

Customer Compensation Policy

A Introduction

1. Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes that have been undertaken by various players in the market have enabled market forces of competition to come into play to improve efficiencies in providing better service to the users of the system. It will be the endeavor of Small Industries Development Bank of India (SIDBI) to offer services to its customers with best possible utilization of its technology infrastructure.
2. Reserve Bank of India (RBI) has also been issuing various instructions / guidelines, from time to time, with a view to improving the level of service available to the customers of the banking industry and also to empower the banks to promote efficient service.
3. As the customers are the biggest stakeholders of the Bank, the policy truly reflects the commitment of the Bank to enhance the value to the customers. The customer compensation policy of the Bank is a reflection of the Bank's ongoing efforts to provide better service to our customers and set higher standards for performance.
4. SIDBI has already placed well documented Customer Service Policy which reflects the following:
 - Customer delight with excellent services;
 - Continuing to act in an ethical, transparent and responsible manner, becoming the role model for corporate governance;
 - One of the important requirements for customer delight is to have ethical and transparent policy in all its dealings;
 - Deploying world class technology, systems and processes to improve business efficiency and exceed customers' expectations;
 - Hence, the Bank acknowledges that the customer is the core constituent of the Bank and every action of the Bank should be aimed at Customer Delight and the Bank should not allow its operations to lead to any monetary loss to the customer on account of any deficiency in service.
5. This Compensation policy of the bank is, therefore, designed to cover the following areas:
 1. Erroneous / Unauthorised debiting of account
 2. Compensation to Depositor
 3. Delay in release of Securities / Documents / Title deeds
 4. Award of Compensation
 5. Violation of the Code by Bank's representative / Agent

6. Force Majeure
7. Amendment / modification of the Policy

6. The policy is based on principles of transparency and fairness in the treatment of customers.

B Objective

- a. The objective of this policy is to establish a system whereby the Bank compensates the customer for any financial loss the customer 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 instances when the customer has to approach Chief Grievance Officer or any other Forum for redressal to come down significantly.
- b. 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.

C Scope of the Policy:

Definition of Customer for the purpose of this Policy:

A person or entity that maintains a loan account / fixed deposit with the Bank or availing or has availed any financial assistance or has availed any service in the ordinary course of business.

- i. The policy is applicable to all Branch Offices (BOs) / Regional Offices (ROs) / Head Office (HO) Verticals / Cells of SIDBI, and to be read in conjunction with related operational guidelines from time to time.
- ii. The contents of the policy shall always be read in tandem / auto-corrected with the changes / modifications that may be advised by RBI / by the Bank from time to time.
- iii. This policy attempts to deal with the financial loss to the customer on account of deficiency in service / omission / commission directly attributable to the Bank / its staff.
- iv. This policy expressly excludes compensation, if any, relating to non-financial loss.

- v. This policy excludes cases where the Bank functions as a nodal agency / agent of the Government or its bodies for facilitating payment of subsidies or other benefits.

D Recognition of deficiencies and compensation:

1. Erroneous / Unauthorised debiting of account:

- a) The Bank at present maintains only loan accounts of its customers in respect of financial assistance availed by them and as such also retains various rights to debit customer loan account as per the terms thereof. However, if during the process, Bank has raised an unauthorized / erroneous direct debit to an account, the entry will be reversed on being formally informed of the erroneous debit, after verifying the position. In the event the unauthorized / erroneous debit has resulted in a financial loss for the customer by way of payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss.
- b) In case verification of the entry reported to be erroneous by the customer does not involve a third party, the bank will endeavor 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 or where verifications are to be done at overseas centers, 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.

2. Compensation to Depositor:

- In case of any fraud, if the Bank is convinced that an irregularity / fraud is committed by its own staff towards any constituent, the Bank will pay the just claim after investigation of the matter and take all steps for mitigating the losses.
- In cases the Bank is at fault, the bank will compensate the depositor without any demur.
- However, the payment of compensation amount would be considered by the Bank on a case to case basis.
- Detailed Policy on Bank Fixed Deposit is also hosted on website.

3. Delay in release of Securities / Documents / Title deeds

- a) At the formal request of the party concerned, SIDBI would release the securities/return documents of title, at its office, within 15(fifteen) working days after it receives repayment or realization of loan, or other dues agreed to or contracted, subject to any lien or legitimate right or any other charges of any lender/ authority or claim that may exist against borrower / the securities and the party concerned furnishing latest address and identity proofs. If such right of set off or otherwise is to be exercised, SIDBI shall intimate about it to the party concerned with full particulars about remaining claims, lien or other rights and the provisions under which SIDBI is entitled to retain the securities or documents of title of the mortgaged property till the relevant claim is settled / paid or charge/claim or right satisfied/ waived. SIDBI will compensate the party concerned for direct monetary loss suffered, if, any due to delay solely attributable to SIDBI in release or return of the same.
- b) In the event of loss of title deeds to mortgage property at the hands of the Bank, the compensation will cover expenses for obtaining duplicate / certified documents subject to maximum of ₹ 25,000/-.
- c) In addition to the above, Bank will provide a lump sum amount of ₹ 5000/- for loans upto ₹ 20.00 lakh and ₹ 10,000/- for loans above ₹ 20.00 lakh on account of hardship to the customer.

4. Award of Compensation

- In case where credit is erroneously not effected on the applicable due date, the Bank will compensate the customer by reversing the transaction with back-dated effects. In any case, the compensation will be limited to the effect caused in the account of the customer in the books of the Bank only due to credit not being effected on the due date.
- The compensation as per this policy is payable to the customer only in those cases where any act of omission or commission is directly attributable to the Bank. However, no compensation shall be payable, in case where neither Bank nor customer is at fault, but the fault lies elsewhere in the system (viz. Government subsidy etc.).
- Unless quantified under this policy, award of compensation shall be made only on well recognized legal principle governing quantification of damages or compensation on proof of actual loss suffered directly and restricted to the actual financial loss of the customer arising out of the amount in the books of the Bank only.

- No claim shall be considered, under any circumstance, based on qualitative aspects like reputation damages, loss of image in the society, loss of business, loss of income, etc. in cases where the loss cannot be measured directly.

5.

Violation of the Code by Bank's representative / Agent

- a) In the event of receipt of any complaint from the customer that the Bank's representative / agent has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to MSMEs which the bank has adopted voluntarily, the bank is committed to investigate the matter and endeavor to communicate the findings to the customer within maximum period of 3 months from the date of receipt of complaint and wherever justified, compensate the customer for financial loss, if any, as contemplated under this policy.
- b) It may be mentioned that an acknowledgment would be sent by the concerned Branch Office (BO) / Regional Office (RO) / concerned Vertical to the complainant within 3 working days but not later than 5 days after receipt of the complaint.
- c) It may be also mentioned that Bank will not be responsible for the loss to the customer, if the alleged loss is attributable and / or on account of negligence of the customer or if the customer has acted fraudulently, dishonestly and/or acts without reasonable care.

6. **Force Majeure**

The bank shall not be liable to compensate customers for any loss caused by 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), or forces beyond the control of the Bank which prevent it from performing its obligations within the specified service delivery parameters.

7. **Amendment / modification of the Policy**

The policy will be effective from the date of release and it will continue to be in force till the reviewed policy comes into place, whichever is earlier. However,

the Bank reserves the right to amend / modify this policy, as and when deemed fit and proper, at its sole discretion or at the direction of RBI. DCV shall be the custodian of the policy.

8. Custodian of the policy:

Direct Credit Vertical or such Vertical as identified shall be the Custodian of the Policy.

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