this policy shall be without prejudice to any right the Bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.
- The systems and procedures in banks shall be designed to make customers feel safe about carrying out electronic banking transactions. To achieve this the Bank shall endeavor to put in place appropriate systems and procedures to ensure safety and security of digital transactions, fraud risk management framework and a mechanism for customer education
- Customer education shall involve advising the customers on how to protect themselves from electronic banking and payments related fraud
- Customers shall require to mandatorily register for SMS alerts and wherever available register for e-mail alerts, for electronic banking transactions. The SMS alerts shall mandatorily be sent to the customers
- Customer shall be required to notify their bank of any unauthorized electronic banking transaction at the earliest after the occurrence of such transaction, and informed that the longer the time taken to notify the bank, the higher will be the risk of loss to the bank/ customer.

3.3. Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems

- General Instructions covering the TAT :
 1. The principle behind the TAT is based on the following : a. If the transaction is a ‘credit-push’ funds transfer and the beneficiary account is not credited while the debit to originator has been effected, then credit is to be effected within the prescribed time period failing which the penalty has to be paid to the beneficiary; b. If there is delay in initiation of a transaction at the originator bank’s end beyond the TAT, then penalty has to be paid to the originator.

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2. A 'failed transaction' is a transaction which has not been fully completed due to any reason not attributable to the customer such as failure in communication links, non-availability of cash in an ATM, time-out of sessions, etc. Failed transactions shall also include the credits which could not be effected to the beneficiary account on account of lack of full information or lack of proper information and delay in initiating a reversal transaction.

3. Terms like, Acquirer, Beneficiary, Issuer, Remitter, etc., have meanings as per common banking parlance.

4. T is the day of transaction and refers to the calendar date.

5. R is the day on which the reversal is concluded and the funds are received by the issuer / originator. Reversal should be effected at the issuer / originator end on the same day when the funds are received from the beneficiary end.

6. The term bank includes non-banks also and applies to them wherever they are authorised to operate.

7. Domestic transactions i.e., those where both the originator and beneficiary are within India are covered under this framework.

It may be noted that:

- the prescribed TAT is the outer limit for resolution of failed transactions; and
- the banks and other operators / system participants shall endeavour towards quicker resolution of such failed transactions.
- Wherever financial compensation is involved, the same shall be effected to the customer's account suo moto, without waiting for a complaint or claim from the customer.
- Customers who do not get the benefit of redress of the failure as defined in the TAT, can register a complaint to the Banking Ombudsman of RBI.
- This directive is issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007) and has come into effect from October 15, 2019.

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SI. No.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1	Automated Teller Machines (ATMs) including Micro-ATMs		
A	Customer's account debited but cash not dispensed	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder
2	Card Transaction		
A	<u>Card to card transfer</u> Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account	₹ 100/- per day of delay beyond T + 1 day
B	<u>Point of Sale (PoS) (Card Present) including Cash at PoS</u> Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days
C	Card Not Present (CNP) (ecommerce) Account debited but confirmation not received at merchant's system		
3	Immediate Payment System (IMPS)		
A	Account debited but the beneficiary account is not credited	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day	₹100/- per day if delay is beyond T + 1 day.
4	Unified Payments Interface (UPI)		
A	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day	₹100/- per day if delay is beyond T + 1 day.

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I. No.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
b	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days	₹100/- per day if delay is beyond T + 5 days
5	Aadhaar Enabled Payment System (including Aadhaar Pay)		
a	Account debited but transaction confirmation not received at merchant location	Acquirer to initiate “Credit Adjustment” within T+5 days	₹100/- per day if delay is beyond T + 5 days
b	Account debited but beneficiary account not credited		
6	Aadhaar Payment Bridge System (APBS)		
a	Delay in crediting beneficiary’s account.	Beneficiary bank to reverse the transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
7	National Automated Clearing House (NACH)		
a	Delay in crediting beneficiary’s account or reversal of amount	Beneficiary bank to reverse the uncredited transaction within T+1 day	₹100/- per day if delay is beyond T + 1 day.
b	Account debited despite revocation of debit mandate with the bank by the customer	Customer’s bank will be responsible for such debit. Resolution to be completed within T+ 1 day	
8	Prepaid Payment Instruments (PPIs) – Cards / Wallets		
a	<u>Off-Us transaction</u>		
	The transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TAT and compensation rule of respective system shall apply.		
	On-Us transaction Beneficiary’s PPI not credited. PPI debited but transaction confirmation not received at merchant location	Reversals effected in Remitter’s account within T + 1 day.	₹100/- per day if delay is beyond T + 1 day

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3.4. Compensation for delay in NEFT OR RTGS credit or return:

As per RBI circular, RBI/2010-11/188 DPSS (CO) EPPD No. 477 / 04.03.01 / 2010-11, dated Sep 01, 2010 to bring uniformity in penal interest payable by banks for delays in credit / return of NEFT / NECS / ECS transactions, the following modifications are being made for NEFT Inward transactions:

- Paragraph 6.7 - "In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination bank in the completion of funds transfer pursuant to receipt of payment instruction by the destination bank leading to delayed payment to the beneficiary, the destination bank shall 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 destination bank shall refund the amount together with interest at the current RBI LAF Repo Rate plus two per cent till the date of refund."
- Paragraph 6.8 is also being substituted as under –
"During the NEFT operating hours, originating banks should endeavour to put through the requests for NEFT transactions received by them, either online or across the counters, preferably in the next available batch but, in any case, not exceeding two hours from the time of receipt of the requests. In the likelihood of any delay / possible delay in adhering to this requirement, the originators / customers should be informed of the delay / possible delay and the reasons for the same."

