



The Gadchiroli District Central Co-operative Bank Limited, Gadchiroli.

COMPENSATION POLICY ON DIGITAL TRANSACTION JANUARY 2025

**Head Office, The Gadchiroli District Central Cooperative
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Gadchiroli - 442605**



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REVISION HISTORY

Sr. No.	Policy Name	Version No.	Date	Prepared By	Approved By	BoD Ref
1	Compensation Policy	1.0	30 th January 2025	IT	Board of Directors	BoD Meeting on Date 30/01/2025 on Resolution No. 22.



INTRODUCTION

It has been the endeavor of Bank to offer services to its customers with best possible utilization of Technology Infrastructure. Migration of all branches of the Bank to Core Banking Solutions (CBS) platform is great leap in this direction. In order to increase efficiency of the operations/better performance and to compensate adequately any customer who faces deficiency in Banking Services, the compensation policy has been formulated. The Compensation Policy of the Bank is designed to cover areas relating to ATM, IMPS, UPI, NACH, RTGS & NEFT. The policy is based on principles of transparency and fairness in the treatment of customers and their genuine grievances.

The Policy also covers delay, unsuccessful or failed transactions in Authorised payment system. Failure could be on account of various factors not directly attributable to customer such as disruption of communication links, non-availability of cash in ATMs, time-out of sessions, non- credit to beneficiary account due to various causes etc.

1. OBJECTIVES

- 1.1 The objective of the " Compensation Policy (Digital Banking Services)" 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 to reduce the instances of the customer approaching the Banking Ombudsman or any other Forum for redressal of grievances.
- 1.2 It is reiterated that the Policy covers only compensations for Financial losses which customers might incur due to deficiency in 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 dispute.
- 1.3 It is imperative for all the branches/offices to note and ensure that
 - 1.3.1. Prompt and efficient customer service is rendered to all the customers at all times.

This will not only substantially reduce the number of customer grievances/Complaints, the resultant compensation payment will also be minimized as well.

AREAS OF COVERAGE

The policy as such is designed to cover 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 adjusting Banker- Customer disputes and does not constitute admission of liability or any other issue, of any nature whatsoever for the purpose of Adjudicatory Proceedings.



2 Unauthorised/Erroneous Debit

- 2.1 If the bank has raised an unauthorized / erroneous direct debit to any account, on receipt of the information the entry will be reversed immediately after verifying the position.
- 2.2 In case, the entry reported by the customer appears to be erroneous by the customer which does not involve a third party, the bank shall arrange to complete the process of verification within a maximum period of 7 working days from the date of reporting of the erroneous debit.
- 2.3 On the contrary if the verification involves a third party, Bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.
- 2.4 The compensation for such financial losses will, however, be restricted only to reimbursement of actual expenses incurred by the customer e.g. lodgement charges, if any, for the returned Cheques, penalty/interest for regularization of failed direct debit instructions, etc.

3 ECS Direct Debit/Other Debit Accounts

- 3.1 The bank will undertake to carry out direct debit/ECS (Electronic Clearing Services) debit instructions of customers in time. If bank fails to meet such commitment, customer will be compensated to the extent of financial loss the customer would incur on account of delay in carrying out the instructions/failure to carry out the instructions.
- 3.2 The compensation for such financial losses will, however, be restricted only to reimbursement of actual expenses incurred by the customer e.g. Penalty / interest paid by the customer to regularize the schedule which got disturbed on account of delay in carrying out the instruction/failure to carry out the instruction.
- 3.3 The bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. In case, bank levies any charge in violation of the arrangement, the bank will reverse the charges as and when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

4 ATM & Digital Payment System

4.1 ATM Unauthorised Debit /Cash Not Dispensed Transaction:

- 4.1.1 In case of ATM/Internet banking transactions, in the event of any monetary dispute involving the customer and the bank, customer must be compensated for the losses arising out of unauthorised transaction in customer's account.
- 4.1.2 Bank will pay penalty at the rate of Rs.100/- per day as compensation to the card holder in a case the matter is not resolved within five (5) Calendar days from the date of receipt of complaint in respect of cash not dispensed but card holder account has been debited. The customer is entitled to receive such compensation for delay only if a claim is lodged within 30 days of the date of transactions at any branch.



4.1.3 The issuer Bank is entitled to claim such compensation paid to the customer from the acquirer Bank, if the delay is attributed to the latter. By the same logic the ATM network operators shall compensate the Banks for any delay on their part.

