

Regulatory Provisions under RBI

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ROLE OF RBI IN CONSUMER PROTECTION

Introduction

The Reserve Bank of India regulates and supervises the nation's financial system. As the regulator and supervisor of the banking system, it is mandated to protect the interests of depositors, ensure a framework for orderly development and conduct banking operations conducive to customer interests and maintain overall financial stability through preventive and corrective measures. Apart from regulatory functions, the RBI has various customer service initiatives to protect customers' rights. Apart from regulatory functions, the RBI has following customer service initiatives to protect customers' rights:

- Customer Service Department (CSD): To respond to system-level customer issues.
- Banking Codes and Standards Board of India: To encourage transparency in lending and fair pricing.
- Banking Ombudsman: For resolving disputes between banks and their customers.

* CHARTER OF CONSUMER RIGHTS

Most important perhaps was the release of a *Charter of Customer Rights*, which enshrined broad, overarching principles for protection of bank customers and enunciates the 'five' basic rights of bank customers. These are-

- a) Right to fair treatment- The customer should not be unfairly discriminated against on grounds such as gender, age, religion, caste and physical ability when offering and delivering financial products.

- b) Right to transparency, fair and honest dealing-The financial services provider should make every effort to ensure that the contracts or agreements it frames are transparent, easily understood by and well communicated to, the common person. The customer should not be subject to unfair business or marketing practices, coercive contractual terms or misleading representations.

c) Right to suitability- The products offered should be appropriate to the needs of the customer and based on an assessment of the customer's financial circumstances and understanding.

d) Right to privacy- Customers' personal information should be kept confidential unless they have offered specific consent. Customers have the right to protection from all kinds of communications, electronic or otherwise, which infringe upon their privacy.

e) Right to grievance redressal and compensation- The customer has a right to hold the financial services provider accountable for the products offered and to have a clear and easy way to have any valid grievances redressed. The provider should also facilitate the redress of grievances stemming from its sale of third party products.

*** CUSTOMER SERVICE DEPARTMENT**

The Reserve Bank of India has been taking measures, on an ongoing basis, for protection of customers' rights, enhancing the quality of customer service and strengthening grievance redressal mechanism in banks and in the Reserve Bank of India. These activities were so far being undertaken by different departments of the Reserve Bank of India. In order to bring together all activities relating to customer service in banks and Reserve Bank of India in a single department, the Reserve Bank of India has today constituted a new department called 'Customer Service Department' (CSD).

The functions of the Customer Service Department would include:

- (i) Dissemination of instructions/information relating to customer service and grievance redressal by banks and Reserve Bank of India.
- (ii) Overseeing the grievance redressal mechanism in respect of services rendered by various RBI offices/ departments.

- (iii) To administer the Banking Ombudsman (BO) Scheme .
- (iv) Acting as a nodal department for the Banking Codes and Standards Board of India (BCSBI).
- (v) Ensuring redressal of complaints received directly by RBI on customer service in banks .
- (vi) Liaison between banks, Indian Banks Association, BCSBI, BO offices and RBI regulatory departments on matters relating to customer services and grievance redressal.

*** BANKING CODES AND STANDARDS BOARD OF INDIA**

BCSBI is an independent and autonomous body set up by RBI to ensure that comprehensive code of conduct for fair treatment of customers was evolved and adhered to. In substance the board has been set up to ensure that the common consumer of banking services is in no way in a disadvantageous position and really gets what he has been promised by the banks.

The Banking Codes and Standards Board of India was registered as a society under the Societies Registration Act, 1860 in February 2006. It functions as an independent and autonomous body. Membership of BCSBI is voluntary and open to scheduled banks. Initially the membership of BCSBI was open to scheduled commercial banks and has now been extended to include Regional Rural Banks and select Urban Co-operative Banks.

THE MAIN OBJECTIVES OF BCSBI ARE-

- To plan, evolve, prepare, develop, promote and publish comprehensive Codes and Standards for banks, for providing for fair treatment to their customers.
- To function as an independent and autonomous body to monitor, and to ensure that the Codes and Standards adopted by banks are adhered to, in letter and spirit, while delivering services to their customers.

BCSBI has in collaboration with the Indian Banks' Association (IBA), evolved two codes -

- 1) Code of Bank's Commitment to Customers
- 2) Code of Bank's Commitment to Micro and Small Enterprises- which set minimum standards of banking practices for member banks to follow when they are dealing with individual customers and micro and small enterprises. The central objective of these Codes is promoting good banking practices, setting minimum standards, increasing transparency, achieving higher operating standards and above all, promoting a cordial banker-customer relationship which would foster confidence of the common man in the banking system.

* BANKING OMBUDSMAN SCHEME

The Banking Ombudsman Scheme is an speedy and inexpensive forum for bank customers for resolution of complaints relating to certain services rendered by banks. The Banking Ombudsman Scheme is introduced under Section 35 A of the Banking Regulation Act, 1949 by RBI with effect from 1995. Presently the Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017) is in operation.

Banking Ombudsman is a quasi-judicial authority appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services covered under the grounds of complaint specified under Clause 8 of the Banking Ombudsman Scheme 2006 (As amended upto July 1, 2017). It has the powers to summon both the parties-bank and its customers, to facilitate resolution of complaint through mediation.

As on date, 20 Banking OmbudsmAn have been appointed with their offices located mostly in state capitals. The addresses and contact details of the Banking Ombudsman offices have been provided under Annex I of the Scheme.

All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

What are the grounds of complaint?

Following are the few grounds of complaint-

- 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 in respect thereof;
- Non-acceptance, without sufficient cause, of coins tendered and for charging of commission in respect thereof;
- Failure to issue or delay in issue of drafts, pay orders or bankers' cheques;
- Non-adherence to prescribed working hours ;
- Failure to provide or delay in providing a banking facility .
- Complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank related matters;
- Refusal to open or close deposit accounts without any valid reason for refusal;
- Levying of charges without adequate prior notice to the customer;
- Non-adherence to the instructions of Reserve Bank on ATM / Debit Card, Credit and Prepaid Card operations, mobile /internet banking in India by the bank or its subsidiaries.
- 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;
- Non-adherence to the fair practices code as adopted by the bank;
- Non-adherence to the provisions of the Code of Bank's Commitments to Customers issued by Banking Codes and Standards Board of India and as adopted by the bank ;

When can one file a complaint?

One can file a complaint before the Banking Ombudsman if the reply is not received from the bank within a period of one month after the bank concerned has received one's complaint, or the bank rejects the complaint, or if the complainant is not satisfied with the reply given by the bank.

WHAT IS THE PROCEDURE OF FILING A COMPLAINT?

The complaint should be made before the expiry of the period of one year and it should not be for the same subject matter that was settled through the Banking Ombudsman in any previous proceedings. The complaint cannot be made even if the case is pending before any court, tribunal or any other forum.

A complainant can file a complaint with the Banking Ombudsman simply by writing on a plain paper. He can also file it online at www.bankingombudsman.rbi.org.in or by sending an email. There is also a prescribed form for filing a complaint which is available with all the branches of the banks.

The Banking Ombudsman can either reject the complaint or take it into consideration.

Through mediation, it tries to promote settlement. However if the complaint is not settled within one month, it proceeds further to pass an order.

A copy of the orders is sent to the complainant and the bank. If the award is accepted by the complainant, he is required to send to the bank a letter of acceptance within 15 days. If the bank is satisfied, within a period of 1 month, the bank is required to comply with the award and inform the Banking ombudsman.

If one rejects the Banking Ombudsman's decision, he can approach the Appellate Authority i.e. Deputy Governor of RBI. |

Thank you