

Exemplary Cases Dealt With By Banking Ombudsman Offices during 2009-10

1. Floating rate of interest : Treating the Spread as variable: The complainant had availed home loan from the bank repayable in ten years at floating rate of interest. As per the sanction letter, the interest rate applicable was to be PLR minus 3.75% (spread). Instead of reducing the interest rate subsequently with reduction in PLR, the bank had kept the interest rate unchanged by changing the spread to BPLR, although, the spread should have remained constant while the BPLR could be changed by the bank depending on market movements. Moreover, the interest rates could be changed only at the time of review/renewal of account, which was also not followed by the bank, the rates being charged on adhoc basis. The BO directed the bank to recast the amount of interest payable by the complainant at the rate agreed at the time of sanction of housing loan and revise only at the time of review/renewal of account.

2. Non-payment of sum assured against home loan insurance cover : The complaint was lodged by the widow of the borrower for non payment of sum assured against insurance policy taken against home loan. The loan was disbursed by the bank and insurance premium was also debited to the loan account. The bank stated that a demand draft was issued in favour of the Insurance Company and despatched to them. However, the insurance policy was not issued and the bank made no efforts to follow up with the insurance company to rectify the position. Unfortunately, the borrower expired and the failure of the bank to ensure proper insurance cover deprived the widow of the borrower and his legal heirs, the benefit of the insurance cover. The BO held that the bank's failure to ensure proper insurance cover as per terms and conditions of sanction or advise the complainant to find alternate cover, constituted deficiency of service. The sum assured under the insurance policy was quantified as the amount of actual loss and the bank was directed to pay ` 4.28 lakh to compensate the complainant.

3. Levying of charges in Housing Loan Account : A borrower had complained that the bank had levied supervision charges and service tax in his housing loan account without any prior information. The bank submitted that the charges were recovered as per its internal guidelines and furnished a copy of loan sanction letter according to which processing charges and service charges were to be recovered from the loanee. These charges did not include supervision charges. Therefore, the bank was advised to justify the necessity of supervision charges in the housing loan account as these charges were not specifically mentioned in the loan sanction letter, failing which the bank should reverse the charges. As advised by BO, the bank had reversed the supervision charges in the complainant's loan account.

4. Charging higher rate of interest linked to BPLR on Housing Loan : The complainant who had availed of a housing loan from the bank alleged that the bank was charging higher rate of interest than agreed upon. The bank forwarded a copy of agreement letter signed/accepted by the complainant wherein complainant had agreed to floating rate of interest, in terms of which the rate of interest was changed with changes in the PLR of the bank. The bank also advised that changes in rate of interest were displayed in the branch and through their bank's website from time to time. The BO directed that as the complainant had agreed to the terms and conditions which provided for floating rate of interest, bank's action of charging the higher rate of interest was in order.

5. Failure to carry out instructions of the borrower : The complainant had availed home Loan from a bank and had given post dated cheques (PDCs) drawn on a Co-operative bank which was later placed under moratorium. No sooner the complainant came to know about this, he issued fresh PDCs drawn on another bank to avoid any default in payment. The complainant issued written instructions to the bank not to present the PDCs drawn on the Co-operative bank and to return the same to him. Despite acknowledging the letter, the bank presented the cheques drawn on Co-operative bank and levied cheque return charges, penal charges and also issued legal notices to the complainant. The BO observed that the bank had not followed the minimum standards of banking service. The bank accepted the error and reversed the cheque return charges and penal charges levied on his home loan account. The BO directed the bank to suitably compensate the complainant who was a senior citizen. The bank paid ` 7750/- as compensation.

6. Dispute over failed ATM transaction: One account holder complained about wrong debit by the bank for failed ATM transaction. On taking up the matter, the bank submitted that as reported by the acquirer bank, the transaction was successful. The bank also submitted an Electronic Journal (EJ) copy indicating '000' code for the successful transaction. Complainant insisted that he had not received the money though his account was debited. Later on, the issuing bank informed the credit of the disputed amount, as they had received the fund from the acquirer bank. The bank was advised to compensate the complainant for the delay in reversal of the disputed ATM transaction.

7. ATM withdrawal : Penalty for delayed reversal of wrong debit: The complainant maintained an account with AB Bank. He withdrew an amount of ` 500 from the ATM of DH bank on July 28, 2009. The cash dispensed by the machine was only ` 400. However, his account was debited by ` 500/-. The amount of ` 100/- was credited back to his account only on January 27, 2010 despite lodging the complaint immediately no penalty was paid to him as per the instructions issued by DPSS vide its circular dated July 17, 2009. Since the bank had delayed in affording the credit to the complainant's account by more than five months, BO directed the bank to pay the penalty amount of ` 16, 200/- for the delayed period.

8. Customer, a victim of lack of coordination at the bank : The complainant had alleged that despite making full payment of the outstanding amount on his card account and request for closure of the card, the card company was issuing monthly statements showing outstanding dues and giving constant telephone calls. While the issue was pending with BO, the card company had even served a legal notice harassing him. The response of the card company to his pleas was quite evasive. BO observed lack of coordination between the accounts wing and collection wing of the card company. Relying on the evidence of full payment of dues by the complainant, request for closure, copy of legal notice and absence of any written response to the complainant, BO observed that the approach of the card company was very lukewarm to the customer. Issuance of legal notice by the card company after receipt of a communication from the BO regarding the dispute also reflected the lack of sensitivity of the card company to customer grievances. The card company was directed to pay an amount of ` 5000/- to the complainant as compensation for the harassment.

