

**KARNATAKA GRAMEENA BANK**  
**Head Office, Ballari**

**Customer Compensation  
&  
Customer Protection - Limiting Liability of Customers  
in Unauthorized Electronic Banking Transactions  
Policy - 2025-26**

|                |            |
|----------------|------------|
| <b>Version</b> | <b>1.0</b> |
|----------------|------------|

**Strategic Planning and Development  
Wing HO, Ballari**

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**Customer Compensation & Customer Protection**  
**For Limiting Liability of Customers in Unauthorized Electronic**  
**Banking Transactions Policy: 2025-26**

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## **CHAPTER - I COMPENSATION**

### **A. Objective:**

- The objectives of this Policy is to establish a system whereby the bank compensates the Customer for any financial loss he/she might incur due to deficiency in service on the part of the Bank or any act of omission or commission directly attributable to the bank.
- The policy is based on the principles of transparency and fairness in the treatment of our customers.
- The Policy covers compensation for financial losses which customer might incur due to deficiency in the services offered by the bank which can be measured directly and is limited to the compensation specified for the respective service as given below.
- The commitments under this policy are without prejudice to any right the Bank will have in defending its position before any Court of Law, Tribunal or Forum duly constituted to adjudicate banker-customer disputes.
- Reserve Bank of India 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.

### **B. SYSTEMS & PROCEDURE**

#### **1. Unauthorized / Erroneous Debit arising on fraudulent or other transactions:**

- 1.1 If the bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In the event the unauthorized/erroneous debit has resulted in a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of 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.
- 1.2 In case verification of the entry reported to be erroneous by the customer does not involve a third party, the bank shall arrange to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit. In case, the verification involves a third party, the bank shall complete the verification process within a maximum period of **one month from the date of reporting of erroneous transaction by the customer.**

1.3 In cases of the Erroneous debits arising out of fraudulent transaction, in case of any fraud, if the branch is convinced that an irregularity/ fraud has been committed by staff towards any constituent, the branch should at once acknowledge its liability and pay just claim.

- i) In case where bank is at fault, the bank should compensate customers without demur.
- ii) In case where neither the Bank is at fault nor the customer, but the fault lies elsewhere in the system, the Bank will help in restoring the actual amount involved.

1.4 Compensation by way of interest payment, where necessary, shall be made without any claim from the customer.

**2. ECS, direct debits, other debits to accounts, standing instructions, NEFT, RTGS, Internet Banking, Mobile Banking and IMPS / UPI transactions:**

2.1 The bank will undertake to carry out direct debit/ ECS debit instructions of customers in time. 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 instruction/failure to carry out the instructions.

2.2 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.

2.3 The Bank will undertake to pay compensation for the transactions initiated through Internet / Mobile Banking / UPI as under: NEFT/ RTGS delay in Credit/return are compensated as per existing RBI guidelines. At present for NEFT, it is current RBI LAF Repo Rate plus 2% and current repo rate plus 2% for RTGS. In case of failed IMPS / UPI transactions, compensation will be as per RBI guidelines on Harmonisation of Turn Around Time (TAT)\*.

\*Compensation on failed transactions is as per clause 19 of this policy.

**3. Stipulation of compensation for delay in clearance of Local Cheque etc.**

Bank shall permit usage of the shadow credit afforded to the customers' account immediately after closure of relative return clearing and in any case, withdrawal shall be allowed on the same day or maximum within an hour of the commencement of business on the next working day, subject to usual safeguards. Compensation at savings bank interest rate shall be paid for the corresponding period of delay.

**4. Stipulation of compensation for delayed credit/refunds of NEFT transactions:**

In case of delay in crediting the beneficiary customer's account or in retuning the non-credited amount to the remitter/ sender in case of NEFT, Bank shall pay penal interest. Under the extant guidelines, Bank is required to pay penal interest at the current RBI LAF Repo rate plus two percent for the period of delay/ till the date of refund as the case may be to the affected customer's account suo-moto, without waiting for claim from customers.

In case of delayed credits or delayed returns, the penal interest as applicable is paid suo-moto to the customer. Even in the case of back-dating or value-dating such delayed transactions, Bank shall pay the penal interest for the delayed period.

**5. Payment of Cheques after Stop Payment Instructions:**

In case a cheque has been paid after stop payment instruction is acknowledged by the bank, the bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as provided under **Para 1 above**. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

**6. Remittances in India:**

The compensation on account of delays in collection of instruments would be as indicated in the Bank's Cheque Collection Policy which is reproduced below for information:

**"Payment of Interest for delayed Collection of Local and Outstation Cheques"**

As part of the compensation policy of the Bank, 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 mentioned above. 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:

- i) 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.
- ii) In the event of proceeds of Cheque under collection were to be credited on an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.
- iii) In case no rate is specified in the Cheque Collection Policy for delay in realization of local cheques, compensation at Savings Bank interest rate shall be paid for the corresponding period of delay.
- iv) Time frame for collection of cheques drawn on State Capitals / major cities / other locations to be 7/10/14 days respectively. If there is any

delay in collection beyond this period, the interest shall be the interest rate on Fixed Deposits on the corresponding maturity. The time frame for collection specified by the National Customer Dispute Redressal Commission shall be treated as outer limit and credit shall be accorded if the process gets completed earlier.