As per Real Time Gross Settlement (RTGS) System Regulations, 2013, Chapter – 11, Customer Transactions – Obligations and Rights of Members / Participants following guidelines are application for delay in RTGS Inward credit or return transaction:

- 11.4. In case of any delay in providing credit to the beneficiaries' account, the recipient / beneficiary's bank has to pay compensation at current repo rate plus 2% to the beneficiary customer per day. Delay in credit on the same day has to be paid compensation to the customer for one day. The compensation amount should be credited to the customer's account automatically without any request.
- 11.5. In case, it is not possible to credit the funds to the beneficiary's account for any reason e.g. account does not exist, account frozen, etc. funds will be returned to the originating member within one hour of the receipt of the payment at the Member Interface of the recipient member or

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before the end of the RTGS Business day, whichever is earlier. The return payment will be sent by the recipient bank in the prescribed message format stated in Chapter 5. The transaction Id should be same as that of original message.

- 11.6. In case of any delay in returning the payment to the originating member, the recipient member will be liable to pay compensation at current repo rate plus 2% to the originating member and the same will be ultimately credited to the account of originating customer. In case of delay in returning on the same day, the receiving bank shall pay compensation to the sending bank for one day that will be ultimately credited to the sender customer.

For delay in NEFT or RTGS Inward credit or return transactions, Bank will pay compensation to customers based on the prescribed regulations/guidelines, on monthly basis. Banks operations team will manage the payout for such compensation.

3.5. 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 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.

3.6. 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, 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.

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- The following customer care contact details shall be utilized by the customer for lodging the complaint:
 - **Call Centre:** Call Centre/IVR would be available in Hindi and English. Customers can call +91-22-42022100
 - **Email :** care@nsdlbank.co.in
 - **Website :** www.nsdlbank.com
 - **Post:** Grievance Redressal Officer, NSDL Payments Bank Limited, 4th Floor, 'A' Wing, Trade World, Kamala Mills Compound, Senapati Bapat Marg, Lower Parel, Mumbai – 400 013.
- Customer Compensation shall be determined basis the following scenarios:

Scenario	Customer Required Action	Bank Required Action	Compensation	TAT
<p>Erroneous/Unauthorised direct debit in customer Bank account due to fraudulent or other electronic banking transaction in cases involving:</p> <p>Fraud/negligence on the part of the Bank i.e. either committed by the Bank staff or by the Bank Vendor (irrespective of whether the loss/fraudulent transaction is reported by the customer or not)</p>	As per RBI Customer protection guidelines, not mandatory for customer to report. Customer liability is Zero in this case	<ul style="list-style-type: none"> - In case of suspected fraud Bank may assess to block transactions temporarily - Entry to be reversed immediately after due verification 	<ul style="list-style-type: none"> - Full refund of the erroneous/ unauthorised debit amount - In case the erroneous/unauthorised transaction has resulted in a lowering of minimum balance, no penalties shall be imposed on the customer 	<p>Verification: within 7 working days</p> <p>Reversal: Immediately post verification</p> <p>Final communication to customer for closure: Maximum 14 days from notification by customer</p>
Erroneous/Unauthorised direct debit in Customer bank account	Approach the bank as soon as the customer	<ul style="list-style-type: none"> - In case of suspected fraud 	<ul style="list-style-type: none"> - Customer to bear the entire loss until 	Verification: Within 7 working days

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<p>due to fraudulent or other electronic banking transaction in cases involving:</p> <p>Negligence by a customer (such as where he has shared the mpin, otp, etc.)</p>	<p>becomes aware of the unauthorised debit</p>	<p>Bank may assess to block transactions temporarily</p> <ul style="list-style-type: none"> - Entry to be reversed on a best effort / recovery basis immediately after due verification for the unauthorised transaction value. - Entry to be fully reversed for any additional unauthorised transaction which happens post the reporting to the Bank 	<p>he/she reports the unauthorised transaction to the bank.</p> <ul style="list-style-type: none"> - Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank - Post customer reporting, any penalties resulting from a lowering of minimum balance to be waived 	<p>Reversal: Immediately post verification</p> <p>Final communication to customer for closure: Maximum 14 days from notification by customer</p>
<p>Erroneous/Unauthorised direct debit in Customer account with Bank on fraudulent or other electronic banking transaction in</p>	<p>Customer to report within 3 working days. Customer liability is Zero as per</p>	<ul style="list-style-type: none"> - In case of suspected fraud Bank may assess to block 	<ul style="list-style-type: none"> - Full refund of the erroneous/ unauthorised debit amount 	<p>Verification: Within 1 month</p> <p>Reversal: Immediately after</p>