9. Fraudulent transfer of funds by using net banking: A complaint was received about fraudulent transfer of ` 1.60 lakh from account of the complainant using the net banking facility by unauthorized persons. The complainant had opted for net banking facility for non financial transactions only. The bank informed that the complainant might have compromised his password to the fraudsters which was denied by the complainant. It was observed that the fraud had taken place due to faulty security system of the bank as a financial transaction had taken place using the complainant's password for non-financial transaction. The bank was advised to furnish details including copies of the account opening forms of the "beneficiaries" and all other related papers. BO observed that the bank had violated KYC norms while opening the account of the fraudsters enabling them to perpetrate the fraud and abscond. The bank was ordered to re-credit the complainant's account with the amount fraudulently withdrawn together with interest for the period he was out of funds.

10. Unreasonable/usurious credit card charges : A complainant submitted that in the year 2000 he paid his card dues partially (` 2500/- in place of ` 5196/-). However the bank never sent any statement/notice till date. Suddenly, they raised a demand of ` 108,000/- in this regard. As the amount demanded was excessive as compared to the actual outstanding, the issue was taken up with the bank, which offered a full and final settlement for ` 3975/-.

11. Fraudulent transactions against lost credit card : The complainant collected his ATM card personally from the DEF Bank. He had reportedly never used the card for he had misplaced it immediately on receipt itself. His card was reportedly misused at various POS which he came to know only when he got his passbook updated in mid-October 2009. Immediately he contacted the helpline to hotlist the card. The BO observed that the bank failed in its duty to provide the complainant the copies of charge slips or details of the concerned merchant establishments; instead, it merely directed the complainant to contact the acquirer bank for addressees of the merchant establishments. Bank could not produce the charge-slips to the BO also. The bank also failed to do a charge-back as per the guidelines of the VISA/Master Card. BO also observed from the charge-slips produced by the complainant that the signatures on the charge slips were not reasonably matching with the signatures of the complainant on the reverse of the card. Hence, BO passed an award directing the bank to

reverse all the disputed transactions. AA, while examining the appeal, observed that when the Debit card itself was missing, BO had no means of confirming the signature on the lost card. As such, the question of BO verifying the signature on the reverse of the Card does not arise. In a card lost scenario, it is not possible to verify the genuineness of the signatures appearing on the Charge Slip with that on the Card, unless the lost card is found subsequently. Therefore, AA decided to the remand the complaint back to the Office of the BO for issuing fresh orders.

12. Non-updation of CIBIL records: One credit card holder complained about the bank's claim against his settled credit card account dues, and non-updation of his status with CIBIL. The bank accepted that although the credit card account was settled three years ago, the status of the account could not be updated in the records of the bank with CIBIL, which was rectified subsequently. Clear negligence was observed on the part of the bank for not updating their records for more than three years, resulting in undue harassment to the complainant. The bank was directed to pay an amount of ` 10000/- to the complainant as a token compensation for the violation of BCSBI Codes.

13. Cheque lost in transit by the bank : A complaint relating to non-credit of cheque amount to the account of the complainant was received. The Complainant had reportedly taken up the matter with the bank several times but there was no response by the bank. The bank reported to the BO that the cheque in question was lost in transit resulting in non-credit of the cheque amount to the complainant's account. At the instance of BO, the bank took up the matter with the issuer and got issued a duplicate cheque and the amount was credited to the complainant's account.

14. Unauthorized Debit : A complainant stated that he had deposited a cheque on March 26, 2010 and the amount was duly credited to his account. However, the same was reversed by the bank on the next day without assigning any reason. The bank submitted that the drawer of the cheque had issued 'stop payment instruction' in writing on March 26, 2010 as the 'cheque was stolen' and so it reversed the entry as a precautionary measure. On examination, it was observed that the bank was deficient in providing services as it had first cleared the cheque and subsequently reversed the same on receiving the stop payment instruction later from the drawer, which was in violation of the banking practice and para 8.4.a of the BCSBI codes. The bank had thus debited the account without any authority. The bank was directed to credit ` 2.99 lakh being the amount of cheque plus an interest at the rate applicable to SB Account.

15. Loss of cheque from Cheque drop box : Complainant X , an SB account holder with bank A, had dropped a cheque for ` 50,000/- drawn on bank B in the cheque drop box of bank A as advised by the staff of bank A. The proceeds of the cheque in question was collected through clearing by bank C after opening an account purportedly in the name of X which was subsequently withdrawn. Bank A submitted that the list of instruments deposited on the relevant date did not contain the details of the disputed instrument. The collecting bank C stated that it had collected the proceeds of the instrument to the account of its customer through clearing and the account of the customer was opened by adhering to KYC norms prescribed by RBI and also as per bank's internal guidelines. After considering the submissions made by all the parties, the BO observed that bank A had contributed to the negligence insofar as not displaying mandatory instructions issued by RBI on the cheque drop box with regard to the option of dropping the cheque in the box or tendering the instrument at the counter for obtaining acknowledgement. Further, the collecting banker C had not followed the KYC norms in opening the account in the name of the new customer and allowing withdrawal soon after collecting the high value cheque for ` 50,000/-, particularly when the account was opened with initial deposit of ` 200/- only 3 days before depositing the cheque. BO, therefore directed both the banks to share the loss suffered by the complainant equally and pay a compensation of ` 6000/-.