- v) Banks shall not decline to accept Outstation cheques deposited by its customer for collection.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

Bank's 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. The same is extracted below for information.

**7. Cheques/Instruments lost in transit/in clearing process as at paying Bank's Branch:**

- i) In respect of cheques lost in transit or in the clearing process or at the paying Bank's branch, the Bank should immediately bring the same to the notice of the account holder so that account holder can inform the drawer to record the stop payment and can also take care that other cheques issued by him are not dishonoured due to non-credit of the amount of the lost cheques / instruments.
- ii) In case of Cheque/instrument lost, onus of such loss lies with the collecting Banker and not the account holder.
- iii) The Bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate Cheque/instruments upon production of receipt in the event the instrument is to be obtained from a Bank/Institution who would charge fee for issue of duplicate instrument and also reasonable charges incurred for stopping payment of the Cheque. The Bank shall reimburse the account holder related expenses for obtaining duplicate instruments and also interest at SB rate for reasonable delays occurred in obtaining the same.
- iv) 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 mentioned above in para 6, point i) to iv).
- v) In addition, the 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.
- vi) If the Cheque/instrument has been lost at the paying Bank's branch, the collecting Banker shall have a right to recover the amount reimbursed to the customer for the loss of the Cheque/instrument from the paying Banker.

**8. a. Payment of Interest for Delays in collection of bills:**

The lodger's bank shall pay interest to the lodger for the delayed period in respect of collection of bills at the rate of 2% p.a. above the rate of interest payable on balances of Savings Bank accounts. The delayed period shall be reckoned after making allowance for normal transit period based upon a time frame of 2 days each for (i) Dispatch of bills; (ii) Presentation of bills of drawees (iii). Remittance of proceeds to the lodger's bank (iv) Crediting the proceeds to drawer's account.

To the extent the delay is attributing to the drawee's bank, the lodger's bank may recover interest for such delay from that bank.

**8 b. Delay in Re-presentation of Technical return Cheques and Levy of Charges for such Returns:**

Bank shall levy cheque return charges only in cases where the customer is at fault and is responsible for such returns. Where the customers are not at fault the cheques need to be re-presented without any recourse to the payee, such representation should be made in the immediate next presentation clearing not later than 24 hours (excluding holidays) with due notification to the customers of such representation through SMS alert, email etc.

Illustrative list of objections where customers are not at fault:

| Code No | Reasons for Return  |
|---------|---|
| 31      | Instrument mutilated; requires Bank's guarantee                                   |
| 35      | Clearing House stamp / date required  |
| 36      | Wrongly delivered / not drawn on us   |
| 37      | Present in proper zone  |
| 38      | Instrument contains extraneous matter   |
| 39      | Image not clear; present again with paper   |
| 40      | Present with document   |
| 41      | Item listed twice   |
| 42      | Paper not received  |
| 60      | Crossed to two Banks  |
| 61      | Crossing stamp not cancelled  |
| 62      | Clearing stamp not cancelled  |
| 63      | Instrument specifically crossed to another Bank                                   |
| 67      | Payee's endorsement irregular/requires collecting Bank's confirmation             |
| 68      | Endorsement by mark/thumb impression requires attestation by Magistrate with seal |
| 70      | Advice not received   |
| 71      | Amount/name differs on advice   |
| 72      | Drawee Bank's fund with Sponsor Bank insufficient (applicable to sub-members)     |
| 73      | Payee's separate discharge to Bank required                                       |
| 74      | Not payable till 1 <sup>st</sup> proximo  |
| 75      | Pay order requires counter signature  |
| 76      | Required information not legible / correct  |
| 80      | Bank's certificate ambiguous / incomplete / required                              |
| 81      | Draft lost by issuing office; confirmation required from issuing office           |
| 82      | Bank/Branch blocked   |
| 83      | Digital certificate validation failure  |
| 84      | Other reasons - connectivity failure  |
| 87      | 'Payee's account credited' - Stamp required                                       |
| 92      | Bank excluded   |



## **9. Violation of the Code by banks agent**

In the event of receipt of any complaint from the customer that the bank's representative & courier has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the bank has adopted voluntarily, bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.

## **10. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks:**

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonour of such instruments when the remitter has already paid for the instruments. In this connection it is clarified that the bank will not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for nonpayment/ delayed payment of cheques in the absence of adequate funding arrangement.

