



Customer Compensation Policy

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Revision History and Approvals

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1. Introduction

1.1 Technological progress in payment and settlement systems and the qualitative changes in operational systems and processes brought out by various players in the market have ushered in increasing competition resulting in improved efficiencies in providing better services to the users of the system. It will be Bank's endeavor to offer services to its customers with best possible utilization of its resources i.e., both human and technical.

1.2 Reserve Bank of India (RBI) has advised that each Bank should have a Board approved Compensation Policy which would provide the contours of the financial compensation in the event of any difficulty/inconvenience/loss suffered or likely to be suffered by the client on account of the action of Bank.

1.3 ESAF Small Finance Bank is one of the differentiated Small Finance Banks in the country, which deploys state-of-the-art technology to provide world-class services to customers. The Vision Statement of the Bank is "To be India's leading social bank that offers equal opportunities for the whole society through universal access and financial deepening, thus promoting financial inclusion, livelihood and economic development as a whole".

1.4 To be a leading social bank, the Vision Statement truly reflects the commitment of the Bank to provide equal opportunities for the whole society without any prejudice. The Compensation Policy (the Policy) of the Bank is a reflection of the Bank's on-going efforts to provide better service to customers and set higher standards for performance.

1.5 The Mission Statement of the Bank, inter alia, incorporates the following:

- Delighting customers with excellent service and comprehensive suite of best-in-class financial solutions;
- Continuing to act in an ethical, transparent and responsible manner, becoming the role model for corporate governance;
- Deploying world class technology, systems and processes to improve business efficiency exceed customer's expectations and financial inclusion.
- The Bank understands that one of the important requirements for customer delight is to have ethical and transparent policy in all its dealings.
- Thus, the Bank acknowledges that every 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 any customer.

1.6 However in the extra-ordinary circumstances of the Bank's action / service lead to any financial loss to the customer, the Bank will compensate the customer for the financial loss. Towards this end, the Bank has formulated a Compensation Policy" that gives the rights and responsibilities to the Customer and Bank, in matters relating to compensation for the loss, if any, incurred by the customer in their day to day operations with the Bank.

- The policy is made to ensure that the staff at all levels in the Bank are aware of the policy of the Bank in this regard, so that dealings with the Customer is uniform across geography and types of customers and is based on transparent standards/procedures as also the customers become aware of the rights and responsibilities.

2. Objectives of the Policy

2.1 To lay down a Policy Framework for abiding by RBI guidelines on compensation

2.2 To ensure transparency and equality in the treatment of customers.

2.3 To create a system whereby the Bank compensates a customer for any financial loss that he might incur on account of any deficiency in service / omission / commission directly attributable to the Bank.

2.4 Pay such compensation without the customer asking for the same and thereby reducing instances where the customer has to approach forums such as Banking Ombudsman etc.

2.5 To enable the Customer to know before or during a relationship, his rights and responsibilities in matters relating to Compensation.

2.6 To reiterate existing system / put in place proper system in a transparent manner so that the Customer can take an informed decision in matters relating to compensation.

3. Scope of the Policy

3.1 This policy is applicable across all outlets/ business segment offices of the Bank, and is to be read in conjunction with related operational guidelines issued from time to time.

3.2 The contents of the policy shall always be read in tandem/auto-corrected with the changes/modifications that may be advised by RBI and / or by any other regulator and / or by the Bank from time to time.

3.3 Definition of a Customer for the purpose of this Policy: Customer is defined as a person or entity that maintains an account with the Bank or availing of or has availed of any service in the normal course of Banking.

3.4 This Policy attempts to deal with the financial loss to the customer on account of deficiency in service / omission / commission directly attributable to Bank.

3.5 This Policy excludes compensation, if any relating to non-financial loss.

3.6 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/court duly constituted to adjudicate banker-customer disputes

4. Unauthorized / Erroneous Debits By Bank

4.1 If the Bank has raised an unauthorized / erroneous direct debit to an account, the entry will be reversed with value dated credit i.e. date of debit to deposit/Overdraft/Loan account immediately on being informed of or come in clear knowledge of the erroneous debit, after verifying the position. Further, if the customer has suffered any financial loss incidental to return of a Cheque or failure of performing direct debit instructions due to insufficiency of balance on account of the unauthorized/erroneous debit, the Bank will compensate the customer to the extent of such financial losses.

4.2 In case verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank shall 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 3 months from the date of reporting of erroneous transaction by the customer.

