

Advice from RBI to Consumers and Banks to prevent grievances:

It was the seminar organized by IBA and CAI on “ Rights and Responsibilities of Consumers and Banks in Banking services”.

The valedictory address was given by Mrs. Usha Thorat, Dy. Governor, RBI.

She started with the definition of the overarching principles in the relationship between the Banks and Consumers; She briefly touched upon the role of RBI in this relationship. She then grouped the consumer complaints and addressed each area and had suggestions and advice for both the banks and Consumers. The advice was extremely informative and was listened to with rapt attention by the audience. We have summed up the details below under 10 categories of commonly received complaints.

Mrs. Thorat started with saying that Banks exist for customers. They are partners and are not adversaries. Fairness and Transparency are the corner stones of banking rules and codes. These and the treatment of consumers with common courtesy, simple and clear documentation and taking time out to educate customers will go a long way in improving relationships.

At the same time, she advised that the consumers should become financially more literate, borrow responsibly and use banking products prudently with common courtesy when dealing with the banking staff.

Role of RBI: RBI's role is that of a regulatory and Supervisory. RBI prefers the banks to regulate themselves; IBA and BCSBI help in this.

The complaint resolution will be done by the bank themselves, at the branch level, the nodal and at the HO level. RBI appointed ombudsman comes into action at the next level. If any problem continues beyond these levels, then the customer has the option to go to the consumer courts.

RBI's issues regulatory circulars periodically to the banks. These are available in RBI's web site for public to see.

The vast majority of complaints received are grouped under these 8 categories.

1a. Interest rate related complaints:

Public is convinced that the interest calculated by the banks is wrong for their loans. It is invariably because the customer has understood it differently.

It is the duty of the Banker to clearly articulate the details; how the interest is calculated; what is the reset clause in case of fixed rates; what is the bench mark used for floating rates. The loan officer should clearly state the terms in the loan document and should take time to explain with examples.

The consumer also has a role to play. Read and understand the terms before signing. Never sign a blank document. When in doubt, seek clarifications; If Sales agents were involved, seek clarifications from the bank Directly.

1b. Penal Interest charged on loans:

Loan officer should clearly explain the conditions when the penal interest will be levied.

Explain the concept of service charges when penal interest is levied.

Consumers should clearly understand their own responsibilities under the contract; they need to set aside funds for payment of loan instalments. If there is a default or if the cheques bounce, there will be penal interest and service charges.

CAI has further suggestions. Please talk to other consumers or consumer organizations and get further clarity. Attend seminars conducted by consumer groups like CAI.

2. Service charges:

There are many complaints that service charges are levied unfairly and excessively. Problem is acute for nationalized banks.

Banks should display the service charges for different facilities prominently in the branches.

Customers should to be informed of these charges before they sign up for a facility; and they

should be allowed to withdraw. There should be a cap on all charges including interest rates and penal interests.

Consumers should read all material before signing. Remember that banks have the freedom to levy charges and interest rates. Consumers have the option to go to other banks. Compare rates between banks before decision. Competitive pressures will bring down the charges.

CAI's take: It is not always possible to change banks this easily. It should be ensured that the rates and charges of a bank should be uniformly applied to all its branches and charges should not vary from branch to branch.

3. Loan documents and return of securities:

Banks should give consumers a complete list of documents needed for loan agreement at the time of sanction. They also should give the MITC, most important terms and conditions and try to ensure that consumers are aware of these. On payment of loan, they should give back the documents as soon as possible.

In turn, Consumers should read and understand all these before signing. Remember to take back all the documents (use the list of needed documents as reference)

4. Recovery of Bank dues:

Banks should place the list of recovery agents on their website. Sensitize and train the agents on the code of conduct. Ensure all conversations with customers are recorded.

Consumers should remember that all loans will have to be repaid; that conversation with recovery agents is recorded; and that they should not borrow beyond their limits. Seek assistance from your bank when in trouble for rescheduling of loans and other ways.

5. Insurance Linked products:

Banks should not bundle these products. Explain and get explicit consent for these products; Ensure that the consumer gets the policy and that it is active.

Consumer should understand components of the product they are signing for; if it is insurance, ensure that they get the policy and it is active.

6. Credit cards:

Banks should not issue unsolicited cards. If these are activated and misused, they are liable to pay compensation. They should not issue unsolicited products on the card. They should ensure that customers understand all major terms and conditions. Follow security measures and deliver cards and PINs only to the card holder. Deactivate cards immediately of lost card intimation. Consider insurance for lost cards. Send statements on time and use other methods like sms alert on usage, payment alerts.

Consumers are responsible for the safety of cards, and not to be careless with the cards and PINs. Reposr lost cards immediately. Cut and send back the card if not wanted; opt for estatements and SMS alerts.

7. ATMs:

Banks should ensure ATMs are working and stocked with adequate and clean notes. Install CCTV and check audit trails frequently.

Consumers should be careful with their cards and PINs; inform discrepance immediately.

8. Cheque drop facility:

Banks should remember that this is only an alternative mode for collection; that customers should get acknowledgement if they want; Install automatic cheque acknowledgement machines.

Consumers should insist on acknowledgement if they want them

9. TDS collection:

Banks should apprise consumers, especially senior citizens, the need for 15G/15H forms if TDS is not to be deducted; TDS certificates are to be issued immediately in person or by post.

Consumers should understand that banks have the statutory obligation to deduct tax if forms 15G/H are not provided. If tax is deducted, they can claim refund from income tax by filing the return.

10. Cheque Collection:

Banks should display their policy prominently and adhere to this policy strictly; charges should be as per RBI guidelines. In case of delay, compensate the customer without waiting for the claim.

Consumer should be aware of the policy for cheque collection. Insist and obtain compensation in case of delay.

CAI's take on all this: Banks should conduct training and seminar to consumers to make them aware of the policies, charges, risks and redressals. IBA should play a role in such trainings by partnering with consumer organizations.