## **11. ATM**

It is mandatory for bank to reimburse the customer the amount wrongfully debited on account of failed ATM within a maximum period of T+5 days from the receipt of the complaint. For any failure to re-credit the customer's account beyond T+5 days from the date of receipt of the complaint, bank shall pay compensation of ₹ 100/- per day SUO MOTO to the aggrieved customer. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transactions.

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.

- i) **ATM free transaction:** The number of free transactions permitted per month at other bank ATMs to Savings Bank account holders shall be inclusive of all type of transactions, financial or non-financial.
- ii) **ATM failed transaction:** All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank through the ATM System Provider only. No bilateral settlement arrangement outside the dispute resolution mechanism available with the system provider is permissible.

## **12. Issue of Duplicate Draft and Compensation for delays:**

Wherever a duplicate draft is requested, new draft in lieu of the duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit for corresponding period will be paid as compensation to the customer for such delay. The period of fortnight prescribed would be applicable only in cases where the request for duplicate demand draft is made by the purchaser or beneficiary and would not be applicable in case of third party endorsements.

In such cases, branches shall obtain requisition letter from the purchaser along with an indemnity letter on a requisite value of non-judicial stamp paper to cancel the DD and thereafter issue a fresh DD or make payment to the purchaser as the case may be.

**13. Lenders liability; Commitment to Borrowers/ Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans (Monitored by Credit wing)**

The Bank has adopted the principles of lenders liability. In terms of the guidelines for lenders liability and the Code of Bank's Commitment to customers adopted by the Bank, the Bank would return all the securities/ documents/ title deeds of mortgaged/movable/immovable property to the Borrowers within 30 days of repayment of all dues agreed to or contracted.

The Bank will release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.

In case of delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Bank will communicate to the borrower reasons for such delay. In case where the delay is attributable to the RE, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.

In case of loss/damage to original movable / immovable property documents, either in part or in full, the Bank will assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. However, in such cases, an additional time of 30 days will be available to the Bank to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days)

These Directions shall be applicable to all cases where release of original movable / immovable property documents falls due on or after December 1, 2023.

**14. Minimum balance in savings bank accounts:**

At the time of opening the accounts, bank shall inform the customers in a transparent manner, the requirement of maintaining minimum balance and levying of charges, etc, if the minimum balance is not maintained. Any charge levied subsequently shall be transparently made known to all depositors in advance with one month's notice. The Bank shall inform, at least one month in advance, the existing account holders of any charges in the prescribed minimum balance and charges that may be levied if the prescribed minimum balance is not maintained. With effect from 16.05.2014, bank shall not permit to levy penal charges for no maintenance of minimum balances in any inoperative account.

Further, charges for non-maintenance of Monthly Average Minimum Balance (MAMB) are waived for the following categories of customers.

- I. In-operative SB Accounts
- II. Zero Balance Accounts at the time of opening the account.

Accounts opened under Pradhan Mantri Jan Dhan Yojna (PMJDY) and any other Financial Inclusion schemes introduced from time to time.

#### **15. Wealth Management products:**

Bank is a corporate Agent and distributor of Insurance and Mutual Fund products respectively. For any deficiencies in services Bank will assist customers to raise their grievances with the tie-up partners.

For any deficiencies in services at Bank level raised by customer, the issue will be examined by the Bank and if the lapse on the part of the Bank is confirmed (miss-selling) customer will be compensated as per the provisions of this policy.

**16. Unauthorised Electronic Transactions reported by Customers:** As per the Circular No. DBR.No.Leg.BC.78/09.07.005/20017-18 dated July 6, 2017 issued by the Reserve Bank of India, all Banks are required to formulate a Board Approved Customer Protection Policy for unauthorized electronic Banking transactions reported by customers.

The policy is inter alia, required to cover in detail, the liability of customers in different scenarios depending on whether compromise was at the Bank's end, customer's end or elsewhere in the system.

For all such transactions, the Bank would be governed by their Board Approved Customer Protection Policy or any other equivalent policy. (Chapter II)

#### **17. Force Majeure**

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labor disturbances, accident, fires, natural disasters or other "Acts of God", war, damage to the bank's facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

#### **18. Timeline for payment of compensation**

The amount of compensation for deficiencies in various categories of Banking Services as mentioned in this Policy should be paid to the customers within 15 (fifteen) days after the deficiency is acknowledged.