5. ACH direct debits/other debits to accounts

5.1 The Bank will undertake to carry out within the prescribed time, direct debit/ ACH debit instructions of customers. In the event the Bank fails to meet such commitments, customer will be compensated to the extent of any financial loss the customer would incur on account of delay in carrying out the instructions/failure to carry out the instructions.

5.2 Such compensation may be equivalent to the interest calculated on the amount to be debited, for the delayed period, at applicable Savings Bank rate, with minimum of Rs. 100.00 subject to a maximum of Rs 1000.00

5.3 In the event of any unauthorized / erroneous ACH /Other debit which results in any financial loss to the customer by way of reduction in the minimum balance or payment of additional interest to the Bank in a loan account, Bank will compensate the customer for such financial loss.

5.4 If the customer has suffered any financial loss incidental to return of a Cheque or failure of performance of direct debit instructions due to insufficiency of balance on account of the unauthorized / erroneous ACH /Other debit, the Bank will compensate the customer to the extent of such financial losses.

5.5 The compensation for such financial losses will, however, be restricted only to reimbursement of actual expenses incurred by the customer e.g. penalty / interest paid by the customer to regularize the schedule which got disturbed on account of delay in carrying out the instructions/failure to carry out the instructions.

5.6 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. Any consequential financial loss to the customer will also be compensated.

6. Delay in credit/ return of NEFT/RTGS/NACH/ ACH transaction

6.1 In terms of the NEFT / NACH / ACH Procedural Guidelines of RBI, as also the relevant circulars / instructions issued by RBI from time to time, Bank shall credit to the account of beneficiary or return the transaction (un-credited for whatever reason) to the originating / sponsor bank within the prescribed timeline.

6.2 Bank would give ACH Credit on the same day of receipt subject to beneficiary details received from sponsor Bank matching with the customer records as available with Bank. In case of any delayed ACH Credit, Bank will pay compensation to the account of beneficiary.

6.3 In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the Bank in the completion of funds transfer pursuant to receipt of payment instructions by the Bank leading to delayed payment to the beneficiary, Bank shall pay compensation to the account of beneficiary.

6.4 In the event of delay in return of the funds transfer instructions for any reason whatsoever, the Bank shall refund the amount together with compensation.

6.5 During NEFT operating hours, originating banks shall endeavor 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 start of business hours next day), 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.

6.6 For delay in NEFT/RTGS, the compensation shall be paid at the current RBI Repo Rate plus two per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiary's account. Compensation shall be credited to the Beneficiary's account. For delay in NACH/ACH credits, compensation shall be paid ₹100/- per day if delay is beyond T + 1 day.

7. Payment of Cheques after Stop Payment Instructions/Non-Blocking of lost Debit card after acknowledgement of request for its blocking

7.1 In case a Cheque has been paid after stop payment instruction is properly submitted and acknowledged by the Bank/Debit card has not been blocked after such a request has been acknowledged by the Bank, Bank shall reverse the transaction debit on account of stopped Cheque/blocked Debit card with value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated to the extent of actual amount that the customer might have incurred, after ascertaining and being satisfied about the amount of such loss. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank. The total compensation in such an event shall be restricted to a maximum of Rs.10000/-

7.2 However, no compensation will be paid if Cheque has been paid/ ATM Card transaction has occurred prior to acknowledgment of instructions for stop payment of Cheque/ blocking of lost ATM Card.

8. Payment of interest for delayed collection of local/outstation Cheque

8.1 Local Cheques: Compensation at savings bank interest rate shall be paid for the corresponding period of delay.

8.2 Outstation Cheques: As part of the Policy, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period specified in banks Cheque Collection Policy. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

- Interest for delayed collection shall be paid at the following rates:

- For a period of delay up to 14 days, savings bank rate of interest and for delay beyond 14 days, applicable term deposit rate of interest will be paid.
- In case of extraordinary delay, i.e. delays exceeding 90 days' interest will be paid at the rate of 2% above the corresponding Term Deposit rate.
- In the event the proceeds of Cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays exceeding 90 days, interest will be paid at the rate of 2% above the rate applicable to the loan account.

8.3 Cash Management Services: For customers availing Cash Management Services (CMS), collection of instruments is carried out as per the terms of the bilateral agreement between the bank and customers. Penalties, if any, will be payable as per the terms of the bilateral agreement.