16. Wrong credit of cheques sent for collection : The complainant alleged that five cheques amounting to ` 46,100/- deposited with the bank for collection were wrongly credited to a Government account. In spite of repeated assurance given by the bank, the amount was not re-credited for almost 20 months. The bank was directed to credit the amount together with interest at the term deposit rate to the complainant's account for the period he was out of funds.

17. RTGS Issues : One complainant had initiated two RTGS remittances from one bank to his loan account with another bank. The debit status was successful but the credit status was 'returned / unpaid'. Due to technical problem at RBI level, the originating bank transferred the funds on the next

working day only and as such, the destination bank charged penal interest in his loan account for the delay in credit to his loan account. As per the terms and conditions applicable to RTGS members, the liability of RTGS operator (RBI) is excluded for system failure. The complaint was closed accordingly.

18. Unilateral closure of SB account : One SB account holder alleged unilateral closure of her saving bank account, without any intimation to her. The bank submitted that the inoperative account was automatically closed by levying minimum balance charges as per bank's extant rule. However, the bank was silent on the issue of not following the prescribed procedure for closing the account. As per its schedule of service charges, no service charge is applicable if stipulated minimum balance is maintained in the account. Otherwise ` 75/- per annum would be levied, and if the balance is less than ` 75/-, the account is to be closed with notice/advice to the customer. However, the account was closed by the bank unilaterally without any notice/advice to the complainant. Hence, deficiency in the services on the part of the bank was clearly established. The bank had violated its own policy, RBI guidelines and Para 2 of BCSBI Code of Bank's Key Commitments to Customers causing inconvenience to the complainant. In view of the observations, the bank was directed to pay a token compensation of ` 500/.

19. Freezing the savings bank account without any valid reason : The complainant, an ex-employee of the bank, alleged that the saving bank account was unilaterally put on hold by the bank without citing any reason for the same. As a result, a cheque issued by him bounced for the reason 'account on hold'. The bank submitted that the complainant's account had since been 'de-frozen' and the charges in respect of the cheque return would be reversed. The bank, however, could not give a convincing reply for freezing the account and did not furnish any documentary evidence as to under whose orders the account was frozen and for what purpose. BO observed that the bank's action of not issuing a notice to the complainant for freezing the account and subsequently dishonouring the cheques issued by him, was not fair and not in accordance with the practice of banking. It tantamount to high handedness and the deficiency in service was thus established. The bank was directed to pay ` 5000/- as compensation.

20. Discriminatory charges : A current account holder complained against a scheduled co-operative bank regarding levy of cash handling charges, which was different from the information displayed on their website. The bank stated that they have fixed separate cash handling charges for the said branch in view of the high inflow of cash at the said branch in small denominations and the charges were applicable to all customers of the said branch. Since there was no Board approved schedule of charges prescribing for separate parameters for the said branch, the BO directed the bank to refund the excess charges collected from the account holder.

21. Change in the contracted rate of interest on Fixed Deposit : The complainant had deposited an amount of ` 30,000/- with a bank as fixed deposit for a period of 120 months with an interest rate of 11% per annum. As per the Fixed Deposit Receipt given to him, the Maturity Value was ` 88,796/-. After the maturity period, when the complainant went to collect the maturity value against the receipt, he was told that the rate of interest mentioned in the Deposit Receipt was wrong and in place of 11%, the rate of interest would be 10% and accordingly, the maturity value would be about ` 80,000/- against the maturity value ` 88,796/- mentioned in the receipt. The bank submitted that the deposit was made on 4.4.2000 for 10 years and while issuing the deposit receipt, the branch, by mistake, mentioned the interest rate to be 11%. However, the HO of the bank reduced the rate of interest on the deposit on the same day i.e. 4.4.2000 to 10% and the same might have been received by the branch afterwards. BO observed that the revision of interest rate was done post facto and that too without informing the depositor and this was not correct. Subsequently, the bank agreed to pay interest on the deposit as per the receipt issued to depositor.

22. Forging of signature of wife by the estranged husband : The Appellant, having an SB Account in her name with modest balance of just over Rs 8000/, suspected that her account was being operated by her husband by forging her signature and made enquiry with the branch. She was informed that there were 8 withdrawals from her account of ` 1000/ each by her husband, all in a short span of 20 days. Branch officials, sensing problems and ignoring her request to investigate into the matter, closed her account by getting her forced signature on a paper which was duly converted by the branch officials as the account closure letter. Even though she requested them to take action, no FIR was filed by the branch. BO closed the case under clause 13.C of BOS. AA observed that her

signatures on the cheques glaringly differ from her specimen signature and that forgery is quite visible with naked eyes. Besides, there are over writings also in the cheques which were not authenticated. It seems, being small amount of ` 1000/ each, no signature verification was done by the branch officials before paying the amount. Instead of filing an FIR against the alleged fraudster, as requested by her, the branch came with false statements like "She came to the branch on her own free will and requested to close her account", "her husband was withdrawing the money with her consent and knowledge", "bank is not liable for the forged payments", etc . AA noted that the branch found it convenient to close her account, rather than to redress her grievances, to avoid further problems, which is a deficiency in service. The AA directed the bank to reopen her SB account, re credit the amount of ` 8,000/ irregularly paid by the bank and to pay her a token compensation of ` 5,000 towards cost of the appeal, the mental agony, harassment and misery caused to her by the branch.

