

A Study on the Effect of Banking Ombudsman Scheme in India: Compliant Analysis

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The ombudsman scheme is immensely powerful channel for redressal of grievances by the general public against banks and banking services. Banking Ombudsman is a quasi-judicial authority functioning under India's banking ombudsman scheme, and the authority was created pursuant to the decision by the government of India to enable resolution of complaints of banks connected with the services offered by the banks. Many a times disputes arise between customers and banks on the problems related to banking operations which include wrong debit to accounts, excess recovery of interest/charges, wrong dishonor of cheques, inadequacy in services, etc. in order to provide quick, inexpensive and expedite settlement of customer's grievances, the reserve bank hosted banking Ombudsman scheme since June 1995 under the provisions of section 35 of banking regulation Act, 1949. This study attempts to give a brief introduction of the concept of Ombudsman, to study the role of banking ombudsman as a complaint redressal mechanism, growth of banking ombudsman service in India from 2012-13 to 2014-15 and suggestions for the improvement of the working of banking ombudsman.

Keywords: Banking Ombudsman, Redressal, Grievances

1. INTRODUCTION

The word 'Ombudsman' originated from Sweden in 1809, established the position of Justice Ombudsman to oversee government organization. It denotes closely as 'Citizen defender' or 'representative of the people'. Since 1809, it has been accepted in many parts of the world, in both government and private industry (eg. banking and insurance) settings.

The 'Narasimhan' Committee on 'Banking and Financial Sector Reforms' recommended the Banking Ombudsman scheme was introduced in 1995 as a part of financial sector policy and systems reforms 1991-92 to 1995-96. The scheme was notified by the Reserve Bank of India on June 14, 1995 under section 35A of the Banking Regulation Act, 1949. The purpose of the Scheme

is to provide a quick and cost free resolution mechanism for complaints relating to deficiency of banking service of common bank customers, who otherwise find it very difficult or expensive to approach than any other redressal for a such as courts. The scheme is applicable to Regional Rural Banks, schedule primary urban co-operative banks and the schedule commercial banks. The scheme has undergone several revisions during the year 2001, 2006, 2007 and 2009. Presently, the banking ombudsman scheme 2006, (BOS) as amended up to February 3, 2009, is in operation. There are 15 banking Ombudsman with specific state-wise jurisdiction covering all the 29 states and 7 union territories. The introduction of Prime Minister Dhan Yojana (PMJDY) by the government of India has resulted in huge increase in customer base of banks. This will result in increasing number of complaints. The offices of banking Ombudsmen will meet the growing challenges.

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2. GROUNDS OF COMPLAINTS

Clause 8 of the scheme lays down the following are the grounds on which a customer may find the redressal from the banking ombudsman:

- Inordinate delay in the payment or collection of bills, drafts and cheques.
- Rejection, without adequate cause, of small denomination notes tendered for any purpose, and for charges of this service;
- Non-acceptance, without sufficient cause, of coins tendered and for charging of commission for this service;
- Delay in payment of inward remittances or Non-payment
- Failure/delay to issue, of pay orders, drafts and bankers cheques.
- Not interested to provide the service after prescribed working hours;
- Failure to honor guarantee of credit commitments;
- Failure/delay in providing a banking facility (other than loans and advances) assured in writing by direct or a bank its direct selling agents;
- Delays, non-credit of proceeds to parties' books, failure to payment of deposit or non-observance of the Reserve Bank directives, if any, applicable to rate of interest on any savings deposits, other/ current account maintained with a bank.
- Delays in receipt of export proceeds like collection of bills, handling of export bills etc.,
- Denial to open bank deposit accounts without mentioning any valid reason for rejection;
- Levying of charges without adequate prior notice to the customer;
- Non-adherence by the bank to the orders of Reserve Bank on credit card operations or ATM/debit card operations;
- Delay or Non- payment of pension to the point the grievance can be attributed to the action on the part of the bank concerned, (but not with regard to its employees);
- Delay in accepting or refusal to accept payment towards taxes, as compulsory by Reserve Bank/Government;
- Failure to service or delay in servicing or redemption of Government securities;
- Closure of deposit accounts without due notice and sufficient reason.
- Refusal to close or delay in closing the accounts;
- Non-adherence to the fair-minded practices code as adopted by the bank; and
- Any other matter relating to the violation of the orders issued by the Reserve Bank related to banking or other services.

Procedure for Filing Complaint.

Banking Ombudsman Scheme (Clause 9), 2006 lays down the procedure to file a complaint before the Banking Ombudsman.