9. Compensation for loss of instrument in Transit

The Bank's Customer 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 by the customer would also be as indicated in our Collection Policy.

10 Cheque/Instruments lost in transit/in clearing process or at paying bank's branch

10.1 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 outlet, the Bank shall immediately on coming to know of the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him/her are not dishonored 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. This will be applicable only to instruments drawn in INR payable within India.

10.2 If the Bank loses the cheque, the Bank will bear the stop payment charges on customer producing relevant document. The compensation in such cases would be as follows:

- In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.
- 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.
- 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 that would charge a fee for issue of duplicate instrument.

11.Delay in Clearance of Local Cheques

11.1 The compensation on account of delays in collection of Local Cheques would be as indicated in the Bank's collection policy,

- Local cheques are subjected to clearing process as per the clearing cycle of the respective location. Thus the cheques accepted across counter and cleared from drop boxes before the cut off time shall be sent on clearing on the same day while those accepted beyond the cutoff time shall be taken up for clearing the next day.
- If there is any delay in collection of local cheques beyond the period mentioned in our cheque collection policy, the Bank will pay in all types of account interest equal to savings bank rate for the period of delay.

12. Violation of the Code by Bank's 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 address the complaint and to compensate the customer for financial losses, if any suffered by the customer on account of violation of code by bank official.

13. Issue of Duplicate Draft and compensation for delays

Duplicate draft will be issued within seven working days from the receipt of request complete with all documentation to that effect from the purchaser of the Draft. For delay beyond the said period, interest at the rate applicable for Fixed Deposit of the corresponding period will be paid as compensation to the customer for such delay.

14. Return of Documents of Title

14.1 *Security* documents of title shall be returned to customer within 15 working days of repayment of all dues by the borrower, including principal amount, interest, EMI, costs, service charges, and all other amounts due. This is subject to there being no outstanding under any other loan / overdraft / other financial facility availed of by the borrower from the Bank. If the delay is more than a month, in returning such documents will lead to compensation at the rate of Rs100/- per day to be paid to the customer from 31st day onwards.

14.2 For loss of property documents a compensation not exceeding Rs. 25000/- subject to actual expenses towards release of advertisements, lawyer's fees and incidentals, if any, thereto will be paid.

14.3 In cases of loss of property documents, in addition to the above, Bank will compensate a lump sum amount of Rs 5000/- for loans up to Rs 20 lakhs and Rs 10,000/- for loans above Rs 20 lakhs on account of hardship to the customer.

15. ATM Failure

Bank would reimburse the customer, the amount wrongfully debited on account of failed ATM transaction within a maximum period of T+5 calendar days (T= Transaction date). For any failure to re-credit the customer's account within T+5 calendar days, Bank shall pay compensation of Rs.100/- per day to the aggrieved customer beyond T+5 days till the date of settlement. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when Acquirer Bank gives the credit for the failed ATM transactions. NPCI ensures the compensation is paid by the acquirer bank to the issuer bank while settling the disputed transaction. Any customer is 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.

16. Compensation in case of frauds (other than Internet Banking/ electronic transactions)

16.1 The following is laid down for all the fraud cases other than those pertaining to Internet Banking Frauds. Typically, these frauds are of the following types:

- Lottery
- Job Rackets
- Transfer of Funds towards emails received.

16.2 In case of any fraud as in 16.1 above, if the Bank is convinced that an irregularity / fraud has been committed by its staff towards any constituent, the Bank shall at once acknowledge its liability and pay the just claim.

16.3 In case where Bank is at fault, the Banks shall compensate customers without demur.

16.4 In case where neither the Bank is at fault nor the customer is at fault, but the fault lies elsewhere in the system, the Bank will compensate the customer up to a limit of Rs.10000/-. Such compensation would be paid only once in lifetime of an account/customer

17. Reversal of Erroneous/Unauthorized/Fraudulent debits arising on Electronic Banking related transactions

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

(i) Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions), Pre-paid Payment Instruments (PPI), and

(ii) Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

17.2 For cases where the Bank has acted in good faith, in normal day to day conduct of business, but the customer has either acted fraudulently or inadvertently compromised his Internet Banking/Mobile Banking security details (example: ID, passwords, date of birth, mother's maiden name etc.) or acted without reasonable care (which includes not taking steps

to protect computers from hackers), Bank/Customer will be bound by 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.

