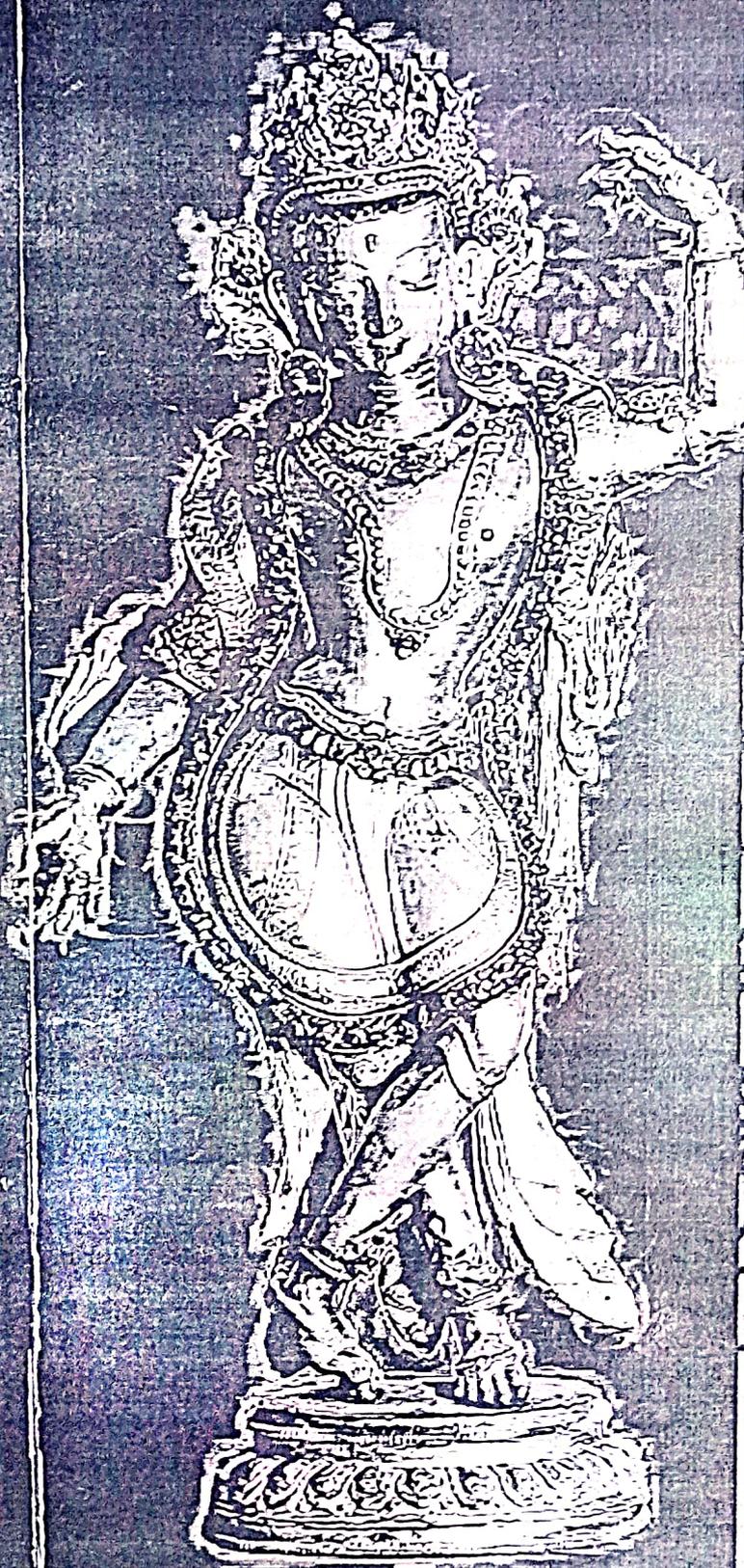


कला एवं धर्म शोध संस्थान, लोक कल्याणकारी ट्रस्ट, वाराणसी

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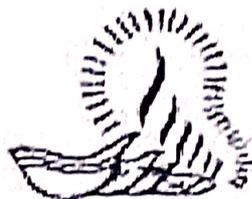
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**GRIEVANCE REDRESSAL PROCEDURE OF COMMERCIAL BANKS AND BANKING  
OMBUDSMAN**

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**Abstract**

Customer is the key focus area of the banking institutions. Bank's business is based on the customers' all-round satisfaction. Even after providing genuine services by the bank sometime the customers may be dissatisfied. It is therefore apparent to have a logical Grievance Redressal Procedure for disposal of the discontentment of the customers. The Reserve Bank of India has also adopted a Banking Ombudsman Scheme, quasi-judicial machinery being the highest-level bank disputes resolution. As has been observed banks also track their own grievance redressal policy for resolving the grievances of the customers. A provision for escalation of the complaint starting from the branch level to the highest designated level has also been there. A dispute is supposed to be resolved by the Banking Ombudsman but an Appellate Authority has also been created provided the disputes are not resolved even by the Banking Ombudsman. The present study proposes to analyse the role of grievance redressal procedure of different commercial banks as internal mechanism of disposal of grievances and also the role of Banking Ombudsman in this context.

