

## **Customer Compensation Policy**

### **Introduction**

HDFC Bank offers high levels of service to its customers. In the event, for some reasons beyond the control of the bank or inadvertently, the bank is unable to meet the service levels committed in the dealings with individual customer, this compensation policy will be applicable. The Compensation policy is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques /instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this policy 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 instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

It is reiterated that the policy covers only compensation for financial losses in real terms for specific value 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. 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.

#### **1. Un-authorized / Erroneous Debit:**

If the bank has raised an unauthorized/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, by way of loss of savings account interest due to reduction in the minimum balance applicable for

payment of interest on savings bank deposit or payment of additional interest to the bank in a loan account or any charges levied for balance falling below minimum balance requirement or any charges levied for return of cheques due to shortfall in balance.

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 seven 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.

## **2. ECS direct debits/other debits to accounts:**

The bank undertakes to carry out direct debit/ ECS debit instructions of customers in time subject to (a) Customer having already provided valid and complete mandate to accept any debit received from ECS (b) Direct debit / ECS received is complete and correct. Failure to carry out the instruction subject to clause (a) and (b) as above 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 / ECS debit and the date of actual debit carried out by the bank. Direct / ECS debits which are towards payments of an Equated Monthly Installment (EMI), the bank would reimburse the customer, penal interest, late payment charges, if any levied upon producing evidence of the same... Electronic payments such as RTGS / EFT / NEFT instructions will be governed by the applicable terms and conditions communicated to the customer.

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 with value 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.

### **Credit Cards:**

Where it is established that the bank had issued and activated a credit card without written consent of the recipient, the bank would reverse the charges immediately and also pay a penalty without demur to the recipient amounting to twice the value of charges reversed in this regard. Operation of credit account shall be in accordance with HDFC

Bank credit card terms and conditions. Transactions reported as erroneous by customers in respect of credit card operations, which require specific reference to a merchant establishment will be handled as per chargeback rules laid down by VISA / Master card international. The bank will provide explanation and, if necessary documentary evidence to the customer within a maximum period of sixty days.

**3. Payment of Cheques after 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 instructions received by the bank, the bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as provided under Para 1 above. Such debits will be reversed after ascertaining the facts within seven working days of the customer intimating the transaction to the bank.

**4. 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. 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 the day when the amount is due for credit after taking into account normal cooling period as detailed in the cheque collection policy. 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.

**5. Remittances in India:**

The compensation on account of delays in collection of instruments would be as indicated in the bank's cheque collection policy 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:

**6. Erroneous Debits Arising on account of Fraudulent or Other Transactions:**

- a) In case of a claim raised by any of the customers, the bank shall depute staff personnel to investigate the matter in its entirety and if the bank is convinced that an irregularity /fraud has been committed by its staff towards any constituent, the bank will acknowledge its liability and pay the just claim.
- b) In cases where the bank is at fault, the bank will compensate the customer without demur.
- c) In cases where neither the bank nor the customer is at fault, but the fault lies elsewhere in the system, the Regional Business Manager can take a decision to reimburse the customer up to an amount of Rs 1,000/-.
- d) For any claim greater than Rs 1,000/- the matter would be required to be referred to the Grievance Redressal Cell. The Cell would then after updating the Top Management take a final decision in this regard.

**7. 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, bank shall take appropriate steps to investigate and to handle the complaint and to revert to the customer within seven days from the date of receipt of complaint and wherever justified, shall compensate the customer for financial losses, if any.

**8. 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 the "at par" instruments are only cheques drawn

on accounts maintained with the bank and are not prepaid instruments, the drawee bank will not honour cheques drawn on the current accounts maintained by the concerned banks with it unless arrangements are made for funding the cheques issued. This has been communicated very clearly in the agreements entered into with the co-operative banks concerned. Thus, the 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.

**9. 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 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 beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.