4.1.4 Non-mocking of ATM card after receiving request for its blocking:

In case of unauthorized debit using lost ATM card for which the Bank has already been informed for blocking the card but the same has not been blocked by the Bank, the Bank shall reverse the transaction within 2 working days from the customer intimates about such transaction to the Bank and give value dated credit to protect the interest of the customer.

4.2 Harmonisation of Turn Around Time (TAT) and customer Compensation for failed transactions using Authorised Payment Systems:

RBI vide circular No. RBI/2019-20/67 DPSS.CO.PD No. 629/02.01.014/2019-20 dated September 20,2019 has published a circular on TAT and customer compensation for failed transactions using authorized Payment system, the General Instructions covering the TAT are as under:

1. The principle behind the TAT is based on the following:
 - a. If the transaction is '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.
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 off 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 authorized to operate.
7. Domestic transactions i.e. those where both the originator and beneficiary are within India, are covered under this framework.

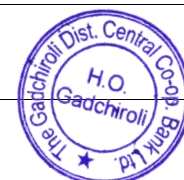


TAT and customer Compensation for failed transactions using Authorized Payment Systems are as under:

sr. 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 of failed transaction within a maximum of T+5 days	Rs. 100/- per day if 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 latest within T+1 day, if credit is not effected to the beneficiary account	Rs. 100/- per days of delay beyond T+1 days.
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 days	Rs. 100/- per days of delay beyond T+5 days.
c.	Card Not Present (CNP) (e-commerce) 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 by the Beneficiary bank latest on T+1 day	Rs. 100/- per day if delay is beyond T+1 days



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 days.	Rs. 100/- per day if delay is beyond T+1 days
b	Account debited but transaction confirmation not received at merchant location (payment to merchant)	Auto-reversal within days.	Rs. 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.	Acquire, to initiate "Credit Adjustment" within T+5 days.	Rs. 100/- per day 1 delay 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 days	Rs.100/- per day if delay is beyond T+1 days
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 days	Rs. 100/- per day if delay is beyond T+1 days
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.		
	<u>On-Us transaction</u> Beneficiary's PPI not credited. PPI debited but transaction confirmation not received at merchant location.	Reversal effected in remitter's account within T+1 day.	Rs. 100 - per ay l e ay is beyond T+I days

5. Delayed Credit/Refund of NEFT Transaction

In case of delay in crediting the beneficiary customer's account or returning the un-credited amount to the remitter, the bank shall pay penal interest at the current RBI LAF Repo Rate plus two per cent for the period of delay/ till the date of refund as the case may be to the affected customers.

Such payment of penal interest at the stipulated rate should be suo-moto from Bank's side without waiting for claim from the customers.

The payment of penal interest to the affected customer shall be from the date of transaction, not from the value date of credit in the customer's account.

Such Interest shall be paid without any demand from the customer and should be System - driven/ System in-built.

In respect of wrong RTGS /NEFT credit to the account - If the money is still in the customer's account, it may be put on hold by the Bank. If the money is withdrawn by the customer, it is not responsibility of the Bank.

6. Violation of Code by Bank's Agent

In the event of receipt of any complaint from the customer that Bank's representative /courier/Direct Selling Agent (DSA) has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customer which the bank has adopted voluntarily, the bank shall take appropriate steps to investigate the matter and endeavour to communicate the findings to the customer within seven working days from the date of receipt of complaint and wherever justified compensate the customer for financial losses. Such compensation will be restricted to reimbursement of actual expenses.

7. 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/other labour disturbances accident, fires, natural disasters or other "Acts of God" war, damage to bank's facilities or of its correspondent bank(s), absence of all types of usual modes of transportation, etc.) beyond the control of the bank prevents it from performing its obligation within the specified service delivery parameters.

8. CUSTOMER PROTECTION - LIMITING LIABILITY OF CUSTOMERS IN UNAUTHORISED ELECTRONIC BANKING TRANSACTIONS

8.1 Strengthening of systems and procedures:

Broadly, the electronic banking transactions can be divided into two categories:

- i. Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions) and
- ii. Face-to-face/proximity payment transactions (transactions which require the physical payment instrument such as a card to be present at the point of transaction e.g. ATM, POS, etc.)
- iii. Any other electronic modes of credit effected from one entity to another like UPI, IMPS & other currently used digital channels being used or adopted from time to time.