**Key Words:** Grievance Redressal Procedure, Banking Ombudsman, Appellate Authority, Escalation.

**1. Introduction:**

Banking ombudsman in simple words is nothing but the grievance redressal mechanism under which the dissatisfied banking customers. In general sense banks are the business houses and the persons dealing the banks are the customers. Banks provide different product and services which the customers accept. Dealing the banks may satisfy the customers or sometime customers may be dissatisfied in any way. Under the mechanism of the banking ombudsman the dissatisfied customers may lodge complaint to the proper authority and get the relief or redressed. *"Complaint" means a representation in writing or through electronic means containing a grievance alleging deficiency in banking service as mentioned in clause 8 of the Scheme.* A complaint can be lodged online on <http://secweb.rbi.org.in/BO/precompltindex.htm> without any cost. Bank ombudsman is a quasi-judicial authority under Sec. 35A of the Banking Regulation Act 1949. The concept started from the year 1995 and more scientifically in came into force in the year 2006 under the name and style- Banking Ombudsman Scheme, 2006. It covers all Scheduled Commercial Banks, Regional Rural Banks, Scheduled Primary Co-operative Banks and even Non-Banking Financial Companies. (NBFCs). As has been stated the schemes was introduced with effect from 1995 under the Banking Regulation Act 1949 subsequently revised in 2002. Banking Ombudsman is a senior official appointed by the Reserve Bank of India to handle and redress customers' complaints for any reasons creating dissatisfaction on the part of customers. *"Banking Ombudsman" means any person appointed under Clause 4 of the Scheme.* Presently 20 Banking Ombudsmen have been appointed mostly located at the State Capitals. A complaint may be lodged on the ground of undue delay in payment or collect of cheques, bills, drafts etc.; non-payment or delay in inward remittances; failure to issue drafts or bankers cheques; non-compliance of prescribed working hours; failure to honour guarantee; refusal to open a deposit account without a valid reason; levying charges without prior reasons to customers etc.

**2. Objective of the Present Study:**

The study is proposed to analyse:

1. The role, principles and procedure of the Grievance Redressal Policy adopted by commercial banks.
2. The role and extent of performance of Banking Ombudsman in disputes resolutions of bank customers.

#### 1. Data and Methodology:

The study is purely explanatory and analytical. Extensive literature was surveyed for acquiring necessary information for the study. The Reserve Bank of India Reports on Banking Ombudsman, are the premises of the present study. 5 larger and principal commercial banks have been selected and considered for the study. The policies for grievance redressal approved by these commercial banks are also basic resources of the study. Moreover, relevant research papers have been reviewed for collection of literature. No statistical tools have been applied for analysis of the data.

#### 1. Literature Evaluate:

**1. Vijal, Sundari Suresh Dr.C.Vijai**, in the paper entitled-*A Research on Indian Banking Ombudsman Scheme* concludes that RBI has taken significant steps to settle the customers' grievances to bring a strong bank customers relationship. It has given a platform to the customers to redress the grievance which is essential for the Indian banks.

**2. Pramam Dhar and Bidhan Baidya** in *A Study on the Role of Banking Ombudsman Scheme in Customer Redressal in India* state that due to new mode of payments, newer products, offerings and services and more inclusions have resulted to increasing of number of complaints day by day. RBI should give a thought to increase the number of Ombudsmen to redress the increasing number of grievances.

**3. V. J. and Dr. P. Amarjothi** conducted a *Study on Analysis Banking Ombudsman Scheme* argued that banks being the institutions of financial importance in every part of the world, the resolution of the complaints relating to their conduct is also an essential attribute of consumer satisfaction. Therefore, the ombudsman or the officer for dealing with consumer complaints regarding the banks has been appointed by an authority in various nations. The Ombudsman scheme is a boon and a very important channel for redressal of grievances by the general public against banks and banking services. It could be concluded that the banking ombudsman scheme is one of the best ways to solve the problems of the consumer and improve the relationship of the customer with the bank.