1. A person who has a grievance on a bank, on any one or more of the reasons mentioned in the Scheme may, himself or through his authorized representative (other than an advocate), make a complaint has to be filed before the Banking Ombudsman within whose authority the branch or bank complained against is located. But the complaint arising on operations of credit cards, has to be submitted billing address of the card holder is placed and not the place where the bank or credit card processing unit is situated.
2. The complaint in writing has to be properly signed by the complainant or his authorized representative. The complainant has to enclose the copies of the all documents, which he proposes to rely upon and a declaration

under Clause 9(3) of the scheme. He has to inform the following things in the complaint:

- The name and the address of the complainant, branch or office address of the bank against which the complaint is made,
- The facts of the complaint,
- The nature and amount of the loss caused to the complainant, and
- The relief sought for.

The following conditions have to be satisfied for making a complaint before the Banking Ombudsman:

- Before making a complaint to the Banking Ombudsman, the complainant required to submit written document to the bank. After the bank received the complaint within a period of one month. If the bank is not satisfied with the reply given to complainant by the bank.
- The complaint must be register before one year, from the day the petitioner has received the reply of the bank to his representation or, if no reply is received, before complication of one year and one month from the date of the representation to the bank;
- The complaint may not touch upon matter which was settled or distributed with on merits by the Banking Ombudsman in any former proceedings whether or not received from the same complainant or beside with one or more complainants or one or more of the parties concerned with the subject matter;
- The complaint does not relate to the similar subject matter, for which any records before any court, tribunal or arbitrator or any other forum is awaiting or a judgment or Award or order has been approved by any such court, tribunal, arbitrator or forum;

- The complaint is not senseless or annoying in nature; and
- Before the expiry of the period of limitation if the complaint is made prescribed under the Indian Limitation Act, 1963 for such claims.

Appeal: If the customer has not satisfied with the award of the Banking Ombudsman, customer can approach to the RBI, to the appellate authority called Deputy Governor. Still customer is not satisfied, after approaching to the RBI, he can go to the High Court.

Objectives of the study

1. To study the impact of banking ombudsman service provided by the bank
2. To analyze role of banking ombudsman as a complaint redressal mechanism
3. To suggestions for the improvement of the working of banking ombudsman.

Need of the study

The banking ombudsman scheme was announced in the year 1995 and was revised in 2002. Before banking ombudsman scheme there is no organized platform to redress the customer grievances relating to certain services rendered by banks. The current scheme becomes operative from 1st January 2006. In order to resolve the customer's grievances Reserve Bank of India has taken great steps to redress the grievances of the customers and it is called banking ombudsman scheme it is an inexpensive forum to bank customers for resolution of complaints. Many customers are not aware about the ombudsman and their functions and types of complaints resolved by banking ombudsman. In India not all the people aware about banking ombudsman service. Hence this study is based on the function of office of banking ombudsman and complaint analysis.

Data collection

This paper is based on secondary data. The source of secondary data is collected from Reserve Bank of India web site. To achieve the objective and need of this study, three years data has been collected i.e. 2012-15.

Result and Discussion

The above table 1 clearly explains the complaints handled by the 15 offices of banking ombudsmen during the year 2014-15. Complaints brought forward from the previous year 2012-13 (4642), 2013-14 (5479) and 2014-15 (3307). It shows that number of grievances brought forward from

a year to another year is reducing. Complaints received is increasing every year i.e. from 2012-13 (70541), 2013-14 (76573) and 2014-15 (85131). Hence The offices of ombudsmen handled total number of complaints in the year 2012-13 (75183), 2013-14 (82052) and 2014-15 (88438). Out of which complaints pending for more than three months 0.04%, 0.001% and 0.1% in the year 2012-13, 2013-14 and 2014-15 respectively followed by Total number of appeals handled in the year 2012-13 is 65 none of the appeals pending in the same year, 2013-14 107 appeals handled out of which 77 appeals disposed and 30 were pending and 2014-15 out of 103 appeals handled 88 appeals disposed and only 15 complaints were pending.