23. Refusal to open S B Account without introduction : The complainant approached the AB bank with a request to open a Savings Bank Account to enable his employer to credit his pension amount. The bank refused to open the account without introduction of an account holder from the same bank on the plea that it was in terms of KYC guidelines. On taking up the complaint, the bank replied that the above condition is a must while opening the accounts. However, it was observed that no such condition was mentioned in the KYC- FAQs placed on the bank's website. The bank was therefore advised to stop restrictive practice with an advice to insert appropriate changes in their Citizens' Charter regarding the alternative proof of identification to be produced while opening account in the absence of introduction from the existing customer of the same bank.

24. Non-payment of dues of the deceased account holder : A complainant alleged that balance in the saving/fixed deposit account of her deceased husband was not paid to her. The account holder who died in December 1998 did not mention the name of the nominee while opening the accounts. She reportedly complied with the requirement of the bank. She further alleged that after fulfilling the requirements of the bank, the branch manager told her that the payment would be made only after enquiry officer completed the enquiry. In spite of several requests the complaint remained unresolved. At the intervention of BO, the bank paid all the dues to the complainant through banker's cheque.

25. Fraudulent conversion to a joint account and transfer of funds through net banking : A complaint was regarding unauthorized transfers from the account of the complainant through net banking whereas she had never applied for net banking facility. The complainant alleged that with the connivance of her ex-husband, who was also bank's Deputy Manager, the bank staff had transferred funds from her savings bank accounts through net banking and other instruments with forged signatures. The bank had converted her account as joint with her ex-husband and allowed various debits in the account without her knowledge. She also alleged that she was also not allowed to operate the account. The bank representative submitted that the account opening form was not traceable in the branch. BO observed that the bank converted the savings bank account (with single operation) as joint with her ex-husband without her consent. It irregularly withheld transactions in the savings bank account on the basis of a request made by her ex-husband. All the transactions were made by her ex-husband as the joint account holder without any mandate of the only account holder. As crucial records of the bank were missing, mala fide intention on the part of the complainant's ex-husband or some other officials appeared to have been established resulting in deficiency in services of the bank. The bank was, therefore, directed to pay to the complainant the amount so appropriated immediately with up-to-date interest @ FD rate from the date of debit to the date of payment, restore the account as a single operated account in the name of the complainant, cancel the Internet Banking facility and allow operations to the complainant on her accounts.

26. Delay in commencement of Family Pension : The complainant approached the BO complaining that her family pension which was supposed to commence from October 2009 was not credited even after a lapse of six months. In response to the complaint, the bank replied stating that the pension along with arrears had been paid to the complainant, but not commented over the issue of compensation for the delay in payment. Therefore, the bank was directed to pay compensation for the period of delay @ Bank Rate + 2%.

27. Mis-selling of Insurance products: The complainant had filed a complaint against AB bank for misleading him and selling a private insurance policy to him and debiting his account towards payment of initial premium amount. He denied giving any mandate for debiting his account. On

examination of the complaint it was observed that the complainant was aware of all the facts while taking this policy as seen from the consent given on the application form by the complainant. Further, it was also observed that the complainant had provided the mandate for debiting his account towards the initial payment of premium. Therefore, the complainant's allegations were not tenable.

28. Insurance cover against loan : While granting personal loans against credit cards to the complainant, the bank issued four Insurance Certificates, which clearly indicated that the personal accident insurance benefit available to the 'bearer' of the certificate was of value five times of the loan amount. Subsequently, the complainant met with an accident, but the bank did not honour its commitment. It was observed that the certificates were issued by the bank's Credit Card Division to the credit card holder. The bank was not transparent while issuing these certificates as it insisted that the cover was available only in case of accident leading to permanent disability as per the definition of Personal Accident by the insurance company, a sister concern. However, the certificate did not indicate the same. BO directed the bank to reimburse ` 44,442/- to the complainant in accordance with the terms of the Insurance Certificates.

29. Delay in payment of insurance premium : A complainant had subscribed to the Healthcare Plus Scheme started by a bank with a tie up with an Insurance Company. The insurance policy was valid subject to continuous renewal of the policy. In one year the bank renewed the policy after a lapse of 5 days from the due date despite the complainant submitting the renewal application form to the bank well in advance. The bank clarified that they could not renew the policy in time due to some technical problem in their system. During June 2009, the complainant fell sick and underwent a surgery. Her claim for reimbursement of medical expenses was rejected by the Insurance Company stating the reason that the policy was not continuously valid for the previous six months. As there was clear deficiency of service on the part of the bank in not renewing the insurance policy on the due date and consequently the complainant had to undergo hardship on account of the same, the bank was directed to pay the amount paid by the complainant to the hospital authorities.

30. Non-processing of application for booking a car : It was complained that his application for booking of Nano car was not processed due to failure of the bank to realize the cheque for advance money deposited with the application. On inquiry with the bank it transpired that the bank's designated branch had not processed the application for technical reasons. Thus, he was deprived of the opportunity of allotment of a Nano car. The bank admitted deficiency in service in the hearing. As it was a system failure on the part of the bank and the complainant was not at fault, the BO directed the bank to resolve the contentious issue to the satisfaction of the complainant within 15 days. The bank complied with the directions and got an out-of-turn allotment of Nano car to the complainant with intervention of their HO.