**4. Deep Singh** in the paper- *Performance Review of Banking Ombudsman Scheme: An Effective Tool to Empower Bank's Customers*, makes an evaluation on the performance of the banking ombudsman scheme and states that a major initiative has been taken in the year 1995 while the government thought about the safeguard of the customers of the banking sector. The objectives of the fulfilling the needs and satisfaction of the banking customers came to the reality when the Banking Ombudsman Scheme was introduced in the 1995.

**5. Ajay Singh and Ashutosh Singh** in their article, *Complaints and their Redressal: A Study on Indian Banking System* express that the banking institutions are adopting innovative techniques to retain customers, reduce cost and increase profits. Such initiatives obviously enhance the number of complaints which are to be disposed of for building favourable bank-customers relationship. Today disposal of customers' grievances has been a major concern of the banks. Thus, they evaluate the effectiveness of the Banking Ombudsman Scheme which was brought by Reserve Bank of India in 1995.

**6. Alatyndri** in the article *Success of Banking Ombudsman Scheme: Myth or Reality* enlightens that the Banking Ombudsman Scheme established by Reserve Bank of India in 1995 provides speedy solutions of the customers' grievances. But it is matter of fact that the many a times customers are unaware of the

### 8. Grievance Redressal Procedure of the Banks:

**Punjab National bank:** The grievances lodged by the aggrieved customers shall be resolved that branch office level. It is the responsibility of the branch to resolve the complaint at the lowest level so that it is not escalated to the higher level. If the customer is not satisfied with the decision at the branch level the grievance may be moved to the Circle Office. Again, if the award extended by the Circle Office is not acceptable, it will be referred to the Nodal Officer at the Head Office. Punjab National Bank has appointed Chief Customer Service Officer for internal ombudsman for final decision within the institutional level. The grievances which are not resolved shall be escalated to the CCSO, head office. At the final stage if the grievance is not resolved or the customer is not satisfied it shall be referred to the Banking Ombudsman located at the State Capital.

**ICICI Bank:** The ICICI Bank has stipulated three-tier grievance redressal machinery for internal ombudsman. The branch manager is responsible for resolving the complaint at the first instance of lodging. The complaint may be escalated if not resolved or the complainant is not satisfied with the resolution to the next higher level as shown in the escalation matrix available at the bank's website. Non-resolution of the complaint will again lead to referring it to Principal Nodal Officer located at Mumbai. The bank appoints an internal ombudsman not being the ICICI Officer not below the rank of Deputy General Manager. Any decision which wholly or partially rejected would be referred to internal ombudsman before finally it to the regulator. In case the customer is not contented with the internal award the customer shall have an option to escalate to the Banking Ombudsman.

**Kotak Mahindra Bank:** Out of all the banks under consideration the escalation matrix regarding dispute resolution is found to be extensive. An aggrieved can raise his issue at the branch level lodging it in the complaint book available with the branches. Contrary to resolution the complainant may lodge his complaint with the Service Assurance Centre raising it through online. The turn-around-time (TAT) is 5 working days and if no response is received within these days he may move to higher level. The designated officer in the 3<sup>rd</sup> level of redressal procedure is the Nodal Officer. He may write or call or communicate online to the Nodal Officer. After acknowledgement of the receipt of complaint the turn-around-time is 5 working days for response. If not satisfied the issue may be raised to the Principal Nodal Officer located at Mumbai. An unsatisfied customer may move the next and apex level of internal ombudsman.

#### Levels of GRP of Commercial Banks:

Name of the Bank	Level-1	Level-2	Level-3	Level-4	Level-5
SBI	Branch Manager	Local Office	Corporate Centre	Banking Ombudsman	
ICICI	Branch Manager	Head-Phone Banking	Principal Nodal Officer	Banking Ombudsman	
Punjab National Bank	Branch Manager	Circle Head	Field GM	GM, Head Office	Banking Ombudsman
YES Bank	Branch Manager	Grievance Redressal Officer	Principal Nodal Officer	Banking Ombudsman	
Kotak Mahindra Mahindra Bank	Branch Manager	Service Assurance Centre	Nodal Officer	Principal Nodal Officer	Banking Ombudsman

Source: Grievance Redressal Policies of Banks

**YES Bank:** Generally, a complaint register is maintained in each and every branch of the bank and a customer can submit a complaint in the said register. He may write to the branch manager or lodge the complaint through the online complaint forms available at the bank website. There is an option of using

various social media like facebook, twitter, instagram for lodging complain being the 1<sup>st</sup> level of GRP. In the 2<sup>nd</sup> level one may approach the Principal Nodal Officer @ [principal.nodalofficer@yesbank.in](mailto:principal.nodalofficer@yesbank.in). Any aggrieved customer, still not satisfied with the ruling of the principal nodal officer of the bank will have an option to move toward the Banking Ombudsman for redressal.