#### **19. Failed Transactions**

**Harmonization of Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems**

| Sl. no. | Description of the incident  | Framework for auto-reversal and compensation  |  |
|---------|--|---|--|
|         |  | Timeline for auto-reversal  | Compensation payable   |
| I       | II   | III   | IV   |
| 1       | Automated Teller Machines (ATMs) including Micro-ATMs  |   |  |
| a       | Customer's account debited but cash not dispensed.   | Pro-active reversal (R) of failed transaction within a maximum of T + 5 days.                                 | ₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder. |
| 2       | Card Transaction   |   |  |
| a       | <u>Card to card transfer</u><br><br>Card account debited but the beneficiary card account not credited.  | Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account. | ₹ 100/- per day of delay beyond T + 1 day.                                       |
| b       | <u>Point of Sale (PoS) (Card Present) including Cash at PoS</u><br><br>Account debited but confirmation not received at merchant location i.e., charge-slip not generated. | Auto-reversal within T + 5 days.  | ₹ 100/- per day of delay beyond T + 5 days.                                      |
| c       | <u>Card Not Present (CNP) (e-commerce)</u><br><br>Account debited but confirmation not received at merchant's system.  |   |  |
| 3       | Immediate Payment System (IMPS)  |   |  |
| a       | Account debited but the beneficiary account is not credited.   | If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.    | ₹100/- per day if delay is beyond T + 1 day.                                     |
| 4       | Unified Payments Interface (UPI)   |   |  |

|   |  |   |   |
|---|--|---|---|
| a | Account debited but the beneficiary account is not credited (transfer of funds).   | If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day. | ₹100/- per day if delay is beyond T + 1 day.  |
| b | Account debited but transaction confirmation not received at merchant location (payment to merchant)   | Auto-reversal within T + 5 days.  | ₹100/- per day if delay is beyond T + 5 days. |
| 5 | Aadhaar Enabled Payment System (including Aadhaar Pay)   |   |   |
| a | Account debited but transaction confirmation not received at merchant location.  | Acquirer to initiate “Credit Adjustment” within T + 5 days.   | ₹100/- per day if delay is beyond T + 5 days. |
| b | Account debited but beneficiary account not credited.  |   |   |
| 6 | Aadhaar Payment Bridge System (APBS)   |   |   |
| a | Delay in crediting beneficiary’s account.  | Beneficiary bank to reverse the transaction within T + 1 day.   | ₹100/- per day if delay is beyond T + 1 day.  |
| 7 | National Automated Clearing House (NACH)   |   |   |
| a | Delay in crediting beneficiary’s account or reversal of amount.  | Beneficiary bank to reverse the uncredited transaction within T + 1 day.                                    | ₹100/- per day if delay is beyond T + 1 day.  |
| b | Account debited despite revocation of debit mandate with the bank by the customer.   | Customer’s bank will be responsible for such debit. Resolution to be completed within T + 1 day.            |   |
| 8 | Prepaid Payment Instruments (PPIs) - Cards / Wallets   |   |   |
| a | <u>Off-Us transaction</u><br>The transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TAT and compensation rule of respective system shall apply. |   |   |

|   |   |   |  |
|---|---|---|--|
| b | On-Us transaction Beneficiary's PPI not credited. PPI debited but transaction confirmation not received at merchant location. | Reversal effected in Remitter's account within T + 1 day. | ₹100/- per day if delay is beyond T + 1 day. |
|---|---|---|--|

## 20. Digital Payment Security Controls:

Going by the pre-eminent role being played by digital payment systems in India, RBI gives highest importance to the security controls around it. Now it is proposed to issue Reserve Bank of India (Digital Payment Security Controls) Directions 2020, for regulated entities to set up a robust governance structure for such systems and implement common minimum standards of security controls for channels like internet, mobile banking, and card payments, among others. While the guidelines will be technology and platform agnostic, it will create an enhanced and enabling environment for customers to use digital payment products in more safe and secure manner.

## 21. Loss of Contents of the Locker: (Monitored by General Administration Wing)

- i) Liability of Bank arising from natural calamities like earth quake, flood, thunderstorm, lightning etc. Or due to sole negligence of customer.  
The 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. Bank shall, however, exercise appropriate care to their locker systems to protect their premises from such catastrophes.
- ii) Liability of Bank arising from fire/ theft/ burglary/ dacoity/ robbery/ building collapse or in case of fraud committed by the employee of the Bank in respect of loss of contents of the locker.

It is the responsibility of Banks to take all steps for the safety and security of the premises in which the safe deposit vaults are housed. It has the responsibility to ensure that incidents like fire, theft/ burglary/ robbery, dacoity, building collapse do not occur in the Bank's premises due to its own shortcomings, negligence and by any act of omission/commission. As Banks cannot claim that they bear no liability towards their customers for loss of contents of the locker, 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.

## 22. Complaints related to Credit Information Companies (CIC): (Monitored by Credit Wing)

The Reserve Bank of India directs Credit Information Companies and Credit institutions to implement the compensation framework for delayed updation/ rectification of credit information by Cis (Credit Institutions) and CICs as detailed below

Complainants shall be entitled for a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of thirty (30) calendar days from the date of the initial filing of the complaint by the complainant with a CI/ CIC.