31. Delay and non-sanction of education loan : A student had applied for education loan from a bank for pursuing MBA course. He had deposited `5000/- with the School as Registration fees. The Branch Manager assured him to provide the loan without delay. However after three months the branch returned all the papers stating that the Loan Disbursement Officer was ill because of which they were unable to provide the education loan. With the intervention of BO, it was agreed by both the parties, that the complainant would resubmit the loan application and the bank would consider the same again. Moreover, since the complainant had lost ` 5000/- which had been paid as registration fee to the Institute, the bank agreed to pay ` 5000/- as a token compensation and another ` 5000/- as a service gesture. The education loan was sanctioned subsequently by the bank and the student got admitted to the MBA course in the same School of Business.

32. Education Loan : Collateral Security - The complainant had availed educational loan amounting to ` 2.98 lakhs from AB Bank on 20/02/2007. The bank had taken LIC policies and FD of ` 75,000/- as security. As per the terms and conditions of sanction, payment of interest to commence 6 months after the completion of Course and EMI from March 2009 in 84 installments. Contrary to the above, bank started recovering the EMIs from September 2007 by encashing 6 cheques (PDCs) without obtaining the consent of the borrower and also levied cheque bouncing charges. The BO noticed that the bank had not adhered to the terms and conditions set out while sanctioning the loan. Further, as per IBA guidelines education loan up to ` 4 lakh was to be granted by obtaining the co-obligation of parents without insisting on collateral. BO directed the bank to make an offer to the complainant to

settle the issue wherein the complainant would pay the overdue amount and bank would reschedule the EMIs, reverse the cheque bounce charges and return the collateral securities.

33. Rejection of educational loan : The complainant approached the bank for an educational loan for pursuing a one year full time programme called "Advanced Certificate Course in Clinical Trial Management" which is a post graduate level programme in a University owned by the State Government for his daughter, offering himself as a co-obligant. The bank rejected the loan application stating that the said course was not coming under the approved list of the bank for considering educational loan. According to the bank, Certificate courses were not covered under their Student Loan Scheme. Accordingly, the complaint was rejected by the BO under Clause 13(d) of BOS - Without any sufficient cause. The complainant went in Appeal before the Appellate Authority. It was observed that the revised model educational loan scheme framed by IBA provided an indicative list of all eligible courses for granting educational loans to all banks further advising that each bank is free to extend loan to any course which is not covered in the RBI/IBA list, with the avowed target that no eligible student should be deprived of higher education for want of finances. In the instant case, AA observed that the Appellant wanted to pursue a full time twelve months Advanced (post graduate level) Certificate Programme in Clinical Trial Management run by the prestigious University with assured placements and as such, cannot be treated as a routine Certificate Course of short duration. Going by the spirit of the GOI /RBI/IBA policy, even routine Certificate Courses are eligible for granting educational loan, if the application is otherwise in order. AA directed the bank to grant the educational loan as requested by them treating the appellant as a co-obligant under the usual terms and conditions governing such loans.

34. Loan against Fixed Deposit receipt not in the name of the borrower : The complainant had a fixed deposit with the bank. He did not receive the fixed deposit receipt for some time. Later on, he found that against his term deposit receipt, the bank had sanctioned loan to another person. At the instance of BO, the bank conducted an enquiry and the loan account against the fixed deposit was closed. The fixed deposit receipt was handed over to the complainant. The bank was advised to properly investigate into the matter and fix staff responsibility/ accountability.

35. Attaching under Banker's General Lien, the security pledged by the son against a loan taken by his father : The complainant approached the BO for non-return of jewels which were retained by the bank as security even after clearing of all dues in respect of a loan availed of by him. The jewels were retained by the bank on the plea that the complainant's father had also taken a loan and that it was overdue. The bank refused to return the jewels to him stating that as the son was a member of the family; his jewels also could be construed as that of the family and hence retainable as security for the outstanding loan of his father under the Banker's General Lien. The bank's stand was not upheld by the BO as the loan was taken by the son in some other context and he had no dues to the bank. The bank was, therefore, directed to return the jewels to the son.

36. Attaching under Banker's General Lien the security pledged by the husband against a loan taken by his wife : In one case, the deceased husband of the appellant had availed an agricultural gold loan by pledging his gold ornaments and this loan was waived under the agricultural loan waiver scheme of GOI. The appellant, a daily wage earner, approached the bank for taking delivery of the jewellery pledged by her late husband which was refused by the bank on the plea that she was a member of an SHG which has turned an NPA and the bank was exercising its right of general lien, even though her husband was not a SHG member. BO disposed the case under Clause 13.d of BOS 2006. The complainant went in appeal where the Appellate Authority observed that under the banker's right of general lien, if the borrower has several loan accounts with the bank, bankers have the right to appropriate the security pledged in respect of one loan account against other loans even if the particular loan is repaid in full. In the instant case, the deceased did not have any other loan account with the bank. He has no connection with the SHG loan where his wife was a member. His widow was only claiming the gold pledged by him as his legal heir as the loan is closed. She has not deposited this gold with the branch for availing any loan. The gold had come to the possession of the branch quite accidentally. Since this gold was not deposited by her in connection with some other loan she has taken from the bank, the general lien will not be applicable in this case. AA allowed the appeal and directed the bank to return the gold to her along with a token compensation of ` 5000/-.