**State Bank of India:** The bank observes multi-tier grievance redressal mechanism for customers' satisfaction. The distressed customers may contact the service manager for meeting up the complaint. He may also ask the bank authority the complaint book for registering his discontentment. One may call at unique toll-free number for lodging complaint. On response or being unsatisfied the complainant may contact the Assistant General Manager at Regional Business Office or General Manager (Network) of Local Head Office under whose control the branch is conducted. The complainant may also write to the Customers Service Department of concerned local head office. Other mail addresses are also available to communicate the bank executives. The complaint is handled at the branch level just after receiving it. Contrary to this if it is not resolved within 10 days from the date submission of complaint, on 11<sup>th</sup> day it is escalated to Local Head Office. The complaint is supposed to be redressed within 5 days or else on 15<sup>th</sup> day it is further escalated to the corporate centre and it is to be redressed within 21 days. Finally, if the complaint is not redressed within 30 days or the complainant is not satisfied with the award, he can approach the Banking Ombudsman.

#### 9. Banking Ombudsman Procedure:

Banking Ombudsman scheme is platform for customers' grievance management. Generally, the banks follow grievance redressal policy of their own. A complainant may get favourable response or solution of the grievance lodged by him within the umbrella of the bank itself. The banks try to resolve the issue at different levels in a hierarchical order. If no solution comes out from the attempt of the bank the customer may resort to the Banking Ombudsman. A complaint may be lodged in writing in plain paper or through e-mail to BO. No cost or fee is involved while making the complaint. Complaint should generally be lodged to the BO within which the bank branch is located.

Banking Ombudsman Scheme is developed by the Reserve Bank India under Section 35

A of the Banking Regulation Act 1949. Banking Ombudsman is a senior official appointed by the Reserve Bank of India to deal with the matters relating to issues confronted by the customers. The matters to be dealt with by the Banking Ombudsman are specified in Clause 8 of Banking Ombudsman Scheme 2006. As of now there are 20 Banking Ombudsman throughout the country located at State Capitals of different states.

#### Extent of Resolution of Grievances by Banking Ombudsman during 2019-20

Name of the Bank	No. of Complaint Received	No. of Complaint Resolved	Percentage of Complaints Resolved.
State Bank of India	82984	48333	58.2
HDFC Bank	27169	15004	55.2
ICICI Bank	21372	11844	55.4
Axis Bank	17124	10457	61.1
Punjab National Bank	15457	9928	64.2
Bank of Baroda	13883	6383	46.0
Bank of India	9135	4671	51.1
Kotak Mahindra Bank	8468	4915	58.0

Source: Reserve Bank of India Report, 2019-20 (Compiled)

It is noteworthy that one cannot file a complaint before the BO if it has not been lodged with the bank first. He can lodge it before the BO if no reply is received from the bank within 30 days or replies are

not satisfactory to him or the complaint has been rejected by the bank. Again, at any stage the complaint may be rejected if the thinks fit or justified. The BO may refuse to accept the complaint on the following grounds.

1. the complaint has not been lodged to the bank first,
2. the complaint has not been lodged within reasonable time i.e., one year from the date of reply or no reply
3. the matter has already been sub-judiced at any court of law
4. the matter is not covered within Banking Ombudsman

It is the responsibility of the BO to resolve the issue through conciliation or mediation. If both the parties came to an agreement or the terms and conditions of the agreement acceptable to both the BO shall pass an order to which become binding to both the parties. If the issues could not be resolved the BO after giving reasonable opportunity to the parties to keep their views shall proceed to pass an award. The award is not binding on the complainant and may be accepted or rejected by him. If the complainant thinks fit the complaint may be further escalated to the Appellate Authority headed by the Deputy Governor of Reserve Bank of India.

#### 10. Conclusion:

The Reserve Bank of India has taken up a major step by approving the Banking Ombudsman Scheme for dispute resolution of the customers to bring a smooth bank-customers relationship. It is apparent that banks are pursuing their individual grievance redressal policies for disposal of the customers complaints. As has been revealed outstanding numbers of grievances have been disposed off by the banks themselves and Bank Ombudsman yet it has not been promising to meet up all the grievances. Methodical provisions have been undertaken but due to lack of awareness on the part of customers for grabbing the opportunity of such provisions the scheme is not supposed to be fully effective. Therefore, it is the responsibility of the banks and also the Reserve Bank of India to organize adequate awareness campaign regarding accessibility of the opportunity of the provisions.

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