CI would get twenty-one (21) days and CICs would effectively get the remainder of nine (9) days for complete resolution of the complaint.

Penalty needs to be paid by the Bank/CIC in case there is a delay.

A CI shall pay compensation to the complainant if the CI has failed to send updated credit information to the CICs by making an appropriate correction or addition or otherwise within twenty-one (21) calendar days of being informed by the complainant or a CIC.

### **23. Customer's responsibility:**

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 the Bank, until the Bank has been notified by the customer.

Customer acts fraudulently and/or acts without reasonable care which has resulted in loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords or confidential information, until the time the Bank has been notified of such loss/compromise and has taken steps to prevent its misuse.

### **CALL CENTRE TOLL FREE NO**

Karnataka Grameena Bank: **1800 102 5250**

Call Centre is functioning from 8 AM to 8 PM. Bank has a dedicated team to attend the calls of Customers/ General Public on banking related issues.

N.B. - Customers are requested to call on our mentioned Toll Free Numbers only for any complaints/ issues. Bank shall not be responsible for any consequences arising out of customers calling any other unverified numbers.

Mail facility has also been extended to customers through mail ID - [customersupport@kgbk.in](mailto:customersupport@kgbk.in).

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## **CHAPTER - II**

### **Customer Protection - Limiting Liability of Customers in Unauthorized Electronic Banking Transactions.**

#### **1. OBJECTIVES:**

Financial Inclusion, Customer Protection and Fair Practices in Banking operations are the important pillars of Customer Service in Banks. To strengthen these thrust areas and to clearly determine the customer liability in respect of Unauthorised Electronic Banking Transactions (UEBT), Reserve Bank of India has issued revised directions vide their Circular DBR.No.Leg.BC.78/09.07.005/2017-18 dated 6th July, 2017. To give effect to these guidelines, a separate “Chapter on Customer Protection for Limiting Liability of Customers in Unauthorized Electronic Banking Transactions (UEBT)” as mandated by RBI is framed by the Bank.

#### **2. BACKGROUND:**

Due to increased thrust on digitalization from the Government as well as the Bank and increased use of digital platforms by customers, complaints/grievances relating to digital transactions are on the increase. It is also observed that incidence of cyber-crimes relating to Electronic Banking Transactions are increased.

In this context, considering the recent surge in customer grievances relating to unauthorized EBT resulting in erroneous debits to customer accounts/cards, to safeguard and protect the interest of the consumers, Reserve Bank of India (RBI) has issued the guidelines for determining the Customer Liability in case of unauthorized EBT.

#### **3. SYSTEMS & PROCEDURES:**

**3.1.1. Broadly, the Electronic Banking Transactions (EBT) are divided into two categories;**

a) Remote / Online payment transactions/ Card Not Present (CNP) Transactions where physical payment instruments are not required for making transactions for example; Mobile Banking, Internet Banking, Pre-paid payment instruments (PPI) etc.

b) 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.)

**3.1.2. Safety and security measures for customers to carry out Electronic Banking Transactions (EBT);**

The Bank has designed, and shall continuously strive to strengthen, systems and procedures to make customers feel safe about carrying out electronic Banking transactions.



To achieve this, the Bank shall put in place:

**i. Appropriate systems and procedures to ensure safety and security of electronic Banking transactions carried out by customers;**

- a) The Bank shall ask its customers to mandatorily register for SMS alerts and wherever available register for e-mail alerts, for electronic Banking transactions.
- b) The SMS alerts shall mandatorily be sent to the customers, while email alerts may be sent, where the customer requests for the same and e-mail id is registered.

**ii. Robust and dynamic fraud detection and prevention mechanism;**

- a) The Bank shall provide One Time Password (OTP) to the customers through their registered mobile number at the time of making the payment of any transaction through payment gateway for confirmation/ authentication of the account holder.
- b) Security measures like virtual keyboard in Internet Banking, Mandatory PIN verification for Debit Cards at POS machines as an additional security feature and introduction of EMV Chip based Cards, are also been implemented.

**iii. Mechanism to assess the risks resulting from unauthorized transactions and measure the liabilities arising out of such events;**

- a) Bank is having the system to absorb the liabilities and to mitigate the risk arising out of unauthorized transactions.

**iv. Appropriate measures to mitigate the risks and protect themselves against the liabilities arising there-from;**

- a) Bank shall send alerts through mobile for all types of Card related and online Banking transactions.
- b) Risks and liabilities that may arise due to un-authorized EBT / fraudulent transactions would be met by appropriate Insurance cover taken by the Bank.

