

INDUSIND BANK LTD.
CUSTOMER COMPENSATION POLICY

INTRODUCTION

In the present day scenario of Competitive Banking, it will be the bank's endeavor to offer services to its Customers with best possible utilization of its technology infrastructure and branch network. Bank has undertaken technological initiatives in payment and settlement systems and qualitative changes in operational systems and processes to improve efficiencies in providing better products and services to the Customers. However, at times, inadvertently the bank is unable to meet the service levels committed in the dealings with individual Customers. This policy has been designed to compensate the Customers in such situations. The policy is based on principles of transparency and fairness in the treatment of Customers.

SCOPE OF OPERATION

This document will cover the following aspects:

- Unauthorized / Erroneous debits to Customer accounts
- National Automated Clearing House (NACH) / direct debits/ Standing Instructions / Other Debits to accounts
- NACH
- RTGS / NEFT
- Payment of cheques after acknowledgement of Stop Payment Instructions
- Delay in Collection of outstation Cheques / Instruments within India
- Compensation for loss of instrument in Transit
- Collection of Cheques / Instruments drawn on banks in Foreign Countries
- Loss of instruments in transit.
- Issue of duplicate Draft and Compensation for delays
- Violation of the Code by banks agent
- Transaction of "at par instruments" issued by Co-operative Banks
- Remittances within India other than NACH/NEFT
- Delay in Collection of Bills
- Foreign Exchange Services
- Lenders liability : Commitments to borrowers
- ATM related issues
- Compensation on Unauthorised electronic banking transactions
- Force Majeure

OBJECTIVE OF THE POLICY

The objective of this policy is to establish a system whereby Bank shall compensate the Customer for any direct and actual loss by way of interest loss / payment of charges by Customers due to deficiency in service on our part or any act of omission or commission directly attributable to the bank without recourse to any legal action.

The policy covers only compensation for financial loss suffered by way of interest loss/ payment of charges by Customers, 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/ stand before any forum duly constituted to adjudicate banker-customer disputes. The policy does not cover and is not applicable in respect of claims made by Customers on account of opportunity losses or damages or claims pertaining to reputation loss.

FRAMEWORK

It is reiterated that the policy covers 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 adjudicate banker-customer disputes.

1. Unauthorized / Erroneous Debit

- 1.1 If the bank has raised an unauthorised /erroneous direct debit to an account and upon being informed of the erroneous debit, the entry will be reversed with proper value date, after due verification. In such cases, the Bank will compensate the Customer, in case Customer has suffered loss of interest due to reduction in the minimum balance applicable for payment of interest on savings bank account or by way of payment of additional interest to the bank in a loan account or by way of payment of any interest or penal charges in credit card account or any charges levied for return of cheques due to shortfall in balance.
- 1.2 In case verification of the entry reported to be erroneous by the Customer 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 erroneous debit. In case, the verification involves a third party, the bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the Customer.

1.3 Erroneous/unauthorized transaction reported by customers in respect of credit card operations, which require reference to a merchant establishment, will be handled as per rules laid down by card association. Currently the chargeback investigation on account of chargeback disputes range between 45 to 90 days. The Bank will provide explanation and if necessary documentary evidence to the customer.

1.4 The Bank reserves its right to debit the account for reversing the amounts in case a wrong credit is posted to a customer's account without payment of any compensation.

1.5 Reversal of Erroneous Debits arising on Fraudulent or Other Transactions.

- (i) In case of any fraud, if the Bank is convinced that an irregularity/ fraud has been committed by its staff towards any constituent, Bank shall at once acknowledge its liability and pay the just claim along with compensation to the extent mentioned in item No.1.1.
- (ii) In cases, where the branch is at fault, Bank shall compensate the customer without demur to the extent mentioned in item No.1.1.

In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system, the Bank shall compensate the customer upto the amount of the erroneous debit, but not exceeding an amount of ₹ 10,000./-. However, in such cases, no compensation will be payable under the terms of item 1.1.