37. Higher Processing and upfront Fees : The complainant firm alleged that the bank had charged higher processing and upfront fees for credit facilities without prior intimation. The credit facilities sanctioned were not availed since the charges intimated to them after sanctioning the loans were not acceptable to the company. The company desired to avail credit facilities from another bank but was forced to pay commitment charges for release of title deeds. They paid the same under protest so as to get back their security documents. BO advised the bank to produce documentary evidence for having given prior intimation to the complainant for charging higher processing fees. As the bank was not able to provide any documentary evidence, it was advised to reimburse the excess fees levied to the complainant.

38. Wrongful possession of vehicle : The complainant availed a vehicle loan of ` 27,500/- for purchase of a two wheeler in January 2007 and closed the account by June 10, 2008. He later found that his vehicle was missing. He came to know that his vehicle was seized and sold by the bank for an amount of ` 27,500/-. As this was a clear case of taking possession of the vehicle wrongly by the bank, the BO intervened in the matter and directed the bank to pay an amount of ` 50,000/- as compensation to the complainant towards the wrongful possession of his vehicle besides returning the vehicle in good condition.

39. Application of wrong interest rate : The complainant availed of various agricultural facilities from AB bank which became overdue. These accounts were covered under Central Govt. Debt Relief Scheme 2008. The borrowers had paid 75% of amount against OTS amount to avail of the benefit of 25% relief. The complainant's grievance was that interest applied on the above loans was incorrect as the bank had not adhered to RBI instructions on Agricultural Debt Waiver and Debt Relief Scheme. The bank replied that the interest has been applied correctly as per the instructions issued by their Central Office. Since the reply was not found satisfactory, BO issued instructions to the bank to certify that RBI guidelines on Agricultural Debt Waiver Scheme have been adhered to. At this stage, the bank found a discrepancy in the interest applied and refunded an amount of `72, 440/- to the complainant.

40. Non-honouring of Bank Guarantees: The High Court of Jabalpur directed the BO to consider the issues raised by Municipal Corporation, Jabalpur about non-honouring of Bank Guarantees by a bank, despite the same not being covered under the B O Scheme. The bank submitted that the guarantee was not invoked as per the terms and condition of the guarantee document. However, BO observed that the guarantee was invoked as per the terms and conditions specified in the Guarantee Agreement and the same could have been paid by the bank without demur. Accordingly, BO directed the bank to honour the guarantee and compensate the complainant for the loss of interest.

41. Harassment to a senior citizen for a loan he never took : Even though the complainant had no business relationship with ABC bank, he was getting calls / SMS from the recovery agents using abusive languages demanding repayment of some loans which he had never taken. His several complaints to the bank against this harassment calls fetched no effect. The bank pleaded to the BO that the telephone numbers from which he was getting the abusive calls did not belong to any of their recovery agents. Based on this, the BO closed the case under clause 13(d) of BO Scheme (i.e. complaint without any sufficient cause). As the complainant continued to get the harassment calls, he went in appeal. During the appeal, the bank admitted that the phone numbers from which he was getting abusive harassment calls belonged to their recovery agents and that they had since taken necessary corrective action to discontinue such calls. The AA observed that the bank had not conducted proper due diligence while sanctioning the loan to some third person indicating a major KYC lapse. To cap it all, the bank had misguided the BO resulting in the BO pronouncing a wrong order, damaging the credibility of the BOS. The AA set aside the decision of the BO and directed the bank to pay the appellant ` 1 lakh towards compensation.

42. Frivolous complaint : A borrower with overdraft facility alleged that the bank was charging excessive rate of interest (higher than their agreed rate) and submitted a purportedly tampered copy of loan agreement without any authentication by the bank officials, in his support. The bank submitted a copy of the sanction letter and the original loan agreement duly signed by both the parties, revealing the actual terms & conditions. The complaint was treated as frivolous/vexatious in nature and the bank was advised to take appropriate action against the complainant, after proper investigation.

43. Purchase of property in an auction conducted by bank : A lady won the public auction conducted by a bank under SARFAESI Act for sale of a plot of land mortgaged to the bank and bank issued her "Sale Certificate" on March 20, 2009. When she approached the Sub-Registrar to register the property in her name, she found that the property was already sold by the earlier owner (bank's borrower) to some other person in September 2006 itself and was, as such, encumbered. The bank neither helped her to register the property in her name nor refunded the amount deposited. Since the bank had failed to hand-over the property without encumbrance, it was directed to refund ` 12.00 lakh paid by the complainant along with the applicable interest at FD rate.

44. Loss of original Title Deed of property mortgaged with the bank : A customer availed of home loan and original Title Deed of his residential property was mortgaged with the bank. The loan was fully repaid; however, the bank did not return the original Title Deed. The bank stated that Title Deed was not traceable. BO observed that the bank's action of misplacing the Title Deed had resulted in permanent defects in the documents of title and it amounted to sheer negligence of service and violation of BCSBI Code by the bank. Therefore, BO directed the bank to arrange for a duplicate set of Title Deed duly certified by the Registrar and also issue a certificate under its letter head to the complainant stating that the property documents citing full details of all lost documents at its hand and that the certified copy may be construed as the original. The bank was also directed to issue an advertisement in a prominent local newspaper regarding loss of original documents and pay compensation of ` 20, 000/- to the complainant.

45. Auctioning the gold pledged without serving proper notice to the borrower : The complainant had pledged gold ornaments to avail an agricultural loan payable after one year. Since the borrower did not turn up after one year for renewal or closure/ servicing the loan, the bank auctioned the gold after sending him a notice. The bank reported to the BO that the gold was auctioned after serving notice to the complainant in advance. Based on this, BO closed the case. In the appeal, the Appellate Authority observed that the notice although sent by the bank ten days before auctioning, was returned unserved by the post office since the door was locked. In fact the branch admitted having received the notice back from the post office before auctioning the gold. But it went on with the auctioning programme. Since the auctioning was done without information to the customer, AA directed the bank to return him the auctioned gold by crediting the difference between the market value and auctioned value. In addition, the customer was given a compensation of ` 5000/- also.