**v. A system of continuously and repeatedly advising customers on how to protect themselves from electronic Banking and payments related fraud.**

- a) The Bank, from time to time, shall educate the customers to protect themselves from Electronic Banking and Payments related frauds through various channels.
- b) Customers shall be periodically advised to have efficient security precautions and practices in protecting their personal computer, Smart-phones and to avoid conducting financial transactions from public or internet café computers. For this purpose, Do's & Don'ts have been notified in Bank's Website

### **3.1.3. Reporting of Unauthorized Electronic Banking Transactions by customers to the Bank**

i. Customers desirous of undertaking electronic Banking transactions shall be asked to mandatorily register for SMS alerts and, wherever available, register for e-mail alerts.

ii. Customers shall be advised to notify the Bank of any unauthorized electronic Banking transaction at the earliest after the occurrence of such transaction, and shall be educated that the longer the time taken to notify the Bank, the higher will be the risk of loss to the Bank/ Customer.

Customers are required to report to Bank immediately on knowing the occurrence of the unauthorized EBT.

iii. To facilitate immediate reporting by the customers, the Bank shall provide its customers with 24x7 access through multiple channels (at a minimum, via website, e-mail, IVR, a dedicated toll-free helpline, reporting to home branch, etc.) for reporting unauthorized transactions that have taken place and/ or loss or theft of payment instrument such as card, etc.

a) Call Centre with single point contact is functional in the Bank 24x7 to cater to customers in two languages namely Kannada & English for reporting the unauthorized EBT or loss or theft of payment instrument like card.

b) **Mobile Banking:** Customers can report the unauthorized EBT transactions through Mobile Banking channel.

c) **Call Centre Toll Free No. 1800 102 5250** for any assistance/ lodging complaints.

d) Customers can also reach the Bank through multiple channels like website for registering online complaints, IVR, Email, Mobile Banking ([Cusotmersupport@kgbk.in](mailto:Cusotmersupport@kgbk.in)), reporting to home branch etc.,

e) The Bank shall not offer facility of Electronic Banking transactions, other than ATM Cash withdrawals, to customers who do not provide mobile numbers to the Bank. In such cases, on receiving information about unauthorized transactions from the customer, Bank will take immediate steps to prevent further unauthorized EBT in the account by way of blocking the Card

### **3.2 Limited Liability of a Customer in case of unauthorized EBT:**

#### **3.2.1. Zero Liability of a Customer**

**A customer's entitlement to zero liability shall arise where the unauthorized EBT occurs in the following cases:**

- i) Contributory fraud / negligence / deficiency on the part of the Bank. If the un-authorized transaction was made due to contributory fraud / negligence / deficiency on the part of the Bank, customer has zero liability to bear, irrespective of whether or not the transaction is notified / reported by the customer.

- ii) Third party breach where the deficiency lies neither with the Bank nor with the customer but lies elsewhere in the system, and the customer notifies the Bank within 3 working days of receiving communication from the Bank regarding the un-authorized EBT.

### 3.2.2. Limited Liability of a Customer:

**A customer shall be liable for the loss occurring due to un-authorized transactions in the following cases;**

- i) In cases where the loss is due to negligence by customer, such as, where he/she has shared the payment credentials, the customer shall bear the entire loss until he/she reports the un-authorized EBT to the Bank. Any loss occurring after the report of the un-authorized EBT shall be borne by the Bank.
- ii) In cases where the responsibility for the un-authorized Electronic Banking Transaction lies neither with the Bank nor with the customer, but lies elsewhere in the system and when there is a delay (of 4 to 7 working days after receiving the communication from the Bank) on the part of the customer in notifying the Bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table-1, whichever is lower.

**Table -1**  
**Maximum Liability of a customer under paragraph (ii)**

| Type of Account   | Maximum liability (Rs) |
|---|------------------------|
| ✧ BSBD Accounts   | 5,000/-                |
| ✧ All other SB accounts<br>✧ Pre-paid Payment Instruments and Gift Cards<br>✧ Current/Cash Credit/Overdraft Accounts of MSMEs<br>✧ Current Accounts / Cash Credit / Overdraft Accounts of individuals with annual average balance (during 365 days preceding the incidence of fraud) / limit upto Rs 25 lakhs.<br>✧ Credit Cards with limit upto Rs 5 lakhs | 10,000/-               |
| ✧ All other Current / Cash Credit / Overdraft Accounts<br>✧ Credit Cards with limit above Rs 5 lakhs  | 25,000/-               |

RBI has however, advised further that, if the delay in reporting is beyond seven working days, the customer liability shall be determined as per the Bank's approved Policy. Therefore, the following criteria is adopted in our Bank if the delay in reporting is beyond seven working days:

Per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1 (a) herein below whichever is lower.