The policy excludes electronic banking transactions effected on account of error by a customer (e.g. NEFT carried out to an incorrect payee or for an incorrect amount), transactions done under duress, claims due to opportunity loss, reputation loss, other incidental costs or collateral damage.

8.2 The systems and procedures in banks:

The systems and procedure in banks must be designed to make customers feel safe about carrying out electronic banking transactions. To achieve this, banks must put in place:

- i. appropriate systems and procedures to ensure safety and security of electronic banking transactions carried out by customers;
- ii. robust and dynamic fraud detection and prevention mechanism;
- iii. mechanism to assess the risks (for example, gaps in the bank's existing systems) resulting from unauthorised transactions and measure the liabilities arising out of such events;
- iv. appropriate measures to mitigate the risks and protect themselves against the liabilities arising therefrom; and
- v. a system of continually and repeatedly advising customers on how to protect themselves from electronic banking and payments related fraud.
- vi. Terms & Explanations used in this policy:
 - a) Loss is defined as financial outgo from customer's account e.g. debit to customer's account or card.

- b) "Card Not Present (CNP) Transactions" are defined as transactions that require use of Card information without card being physically used e. e-commerce transactions.
- c) "Card Present (CP) Transactions" are defined as transactions that require use of physical card e.g. at ATM or Shops (POS).
- d) Payment transactions are defined as transactions that involve transfer of funds from one account/ wallet to another electronically and do not require card information e.g. NEFT.
- e) "Unauthorized Transaction" is defined as debit to customer's account without customer's consent.
- f) Consent includes authorization of a transaction debit either through standing instructions, as per accepted banking practice and regulation, based on account opening process and related matters or based on additional authentication required by the bank such as use of security passwords, input of dynamic password (OTP) or use of Card details (C V V/ Expiry date) or in case of any other electronic authentication such as UPI/IMPS Authorisation is required through MPIN and transaction PIN.
- g) Date & time of reporting is defined as date & time on which customer has submitted a unique complaint. Date of receiving communication from the Bank, is excluded for purpose of computing number of working days for all action specified in this policy. The working schedule of the home branch would be considered for calculating working days for customer reporting. Time of reporting will be as per Indian Standard Time.
- h) Notification means an act of the customer reporting unauthorized electronic banking transaction to the bank.
- i) UPI/IMPS require MPIN and Transaction Pin Authorisation respectively.
- j) Number of days will be computed based on working days
- k) Mode of reporting will be the channel through which customer complaint is received first time by the Bank, independent of multiple reporting of the same unauthorized transaction.

8.3 Reporting of unauthorized transactions by customers to banks:

- i. Banks must ask their customers 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, while email alerts may be sent, wherever registered.
- ii. The customers must be advised to notify their bank of any unauthorised 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.
- iii. To facilitate this, banks must provide customers with 24x7 access through multiple channels (at a minimum, via website, phone banking, SMS, e-mail, IVR, a dedicated toll- free helpline, reporting to home branch, etc.) for reporting unauthorised transactions that have taken place and/or loss or theft of payment instrument such as card, etc.
- iv. Banks shall also enable customers to instantly respond by "Reply" to the SMS and email alerts and the customers should not be required to search for a web page or an e-mail address to notify the objection, if any.



- v. Further, a direct link for lodging the complaints, with specific option to report unauthorised electronic transactions shall be provided by banks on home page of their website.
- vi. The loss/fraud repotting system shall also ensure that immediate response (including auto response) is sent to the customers acknowledging the complaint along with the registered complaint number. The communication systems used by banks to send alerts and receive their responses thereto must record the time and date of delivery of the message and receipt of customer's response, if any, to them. This shall be important in determining the extent of a customer's liability.
- vii. The banks may not offer facility of electronic transactions, other than ATM cash withdrawals, to customers who do not provide mobile numbers to the bank.
- viii. On receipt of report of an unauthorised transaction from the customer, banks must take immediate steps to prevent further unauthorised transactions in the account.

8.4 A. Zero Limited Liability of a Customer:

A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:

- i. Contributory fraud/negligence/deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
- ii. Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorised transaction.