46. Irregular sale of shares offered as a security : The complainant was enjoying a LAS (Loan against Securities) with a credit of ` 20 lakhs from a foreign bank with 50% margin . Since value of the securities had drastically reduced due to the meltdown in the equity market, the bank sent a letter dated October 23, 2008 asking him to regularize the account by October 28, 2008. He deposited a cheque for ` 4 lakh on October 27, 2008 itself which was credited to his account on October 29, 2008 and the account was thus regularized. However, another Department of the bank sold his margin shares aggregating ` 10.33 lakh on October 29, 2008 and credited the same to the loan account. BO identified the deficiency in service but closed the case under clause 13.c of BOS. The bank admitted its mistake of unauthorisedly selling his margin securities and offered him an amount of ` 1. 55 lakh on 30-11-2009 towards compensation which was rejected by him. At the appeal stage, the bank improved their offer and credited to his account an amount of ` 8.78 lakh being the price differential in the value of the margin securities unauthorisedly sold by them. AA observed that since the account was regularized in time and was well within the prudential limits prescribed by RBI, the bank's action of selling the securities on 29-10-2008 was unwarranted and indicative of the lack of communication / coordination between various departments in the bank. AA directed the bank to compensate the complainant by restoring the margin securities sold in his demat account by way of crediting into his account the price difference of the shares between October 29, 2008 (date of unauthorized sale) and date of AA's order (April 6, 2010) after adjusting ` 8.33 lakh credited to his account. Further, all other benefits like dividend, right issue, bonus issue, etc , if any, declared during the period should be passed on to the appelland and the bank should pay a compensation of Rs one lakh towards the mental harassment and agony suffered by the complainant , a senior citizen.

47. Misbehavior by bank staff : The complainant visited a branch of the bank for depositing ` 2.50 lakh in cash at the close of business for the day. By that time the cashier had already closed the cash and requested the complainant to deposit the amount on the next day. The main grievance was about

rude behaviour of the cashier. The bank conducted an inquiry into the matter. Not being satisfied with the employee's response, the bank transferred him to one of its farthest branches. Based on the action taken by the bank, the BO treated the complaint as closed. According to the complainant, transfer was not a punishment. He appealed to the AA seeking redressal to his complaint regarding mental agony and harassment in compliance with the applicable law in the best interest of justice. Since 'Treating the bank customers fairly' is gaining currency with the awakening of consumers on the issues of investor / consumer protection and banking being a service industry, it is all the more important that there is a well defined and functional mechanism to ensure fair treatment of the customer. That is crux of the BO Scheme. Therefore, the bank was advised that the issue in general and the present case in particular should be deliberated by the Board of Directors of the bank.

48. Casual approach of a bank in preparing loan documents : The bank sanctioned OD limit of ` 30 lakhs to a SSI Entrepreneur on March 16, 2009. As per the sanction letter and the loan agreement the interest rate was @ PLR minus 2% which was 10% .However, on receipt of first loan statement, the complainant found that the bank had charged interest @ 16.50% (instead of 10%) and requested the bank to rectify the same. The bank advised the complainant that due to oversight, the rate of interest was written as PLR minus 2% in the sanction letter and loan agreement, instead of PLR plus 1.5% and accordingly the correct interest rate would be 14% instead of 10%. The bank also stated that it had committed another mistake that the interest rate was keyed in the system as 16.5% instead of 14% and assured to reverse the excess interest. When the PLR changed from 12.5% to 12%, the bank committed one more mistake. Instead of keying the rate as 13.5%, it posted it as 16%. Seeing three major mistakes in applying the rate and refusal of the bank to keep the committed rate of PLR minus 2% as stated in both the sanction letter and loan agreement, the complainant closed the OD account and claimed refund of the excess interest charged by the bank. BO accepted the mistake of "Quoting the interest rate as @ PLR minus 2% in the Sanction letter/ loan Agreement but applying the ROI as PLR plus 1.5% in the loan books and post it as 16.5% in the system" as bonafide mistakes and ordered that the complainant cannot claim undue benefit of bank's mistake and rejected the complaint u/c 13(d) of BOS 2006 as one made without any sufficient cause. The Appellate Authority observed that stamped Loan Agreement is a carefully prepared legal document and the bank cannot plead that it was prepared casually. Failure to honour the mutually agreed Terms and Conditions is a deficiency in service. The Appellate Authority observed that the bank was grossly negligent and directed the bank to treat the rate of Interest at PLR minus 2% throughout the tenor of the OD as per sanction letter / stamped loan agreement and refund the excess interest charged over and above the agreed rate.

49. Closure of account despite KYC formalities at non-home branch : In a complaint regarding unilateral closure of a SB account where the complainant had submitted that despite submission of the KYC documents twice, the bank had closed his account without any intimation to him, it was ascertained that the complainant had submitted the documents at a non-home branch and as per the system prevailing in the bank, the KYC documents can be submitted at a non-home branch. The bank was directed to pay a token compensation of ` 5000/- for inconvenience caused to the complainant.