Table 1 (a)

| Type of Account | Proposed Maximum liability (Rs) |
|-----------------|---------------------------------|
| ✧ BSBD Accounts | 3,000/-                         |

|   |          |
|---|----------|
| <ul style="list-style-type: none"> <li>✧ All other SB accounts</li> <li>✧ Pre-paid Payment Instruments and Gift Cards</li> <li>✧ Current/Cash Credit/Overdraft Accounts of MSMEs</li> <li>✧ Current Accounts / Cash Credit / Overdraft Accounts of individuals with annual average balance (during 365 days preceding the incidence of fraud) / limit upto Rs 25 lakhs.</li> <li>✧ Credit Cards with limit upto Rs 5 lakhs</li> </ul> | 6,000/-  |
| <ul style="list-style-type: none"> <li>✧ All other Current / Cash Credit / Overdraft Accounts</li> <li>✧ Credit Cards with limit above Rs 5 lakhs</li> </ul>  | 15,000/- |

On the basis of RBI Guidelines, customer is entitled for compensation up to the extent of the transaction amount occurred due to system breach and not the full amount of loss occurred.

The compensations will be finalized by EBT Committee of DBS Wing with following delegation of power.

| AUTHORITY          | POWER        |
|--------------------|--------------|
| GM ,Concerned Wing | 0-2 Lacs     |
| Chairman           | Above 2 Lacs |

iii) Further, if the delay in reporting is beyond 7 working days, the customer liability shall be determined as follows;

“In case where neither the Bank is at fault nor the customer, but the fault lies elsewhere in the system and there is a delay in reporting beyond 7 working days and within 60 days of receiving communication from the Bank, the Bank will compensate the customer with Rs.100/- per Rs.5000/- of the amount involved, subject to a maximum Rs.1000/- for each instance”. The compensation shall be paid within Ten (10) working days of establishing the customer’s liability.

However, if the delay in notifying is beyond 60 days after receiving the communication from the Bank, the Bank is not liable to compensate the customer.

In cases where the customer does not provide the relevant documentation as requested by the Bank within 15 calendar days of Bank seeking the documents, the Bank is not liable to compensate the customer.

**3.2.3 Third Party Breaches :** Overall liability of the customer in third party breaches, as detailed in paragraph 3.2.1 (ii) and paragraph 3.2.2 (ii) above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in the

**Table 2**  
**Table 2: 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 Table 1, whichever is lower    |
| Beyond 7 working days      | The transaction value or the amount mentioned in Table 1(a), whichever is lower |

### 3.2.4. Reversal Timeline for Zero Liability / Limited Liability of Customer:

- i) On being notified by the customer, the Bank shall credit (**shadow reversal**) the amount involved in the un-authorized EBT to the customer's account within 10 working days from the date of such notification by the customer without waiting for settlement of insurance claim, if any. The credit shall be value dated to be as of the date of un-authorized EBT.
- ii) Bank is having the discretion on the merits of the case to decide to waive off any customer liability (whether part or full) in case of un-authorized electronic Banking transaction even in cases of customer negligence.

The Competent Authority for waiving of customer's liability (part or full) in case of un-authorized electronic Banking transactions where customer is negligent shall be Chairman of the Bank.

### 3.2.5. Bank shall ensure that;

- i) A complaint is resolved and liability of the customer if any is established within 90 days from the date of receipt of the complaint and the customer is compensated as per provisions mentioned above.
- ii) Where it is unable to resolve the complaint or determine the customer liability if any within 90 days, a compensation as prescribed in point no. 3.2.1 to 4 is paid to the customer and
- iii) In case of debit card/Bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

## 4. COMPLIANCE/ MONITORING OF IMPLEMENTATION OF THE POLICIES:

### 4.1.1. Details of Grievance handling / escalation mechanism for Unauthorised Electronic Banking Transaction (UEBT):

- a) **Website:** Customers can lodge complaint in our Public Grievance Redressal System (PGRS) Package regarding unauthorised EBT through our website <https://www.karnatakagrameenabank.com> (under Customer & Greivanace Services >> Online Grievances Registration And Status Tracking System).
- a) Customer can report the unauthorized EBT through the home branches.
- b) Customers can lodge complaints/ grievance by calling Toll Free No-1800-102 5250.

- c) The Bank will settle the liability of unauthorized EBT in each case as per the procedure mentioned in Table-1 & 2 respectively of Point no. 3.2.2 & 3.2.3.
- d) The customer/complainant has to approach the Home/Base Branch for submission of documents regarding the reported unauthorised EBT for settlement of claims.
- e) Customers can approach the Bank's internal grievance redressal machinery and approach alternate fora only after exhausting all the remedies available under Bank's internal grievance redressal mechanism, that is, the Branch Head, Regional Office, and then finally Head Office.
- f) On receiving the information from the customer regarding unauthorized Electronic Banking Transaction, block all the accounts linked to the mobile number to prevent further attempt of fraudulent transactions. Account can be unblocked on submission of request to the respective branch where the account/s is/are maintained.
- g) Acknowledge all formal complaints (including complaints lodged through electronic means) within three working days of receipt and work to resolve it within a reasonable period, not exceeding 90 days (including the time for escalation and examination of the complaint by the highest ranking internal official responsible for grievance redressal). The 90 days period will be reckoned after all the necessary information sought from the customer is received.
- h) Provide aggrieved customers the details of the Banking Ombudsman Scheme for resolution of a complaint if the customer is not satisfied with the resolution of a dispute, or with the outcome of a dispute handling process.