TABLE 1
Profile of customer complaints handled by OBOs

Particulars	2012-13	2013-14	2014-15
Complaints brought forward from the previous year	4642	5479	3307
Complaints received	70541	76573	85131
Total No of complaints handled	75183	82052	88438
Complaints disposed	69704	78745	84660
Complaints pending at the end of the year	5479 (7%)	3307 (4%)	3778 (4%)
Complaints Pending for less than one month	3281 (4.36%)	2432 (3%)	2375 (2.55%)
Complaints Pending for one to two months	1675 (2%)	838 (1%)	1207 (1.23%)
Complaints Pending for two to three months	492 (0.6%)	36 (0.04%)	105 (0.12%)
Complaints Pending for more than three months	31 (0.04%)	1 (0.001%)	91 (0.1%)
Appeals pending at beginning of the year	13	0	30
Appeals received	52	107	73
Total no. of Appeals handled	65	107	103
Appeals Disposed	65	77	88
Appeals pending at the end of the year	Nil	30	15
Representations to review the decision of BOs (Non-appealable)	308	531	810

Source: Annual Report of RBI: 2014-15

TABLE 2
Zone Wise Receipt of Complaints

Zone	Year		%
	2013-14	2014-15	change
EASTERN ZONE			
Bhubaneswar	1498	2448	63.42
Guwahati	770	1054	36.88
Kolkata	4698	5277	12.32
Patna	3253	4456	36.98
	10219	13235	29.5%
NORTHERN ZONE			
Chandigarh	3162	3131	-0.98
Jaipur	4104	4088	-0.39
Kanpur	8389	8818	5.11
New Delhi	11045	14712	33.20
	26700	30749	15.2%
SOUTHERN ZONE			
Bengaluru	4101	4610	12.41
Chennai	8775	8285	-5.58
Hyderabad	4477	4366	-2.48
Thiruvananthapuram	2841	3024	6.44
	20194	20285	0.5%
WESTERN ZONE			
Ahmedabad	4588	4965	8.22
Bhopal	4907	5451	11.09
Mumbai	9965	10446	4.83
	19460	20862	7.2%

Source: Annual Report of RBI: 2014-15

Eastern Zone witnessed Majority 63.42% increase in number of complaints received in Bhubaneswar state followed by northern Zone complaints increased by 33.20% in New Delhi, over the last year whereas in Southern and Western Zones the rate of increase was Bengaluru 12.41% and Ahmedabad 8.22% respectively. This is clue from the above table-2 over the years urban and metropolitan population have remained major group of complainants under the BOS.

Table – 3 Year –on-year basis, compared to last year, complaints received against public sector banks increased by 27% and private sector bank by 16%. On the conflicting, there was a 32% decline in complaints against foreign banks.

TABLE 3
Bank Group-Wise Classification

Bank Group	No of Complaints Received During			% change (Year-on-year)
	2012-13	2013-14	2014-15	
Nationalized Banks	21609 (31%)	24391 (32%)	28891 (34%)	18%
SBI & Associates	23134 (33%)	24367 (32%)	26529 (31%)	9%
Private Sector Banks	15653 (22%)	17030 (22%)	19773 (23%)	16%
Foreign Banks	4859 (7%)	5016 (6.5%)	3406 (4%)	- 32%
RRBs/ Scheduled Primary Urban Co-op. Banks	1489 (2%)	1590 (2%)	1966 (2%)	23%
Others	3797 (5%)	4179 (5.5%)	4566 (6%)	9%
Total	70541	76573	85131	

Source: Annual Report of RBI: 2014-15

RRBs/Scheduled primary Urban Co-op. Banks 23% and others 9%.

Regarding deficiency in banking services the above table - 4 revealed grounds of complaints on which the complaints can be lodged with the bank ombudsman. Periodically these grounds are studied to provide to several new products and services in the banking industry. This is the evidence from the above table the complaints pertaining to failure to meet commitments, non-observance of fair practices code, BCSBI (Banking Codes and Standards Board of India.) Codes constituted the major category of complaints received with 29.2% of complaints received. Card related complaints (21.2%) such as ATM/Debit/ Credit Cards is the second largest category of complaints followed by delay in providing banking facilities, refusal or delay in accepting payment towards taxes as required by RBI/ Government, non-adherence to RBI directives, etc. accounted for 17% of the complaints under Others category, 6.8% of the complaints received related to pension , Complaints in the category of

TABLE 4
Category-wise Distribution of Complaints

Category	No. of complaints received			Rank
	2012-13	2013-14	2014-15	
Deposit accounts	3913 (6%)	4032 (5.3%)	4661 (5.5%)	7
Remittances	2664 (4%)	2659 (3.5%)	2700 (3.2%)	9
Card Related (ATM/ Debit / Credit Card)	17867 (25%)	18474 (24.1%)	18123 (21.2%)	2
Loans and advances	5996 (9%)	5655 (7.4%)	4846 (5.7%)	6
Levy of Charges without prior notice	3817 (5%)	4547 (5.9%)	5510 (6.5%)	5
Pension Payments	5740 (8%)	6555 (8.5%)	5777 (6.8%)	4
Failure to meet commitments /Non observance of fair practices code/BCSBI Codes	18130 (26%)	20368 (26.6%)	24850 (29.2%)	1
DSAs and recovery agents	351 (0.8%)	295 (0.4%)	347 (0.4%)	10
Notes and coins	56 (0.2%)	63 (0.1%)	61 (0.1%)	11
Others	8635 (12%)	9861 (12.9%)	14482 (17%)	3
Out of Subject	3372 (5%)	4064 (5.3%)	3774 (4.4%)	8
Total	70541	76573	85131	