50. Failed ATM transaction : In a case of failed ATM transaction where the account was debited though no cash was dispensed it was observed that as per BO's orders the amount was credited to complainant's account, but the bank did not pay the penal interest in terms of extant RBI instructions for the delayed period credit of approximately 2 months. The bank was directed to pay penalty at ` 100/- per day amounting to ` 6500/-.

51. Failure of bank to repay maturity proceeds of a fixed deposit: In a complaint about delay in credit of maturity proceeds of the deposit the bank officials had explained that the record of the fixed deposit certificate issued in the name of the complainant was not available in the bank's CBS system. It appeared from the old records that the account was entered from the manual system to the computer system and marked "closed". It was observed from the correspondences, that for more than a year, the queries and replies from the Zonal Office and the branch were perfunctory and without any effective proposal to solve the problem of the depositor. In view of the clear case of deficiency in customer service by the bank branch, the Banking Ombudsman passed an award that the full maturity value together with interest on the amount @ 9.5% till the date of payment of the amount, should be paid to the depositor and further ` 10,000.00 towards the loss suffered by the complainant.

52. Harassment by Recovery Agents: In a complaint about harassment by recovery agents despite payment of all dues and not utilizing the card, it was observed that a credit card was issued to the complainant on the basis of the signed application. Subsequently, an add-on card was issued on the complainant's account in another name on the basis of a signed additional add-on card application. However, the signature on the add-on card application did not even prima facie match the signature of the Complainant. The bank submitted that their interim findings were that the add-on card was fraudulently sourced and issued. The bank failed to establish that the add-on card was solicited on behalf of or issued to the complainant and the transactions thereon were initiated at the complainant's behest. The bank's action of attempting to coerce the complainant to accept liability for fraudulent transactions put through his account as a result of the bank's lack of due diligence and operational weakness constituted unfair treatment to the customer. The bank was advised to reverse all outstanding and considering the age and trauma of the complainant and the nature of deficiency, the bank was advised to pay the complainant a monetary compensation of ` 40,000/-.

53. No response to queries by the bank : The Complainant had defaulted on 4 EMIs of the home loan. The bank sanctioned additional Loan of ` 60,000/- to enable him to tide over difficulties and regularize his home loan. The complainant deposited ` 50,000/- in his loan account. However this entry did not reflect in any of his accounts and the bank started sending notices to him to regularize his home loan account. It was observed that the bank had no practice of indicating the mode of accepting deposit whether by cash/ cheque and the counterfoils did not bear a date stamp and signature of cashier for receiving cash. The bank was advised to conduct an internal investigation and report back. Since there was no response from the bank even after a lapse of more than 1 month an award was passed directing the bank to pay an amount of ` 55000/- to complainant towards his housing loan account and compensation of ` 5000/- towards filing and follow up the complaint.

54. Wrong billing for credit card transaction : An alleged fraudulent transaction worth ` 8557.00 was billed to the complainant's card towards a Hotel bill. The same was reversed after 4 years by the bank giving permanent credit. However, the bank statement was reflecting ` 27207.00 as outstanding on the credit card which was due to charges for nonpayment of the above alleged fraudulent transaction. Since the bank failed to resolve the issue even after a lapse of 4 years the Banking Ombudsman concluded that there was deficiency of service on the part of the bank. Accordingly, the Banking Ombudsman advised the bank to reverse all the dues, issue No Dues certificate to CIBIL and pay compensation of ` 10,000/- towards expenses.

55. Dishonour of settlement of credit card dues : In a complaint related to dishonour of the settlement by the bank in respect of credit card dues of complainant where the bank had misplaced one cheque and the complainant was declared a defaulter for missing EMI's and was harassed for recovery, it was observed that the bank had caused avoidable mental harassment to the complainant without examining the issue at their end. The bank was directed to waive balance outstanding and pay a compensation for ` 1 lakh towards harassment and mental anguish suffered by the complainant.

56. Losses due to delayed updation of CIBIL : In a case where it was proved that the bank had been negligent by not immediately updating the CIBIL record of their customer and as a result the home loan of the complainant could not be transferred to another bank, the bank was directed to pay a compensation of ` 30000/- to the complainant as a rough estimate towards direct loss on account of loss of opportunity to go for a lower rate of interest in another bank and expenses incurred by him towards follow up of complaint on account of established deficiency of the bank.

57. Deficiency in operation of Govt. accounts : Three complainants having PPF accounts with the bank in HUF category approached the BO office alleging reversal of interest credited to their accounts. They stated that even after maturity of the PPF accounts they continued to deposit cash regularly. The bank also credited regular interest in those accounts even after maturity. Subsequently, the bank reversed the interest amount, resulting in a loss of the said amount paid in each of these accounts. The bank submitted that the said PPF accounts were under HUF category and as per the PPF rules; the accounts were not eligible for extension from the date of maturity and payment of interest for the period beyond the date of maturity. Hence, the branch had recovered the interest wrongly credited to complainant's account after the maturity. On examination, it was observed that the PPF (HUF) account holders were not eligible for the interest as claimed by them as they were expected to be aware of the Government regulations/notifications in this regard. However, the bank

was found to be deficient in rendering services as they could have taken immediate action to close the account after maturity in terms of the Govt. Notification and RBI Guidelines. Moreover, the bank also failed to bring this fact to the notice of the complainants. The bank was directed to pay an amount of ` 1000/- to each complainant, by way of token compensation for loss caused to them arising out of the act of omission of the bank.



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