**4.1.2. In addition, the Bank will -**

- a) After examining the matter, send final response or explain why it needs more time to respond and shall endeavour to do so at the earliest, but not later than 90 days from receipt of complaint.
- b) Ensure the customer is refunded without delay and demur, if it cannot show proof beyond reasonable doubt to the customer on any disputed transaction (along with interest/ charges).

**4.1.3 Procedure to be followed for handling card related UEBT complaints**

1. On receiving the complaint about card related unauthorized transaction from the customer, branch shall conduct a preliminary enquiry with the customer and if satisfied, complaints shall be immediately lodged in DBSCOM menu in Finacle and preserve the necessary documents
  - a) Customer Complaint Letter.
  - b) Card Hot-listing Proof.
  - c) All the Annexures for claiming insurance.
  - d) FIR/Police Complaint acknowledgment letter copy if available for Unauthorized transactions above 50,000/-
2. Branch has to take utmost caution while registering these complaints in DBSCOM menu to ensure that all these complaints are raised properly.

3. Branches has to report all card related unauthorized transactions other than debit card has to be reported along with all the documents stated in point 1 via email to dbswing@kgbk.in
4. Further Branches on receiving the information from the customer regarding unauthorized Electronic Banking Transactions, shall ensure all the accounts linked to debit card/mobile number is blocked to prevent further attempts of fraudulent transactions. Branch should report the evidence in the incident reporting tool under DBSCOM menu in Finacle.

#### **4.2. Burden of Proof:**

It is clarified that the burden of proving customer's liability in case of un-authorized Electronic Banking Transaction shall lie with the Bank except in the following;

- Where the customer is negligent and has shared the payment credentials to unknown persons' consequent to which occurrence of un-authorized Electronic Banking Transactions are noticed.
- On receipt of the required documents from the customers who has reported the unauthorised Electronic Banking transactions, Digital Banking Services Wing, will verify the genuineness of the credentials of the customers.

#### **4.3. Reporting and Monitoring Requirements:**

A consolidated monthly note is to be placed by the concerned section to GM of DBS Wing justifying the reasons for non-Representation of all the chargeback which are not represented of un-authorized Electronic Banking Transactions, amount involved and distribution across various categories of cases viz., Card Present Transactions, Card Not Present transactions, Internet Banking, Mobile Banking, ATM transactions etc. and compensation paid will be covered. All such transactions shall also be reviewed by the Bank's Internal Auditors at the time of Internal Audit.

#### **5. Customers' responsibility:**

- a. 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 the Bank, until the Bank has been notified by the customer.
- b. Customer acts fraudulently and/or acts without reasonable care which has resulted in loss to him/her. Bank will also not be responsible for the losses arising out of misuse of lost PIN, compromise of passwords or confidential information, until the time the Bank has been notified of such loss/compromise and has taken steps to prevent its misuse.

#### **6. AMENDMENT/ MODIFICATION OF THE POLICY:**

The Bank reserves the right to amend/ modify this Policy, as and when deemed fit and proper, at its sole discretion. However, the Bank shall endeavor to review the Policy at annual intervals.

## **7. COMPLIANCE/ MONITORING OF IMPLEMENTATION OF THE POLICIES:**

Implementation of policy at Branches will be checked by Inspection Wing during RBIA & Concurrent inspection and deviations will be reported SP&D wing.

Overseeing Executive of SP&D wing Section in Regional Office to ensure that all Branches are adhering to the policy guidelines.

### **Disclaimer:**

Review of the Customer Compensation & Policy on Customer Protection- Limiting Liability of Customers in Unauthorised Electronic Banking Transactions 2025-26 of the Bank Policy for the Financial Year 2025-26:

Notwithstanding anything contained here above, the Bank shall not pay any compensation in the following cases:-

- i) Any deficiency in regard to loans and advances activities of the Bank.
- ii) Dishonor of at par payment agreement with other banks, due to non-funding and security compliance.
- iii) 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.
- iv) Where the issues are sub-judice and pending before Courts, Ombudsman, arbitrator , Government and matter put on hold due to stay.

Any mandated additions as per guidelines from NABARD, RBI, DFS, Sponsor Bank, or any other regulatory bodies, as well as subsequent amendments or modifications communicated post-adoption, seamlessly integrate into this Policy. The Bank is committed to complying with all additional policy requirements as they arise.

### **Validity of the Policy:**

This policy comes in to effect immediately and shall be valid until the next review and adoption of policy by the by the Board of Directors