1.6 Reversal of Erroneous/Unauthorised/Fraudulent debits arising on Internet Banking (Vishing/Smishing) related transactions

Fraudulent debits arising out of Internet banking are mainly categorised as under:

- Funds Transfer to another account (within the Bank and outside the Bank)
 - Internet /MOTO using Credit /Debit card
 - Skimming/Counterfeit of Credit/Debit Card
 - Hacking of internet ID/password
 - Pre-paid mobile recharge transaction using Credit/Debit card.
 - Transactions in shopping malls using Credit/Debit Card.
- a. In case of any fraud, if Bank is convinced that an irregularity/fraud has been committed by its staff towards any constituent, the Bank will at once acknowledge its liability and pay just claim.

- b. In cases where the Bank is at fault, Bank will compensate the customer without demur.
- c. For cases where the Bank is not at fault, but the customer has either acted fraudulently or inadvertently compromised his Internet Banking security details or acted without reasonable care (which includes not taking steps to protect computers from hackers) Bank/Customer will be bound by Clause numbers 12.6 of the revised Code of Commitment by Banking Codes and Standards Board of India which stipulates that banks are not responsible for losses caused by a third party when customers have acted without reasonable care.

However, in exceptional circumstances IndusInd Bank may compensate the customer for cases where the customer has not compromised any personal and confidential security parameters required to complete an Internet banking transaction and based on merits of the claim upto INR 10000/-

2. National Automated Clearing House (NACH) / direct debits / Standing Instructions /Other Debits to accounts

The bank undertakes to carry out direct debit / standing instructions/ NACH debit instructions of Customers in time subject to the following:

- a) Customer having already provided valid and complete mandate to accept any debit received from NACH.
- b) Customer having already submitted a mandate for standing instructions.
- c) Direct debit received is complete and correct.
- d) Customer having sufficient balance maintained in the account at the time of implementing direct debits/ standing instructions/ NACH.

Failure to carry out the instructions subject to the aforesaid clauses and for reasons directly attributable to the bank, the Customer shall be compensated at the prevailing fixed deposit interest rate for the period between the due date of direct debit/ standing instruction debit and the date of actual debit carried out by the bank. We shall also reimburse the Customer to the extent of any penal interest, late payment charges levied by the debit originating Bank, upon producing evidence of the same.

The bank would debit the Customer's account with any applicable service charge as per the schedule of charges notified by the bank. In the event, the bank levies any charge in violation of the arrangement, the bank will reverse the charges when pointed out by the Customer subject to

scrutiny of agreed terms and conditions and such other terms and conditions as may be communicated from time to time.

Where it is established that the Bank had issued a credit card without consent (written, e-mail, on phone, SMS etc) of the recipient, the Bank would not only reverse the charges immediately but also pay compensation without demur to the recipient amounting to twice the value of charges reversed as per regulatory guidelines.

3. NACH

Bank would give NACH Credit on the same day of receipt. In case of any delayed NACH Credit, Bank will pay penal interest at the current RBI LAF Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiaries' account. Penal interest shall be credited to the Beneficiary's Account even if no claim is lodged.

4. RTGS / NEFT

Bank would make payment to the beneficiaries instantly on the same day (within two hours of receipt of funds) by crediting the specified account of the beneficiary or otherwise placing funds at the disposal of the beneficiary. In the event of any delay or loss on account error, negligence or fraud on the part of an employee of the Bank in the completion of funds transfer pursuant to receipt of payment instruction by the Bank leading to delayed payment to the beneficiary, the 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 Bank shall refund the amount together with interest at the current RBI LAF Repo Rate plus two per cent till the date of refund.

The sendor/ originator shall be entitled to claim the compensation from the sending bank for the period of delay in the completion of funds transfer, and/or any other penalty which may be levied / decided by RBI

During the RTGS / NEFT operating hours, Bank will 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.

Bank shall not be liable for any loss or damage arising or resulting from delay in transmission delivery or non-delivery of Electronic message or any mistake, omission, or error in transmission or delivery thereof or in deciphering the message from any cause whatsoever or from its

misinterpretation received or the action of the destination Bank or any act or event beyond control of the Bank.

5. Payment of Cheques after acknowledgement of Stop Payment Instructions:

In case a cheque has been paid after stop payment instruction is received and acknowledged by the bank, and there have been no subsequent and contradictory instruction received by the bank, the bank shall reverse the transaction and give value-dated credit to Customer's account. Any consequential loss by way of interest loss/ payment of charges by the Customer will be compensated as provided under Para 1 above. Such debits will be reversed within 2 working days of the Customer intimating the transaction to the bank.