17.3 However, in exceptional circumstances, 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 deliberation of various facts such as:

- Justification given by the customer
- Immediate or delay in reporting by the customer based on SMS alert, account statement, mini statement, etc. received by the customer

17.4 Limiting Liability of Customers in Unauthorized Electronic Banking Transactions

The grounds of complaints are defined in RBI circular on Limiting liability of customers, circular RBI/2017-18/15 dated July 6th 2017.

Summary of Customer's Liability

Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's liability (₹)
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in <u>Table 1</u> , whichever is lower
Beyond 7 working days	10% of the Liability and no compensation if exceeds beyond 90 days.

Table 1 – Maximum liability for various type of accounts.

Type of Account	Maximum liability (₹)
<ul style="list-style-type: none"> • BSBD Accounts 	5,000
<ul style="list-style-type: none"> • All other SB accounts • Pre-paid Payment Instruments and Gift Cards • Current/Cash Credit/Overdraft Accounts of MSMEs • Current accounts/Cash credit/Overdraft accounts of Individual with Annual average balance (During 365 days preceding the incidence of fraud) limit up to Rs.25 lakhs • Credit cards with limit up to Rs.5 Lakhs 	10,000
<ul style="list-style-type: none"> • All other Current/Cash Credit/Overdraft Accounts • Credit cards with limit above Rs.5 Lakh 	25,000

18 Other areas of deficiencies in services

Where loan has been allowed against NSCs, KVPs, LIC policy and the Branch after maturity of the instruments does not collect the proceeds of the instruments in question from the concerned Post Offices/ LIC Offices, thereby charging interest in the loan account is continued, excess interest so charged in the loan account will be reversed to the customer immediately.

- In case of affecting reversal of excess interest charged in the borrower accounts due to non-adjustment of liquid securities like Fixed Deposits/ NSC/KVP/ LIC policy etc. in time, the concerned outlet will have to obtain prompt permission /approval from the controlling Regional Offices.

19. Mis-selling of third party product

In the event of Bank receiving of any complaint from the customer regarding mis-selling of the third party products by the Bank, or about having engaged in any improper conduct or about having acted in violation of any Code adopted by the Bank, the Bank shall take appropriate steps to investigate and to handle the complaint. In case lapses by the Bank employees are established, the Bank will compensate the customer suitably, based on the facts and circumstances of the case.

20. Compensation for Locker

Bank outlines its responsibility owed for any loss or damage to the contents of the lockers due to the negligence as bank owes a separate duty of care to exercise due diligence in maintaining and operating locker or safety deposit systems. The duty of care includes ensuring proper functioning of the locker system, guarding against unauthorized access to the lockers and providing appropriate safeguards against theft and robbery. Further, bank shall adhere to the Master Directions of RBI on Frauds for reporting requirements about the instances of robberies, dacoities, thefts and burglaries. In instances where loss of contents of locker are due to incidents mentioned above or attributable to fraud committed by its employee(s), the banks' liability shall be for an amount equivalent to one hundred times the prevailing annual rent of the safe deposit locker. (RBI Circular No. DOR.LEG.REC/40/09.07.005/2021-22 dated 18/08/2021)

Bank shall not be liable for any damage and/or loss of contents of locker arising from natural calamities or Acts of God like earthquake, floods, lightning and thunderstorm or any act that is attributable to the sole fault or negligence of the customer. Banks shall, however, exercise appropriate care to its locker systems to protect its premises from such catastrophes

21. Responsibility of Customers

Customer shall be responsible for safe keeping of Cheque book, passbook, Cards, PIN, passwords or other security information.

- Bank will not be responsible for the loss to the customers due to customer's carelessness in keeping the Cheque book, passbook, cards, PIN or other security information and not following Do's and Don'ts issued by Bank, until the Bank has been notified by the customer.

22. Disclaimer Clause

Bank shall not pay any compensation in the following cases: -

- Loss of reputation or loss of profit.
- Any deficiency in regard to loans and advances activities of the Bank.
- Dishonour of at par payment agreement with other banks, due to non- funding and security compliance.
- Delays on account of non-functioning of business due to factors beyond the control of the bank, the period covered by such events shall be omitted for calculation of delay etc.
- Where the issues are sub-judice and pending before Courts, Ombudsman, arbitrator, Government and matter put on hold due to stay.

23. Force Majeure

The Bank shall not be liable to compensate customers due to 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) systems, absence of the usual means of communication or all types of transportation, etc. beyond the control of the Bank, preventing the Bank from performing its obligations within the specified service delivery parameters.