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<p>cases involving:</p> <p>Third party breach where the fault lies neither with the bank nor with the customer but lies elsewhere in the system. Customer reports within 3 working days of the incident</p>	<p>RBI Customer protection guidelines</p>	<p>transactions temporarily</p> <ul style="list-style-type: none"> - Bank to reverse entry immediately after due verification 	<ul style="list-style-type: none"> - In case the erroneous/unauthorized transaction has resulted in a lowering of minimum balance, no penalties shall be imposed on the customer 	<p>verification</p> <p>Response to customer on Bank decision: maximum 4 working days after verification</p>
<p>Erroneous/Unauthorised direct debit in Customer account with Bank on fraudulent or other electronic banking transaction in cases involving:</p> <p>Third party breach where the fault lies neither with the bank nor with the customer but lies elsewhere in the system. Customer reports 4-7 working days of the incident</p>	<p>If Customer reports within 4-7 days, Customer has limited liability</p>	<ul style="list-style-type: none"> - In case of suspected fraud Bank may assess to block transactions temporarily - Bank to reverse entry for the residual transaction value above Rs.5000 (for BSBDA accounts) and Rs 10000 (for other accounts) after due verification 	<ul style="list-style-type: none"> - Customer liability is transaction value or Rs 5000 (for BSBDA accounts) or Rs 10,000 (for other SB accounts, PPIs and credit cards with limit upto Rs 5,00,000) whichever is lower - Reversal of transactions for the residual transaction value above Rs.5000 (for BSBDA accounts) and Rs 10000 (for other accounts) after due verification 	<p>Verification: Within 1 month</p> <p>Reversal: Immediately after verification</p> <p>Response to customer on Bank decision: maximum 4 working days after verification</p>

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			<ul style="list-style-type: none"> - In case the erroneous/unauthorized transaction has resulted in a lowering of minimum balance post adjustment of customer liability amounts, no penalties shall be imposed on the customer. 	
<p>Erroneous/Unauthorised direct debit in Customer account with Bank on fraudulent or other electronic banking transaction in cases involving:</p> <p>Third party breach where the fault lies neither with the bank nor with the customer but lies elsewhere in the system. Customer reports beyond 7 working days of the incident</p>	<p>If Customer reports beyond 7 days, Customer has full transaction liability</p>	<ul style="list-style-type: none"> - In case of suspected fraud Bank may assess to block transactions temporarily - No entry reversal to be done 	<p>No compensation in form of penalty waiver</p>	<p>Verification: Within 1 month</p> <p>Reversal: Immediately after verification</p> <p>Response to customer on Bank decision: maximum 4 working days after verification</p>

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<p>Other types of erroneous transactions due to customer error</p>	<p>To notify bank within 45 days</p>	<p>Entry to be reversed on a best effort / recovery basis immediately after due verification</p>	<p>No compensation</p>	<p>Verification: Third party involvement: 1 month Verification: No third party involvement: 9 working days</p>
<p>Other types of erroneous transactions due to bank systems failure</p>	<p>To notify bank within 45 days</p>	<p>Investigate on causes for transaction failure Determine if Bank system failure is due to control failure/bugs, etc</p>	<p>Basis Bank assessment of source of failure, extent of compensation/penalty waiver if applicable shall be determined by SCCS</p>	<p>Verification: Third party involvement: 1 month Verification: No third party involvement: 9 working days Response to customer on Bank' decision: maximum 4 working days after verification</p>

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Mis-Selling of Products	Within 15 working days of incident	Investigate the case as per Bank Policy and determine the cause of the problem Take action against errant BCNM in case responsibility is confirmed	Basis Bank assessment of source of failure, extent of compensation/penalty waiver if applicable shall be determined by SCSC	Verification: 1 month from notification by customer Response to customer on Bank decision: maximum 4 working days after verification
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ANNEXE 1: TEMPLATE TO BE SHARED BY DEPARTMENTS TO FINANCE TEAM

Department/Team/ Function	Type of Customer Complaint (Choose one of the below)	Responsibility	Summary rationale for responsibility/Comments
	Erroneous/Unauthorized direct debit in customer Bank account due to fraudulent or other electronic banking transaction in cases	Bank/Customer/Third Party	
	Delay in credit / return of NEFT / IMPS transactions	Bank/Customer/Third Party	
	Other types of erroneous transactions	Bank/Customer/Third Party	
	Other Complaints with compensation claim	Bank/Customer/Third Party	
Approved By	HOD		

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ANNEXE 2: TEMPLATE TO BE PREPARED BY FINANCE TEAM

Department/ Team/Functi on	Summary of case	Liability (Rs)			Compensation to be paid to customer (Rs)
		Customer	Bank	Third Party	
Approved By	Finance head				

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