Source: Annual Report of RBI: 2014-15

levy of charges without prior notice constituted 6.5% of the complaints received, Loans and advances accounted for 5.7% of the complaints received. Deposits Accounts constituted 5.5% of complaints received; Out of subject related complaints those which are not relating to the grounds of complaints specified under BOS was received during the year 4.4%. Regarding charges for, non-maintenance of minimum balance, processing fees, pre-payment penalties in loan accounts, cheque collection charges, etc. Nonpayment or delay in payment of inward remittances, delay in payment or collection of cheques, drafts, bills etc., were the some of the

reasons for 3.2% complaints received under the category of remittances.

TABLE 5
**Comparative Position of Disposal of
Complaints by OBOs**

Number of complaints	Year		
	2012-13	2013-14	2014-15
Received during the year	70541	76573	85131
Brought forward from previous year	4642	5479	3307
Handled during the year	75183	82052	88438
Disposed of during the year	69704	78745	84660
Rate of Disposal (%)	93%	96%	96%
Carried forward to the next year	5479	3307	3778

Source: Annual Report of RBI: 2014-15

Table – 5 indicate a position of disposal of complaints by OBOs. OBOs handled 88438 during the year including 3307 complaints awaiting at the beginning of the year. OBOs retained a disposal rate of 96% during the year.

Mode of disposal of maintainable complaints

In terms of Clause 7(2) of the BOS, the BO shall facilitate resolution of complaints by settlement, by contract or through conciliation and mediation between the bank and the aggrieved parties or by passing an Award in agreement with the Scheme. The aim is to arrive at amicable settlement by mutual agreement by mediation and conciliation. When mediation and conciliation fails to ensure amicable resolution, the BO gives a decision or passes an Award. Over the last three years the percentage of disposal by mutual agreement is witnessing a decline. Also there is a decline in the percentage of disposal by issue of Awards which is less than 1%. There is a very steady increase in the percentage of disposal by rejection under various clauses of the BOS.

TABLE 6
Mode of Disposal of Maintainable Complaints

<i>Disposal of Maintainable Complaints</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>
By Mutual Settlement/ agreement	19883 (50%)	19469 (43.5%)	16893 (39.3%)
Disposal by Award	312 (1%)	207 (0.5%)	87 (0.2%)
Maintainable Complaints Rejected	19087 (48.7%)	24960 (55.6%)	25976 (60.3%)
Maintainable Complaints Withdrawn	118 (0.3%)	186 (0.4%)	79 (0.2%)
Total maintainable complaints disposed	39400	44822	43035

Source: Annual Report of RBI: 2014-15

The above table explains that 39.3% of the maintainable complaints received during the year were resolved by mutual settlement but awards were passed in less than 1% of the cases, whereas 60.3% complaints were rejected and only 0.2% of the complaints were withdrawn.

CONCLUSION

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. This scheme is very important channel for redressal of grievances of the general public against banks and banking services. As number of complaints received are significant and are handled, from the above analysis and discussion shows that a good number of complaints is received and redressed efficiently and promptly by banking ombudsman. The scope of grounds of complain are to an extent limited and confined to the grounds mentioned in the banking ombudsman scheme only and needs to be expanded in the fast growing banking service sectors for better redressal of banking customer grievance. Consumer awareness needs to grow in order to the get total satisfaction of consumer and also the banking ombudsman.

SUGGESTION

The achievements of Bank ombudsman scheme have been remarkable however there is a lot to achieve. Bank ombudsman is limited to twenty seven grounds on which a customer can file a complaint against a bank and there is a dire need to expand the scope of ombudsman in the changing IT environment. Lack of awareness about the codes amongst bank staff as also the customer and lack of bank's commitment to adhere to agreed terms & conditions are major reasons for these complaints. The banks need to pay more attention to this aspect through sensitization and training of their staff. High rate of rejection of the complaints under the Banking Ombudsman office is due to lack of awareness about the applicability of the BOS amongst the bank customers. The Banking Ombudsman has also started outreach activities for creating awareness among customers like organizing awareness camps, participation in exhibitions, broadcasting advertisement.

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