B. Limited Liability of a Customer:

A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:

- i. Customer shall bear the entire loss in cases where the loss is due to negligence by the customer, e.g. where the customer has shared payment credentials or Account/Transaction details, viz. Internet Banking User ID & PIN, Debit/Credit Card PIN/OTP or due to improper protection on customer devices like mobile / laptop/ desktop leading to malware / Trojan or Phishing / Vishing attack. This could also be due to SIM deactivation by the fraudster. Under such situations, the customer will bear the entire loss until the customer reports unauthorized transaction to the bank and this will be notified to the customer as response to the customer complaint and the complaint will be treated as closed by the Bank.

Any loss occurring after reporting of unauthorized transaction from same mode/instrument for doing electronic banking transactions shall be borne by the bank.

- ii. In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of four to seven working days after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.



Table 1

Maximum Liability of a Customer under paragraph

10 (b) (ii)

Type of Account	Maximum liability (Rs.)
BSBD Accounts	5000
<ul style="list-style-type: none"> All other SB accounts Current/ Cash Credit/ Overdraft Accounts of MSMEs Current Accounts/ Cash Credit/ Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh 	10,000
All other Current/Cash Credit/Overdraft Accounts Credit cards with limit above Rs.5 lakh	25,000

In case where the responsibility for the unauthorized electronic banking transactions lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of beyond seven days after receiving the communication from the bank) on the part of customer in notifying the bank of such transaction, there will be full liability of the customer

Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.

Bank shall also display their approved policy in bank website for wider dissemination.

8.5 Overall liability of the customer in third party breaches, as detailed in paragraph 11 (a) (ii) and paragraph 11 (b) (ii) above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarised in the Table 2:

Table 2
Summary of Customers Liability

Time taken to report the fraudulent transaction from the date of receiving the communication.	Customer liability (Rs.)
Within 3 working days	Zero Liability
Within 4 to 7 working days	The Transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	Full Liability

The number of working days mentioned in Table 2 Shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.



8.6 Reversal Timeline for Zero Liability/ Limited Liability of customer:

On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). The credit shall be value dated to be as of the date of the unauthorised transaction.

There shall be no waive off any customer liability in case of unauthorised electronic banking transactions in cases of customer negligence.

8.7 Further, bank shall ensure that:

- i. A complaint is resolved and liability of the customer, if any, established within 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions of paragraphs 8.4 to 8.6 above;
- ii. Where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in paragraphs 8.4 to 8.6 is paid to the customer; and
- iii. In case of debit card/bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

8.8 Burden of Proof:

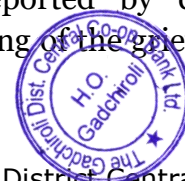
The burden of proving customer liability in case of unauthorized electronic banking transactions shall lie on the bank. The Bank has a process of second factor authentication for electronic transactions, as regulated by the Reserve Bank of India. Bank has onus to prove that all logs / proofs / reports for confirming two factor authentication is available. Any electronic banking transaction which has been processed post second factor authentication known only to the customer would be considered as sufficient proof of customer's involvement / consent in effecting the transaction. Customer shall bear entire loss in such cases.

8.9 Reporting and Monitoring Requirements:

The banks shall put in place a suitable mechanism and structure for the reporting of the customer liability cases to the Board or one of its Committees.

The reporting shall, inter Cilia, include volume/number of cases and the aggregate value involved and distribution across various categories of cases viz., card present transactions, card not present transactions. internet banking, mobile banking, ATM transactions, etc.

The Standing Committee on Customer Service in the bank shall periodically review the unauthorised electronic banking transactions reported by customers or otherwise, as also the action taken thereon, the functioning of the grievance redress



mechanism and take appropriate measures to improve the systems and procedures. All such transactions shall be reviewed by the bank's internal auditors.

8.10 Customer Responsibility:

- a) The Bank will not be responsible for the loss to the customers due to customer's negligence in keeping the Cards, PIN or other security information and not following "Do's and Don'ts" issued by the Bank, until the Bank has been notified by the customer.
- b) The Bank will not be responsible for the loss to the customer, if the customer acts fraudulently and /or acts without reasonable care which has resulted in loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords/OTP or confidential information, until the time the Bank has been notified of such loss/compromise and has taken steps to prevent its misuse.

9. Amendment/ Modification of the Policy:

The Bank reserves the right to amend/modify this policy as and when deemed fit and proper at its sole discretion. However, the Bank endeavors to review the policy at annual intervals.