6. Collection of outstation Cheques/ Instruments within India

The compensation on account of delays in collection of Cheques/ Instruments would be as indicated in the Bank's Policy on Collection of Cheques/ Instruments, in the following instances:

- a) Payment of Interest for delayed Collection of Outstation Cheques
- b) Cheques / Instruments lost in transit / in clearing process or at paying bank's branch

7. Compensation for loss of instrument in Transit

The Bank's Compensation Policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the Bank for collection is as under:

7.a. Cheques / Instruments lost in transit / in clearing process or at paying bank's branch:

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. The Bank will compensate the accountholder in respect of instruments lost in transit as under:

- 7.a.i.** In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7 /14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- 7.a.ii.** In addition, bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.

7.a.iii. The bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a bank/ institution who would charge a fee for issue of duplicate instrument

8. Collection of Cheques/ Instruments drawn on Foreign Countries

The Compensation on account of delays in collection of Cheques/ Instruments drawn on Foreign Countries would be as indicated in the Bank's Policy on Collection of Cheques/ Instruments.

9. Loss of instruments in transit

The Compensation on account of loss suffered by customers due to loss of instrument after it has been handed over to the bank for collection would be as indicated in the Bank's Policy on Collection of cheques/ instruments

10. Issue of Duplicate Draft and Compensation for delays

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of corresponding period will be paid as compensation for such delay

11. 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 will 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.

12. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonor of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that since "at par instruments" are only cheques drawn on accounts maintained with the bank are not prepaid instruments, the bank will not honor cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding of cheques issued. Issuing bank i.e. Cooperative Banks/ Drawer of the cheque would be responsible to compensate the cheque holder for non-payment/delayed payment of cheques in the absence of adequate funding arrangement.

13. Remittances within India other than NACH / NEFT

In case of any delay in receiving the remittance amount at the destination, the Bank will compensate the Customer, at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts.

14. Bills for Collection

In case of Delays in Collection of Bills, Bank will pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts. The delayed period will be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for (i) Despatch of bills; (ii) Presentation of bills of drawees. (iii) Remittance of proceeds to the lodger's bank. (iv) Crediting the proceeds to drawer's account.

To the extent the delay is attributing to the drawee's bank, the lodger's bank may recover interest for such delay from drawee bank.

15. Foreign Exchange Services

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the bank would not be able to ensure timely credit from overseas banks. It is the bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, solely at its discretion may consider upfront credit against such instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past. However, the bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account/ due date after taking into account normal cooling period stipulated. The compensation in such cases will be worked out as follows:

- a) Interest for the delay in crediting proceeds as indicated in the collection policy of the bank.
- b) Compensation for any possible loss on account of adverse movement in foreign exchange rate.

16. Lenders liability : Commitments to borrowers

The bank has adopted the principles of lenders of liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to customers adopted by the bank, we will return to

you all the securities / documents/title deeds to mortgaged property within 15 days of the repayment of all dues agreed to or contracted. We will compensate you for any delay in return of securities / documents / title deeds to mortgaged property beyond 15 days of the repayment of all dues agreed to or contracted @ Rs.50 per day for delay beyond 15 days.

17. ATM related issues

All admitted customer claims about wrongful debit on account of failed ATM transactions will be reimbursed to the customer within a maximum period of 7 working days from the date of the receipt of the customer complaint. For any failure to re-credit the customer's account within 7 working days from the date of receipt of the complaint, the bank will pay compensation of Rs.100/-, per day, to the aggrieved customer. This compensation will be credited to the customer's account automatically without any claim from the customer, on the same day when the bank affords the credit for the failed ATM transaction. Customers are entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within 30 days of the date of the transaction. Any other bank customer using our Bank ATM machine needs to approach his / her respective bank for compensation. The other Customer bank will raise a chargeback on our Bank which will be responded within 6 working days of the date of chargeback claim receipt.

18. Compensation on Unauthorised electronic banking transactions

The Compensation on account of Unauthorised electronic banking transactions would be as indicated in the Bank's Customer Protection Policy.

19. 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 labor 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.

20. General

Acceptance of the compensation by the customers under this policy shall be deemed to be final settlement of all issues arising out of grievances for which compensation is claimed.
