THE GENERAL MANAGER-OPERATIONS

257th Board Meeting held on 27-05-2025 at Head Office, Shillong

The Memorandum submitted by your department vide Agenda No. 22 on renewal of policy

“**Compensation Policy”**

was put up to the Board at its above meeting and was **approved**.

We return herewith the original Memorandum and the annexures

MEGHALAYA RURAL BANK
Board
Dept.

Board Secretary
Dated: 29-05-2025

COMPENSATION POLICY

Meghalaya Rural Bank

DEPARTMENT: ACCOUNTS

Version Control:

Date of Approval/Review	Version at Start of Review	New Version
03-06-2024	NEW	V-1
05-02-2025	V-1	V-2

MEGHALAYA RURAL BANK

COMPENSATION POLICY

Version:2

1. Introduction

Technological progress in Payment and Settlement Systems and qualitative changes inoperational Systems and Processes undertaken by various players in the market, have improved efficiencies for providing better service to the users of the system. It has been the endeavour of the Bank to offer services to its customers with best possible utilization of its technology infrastructure. Migration of all branches to Core Banking Solution (CBS) platform is a great leap in this direction. Reserve Bank of India has also been issuing various instructions / guidelines, from time to time. The recent instructions / guidelines include instructions on Harmonisation of TAT and customer compensation for failed transactions using authorised Payment Systems (Notification no. DPSS. CO.PD.no.629/02.01.014/2019-20 dated 20.09.2019). With a view to improving the level of Customer Service available to customers of the Bank, the Compensation Policy for the Bank has been formulated.

2. Objective:

The objective of the " Compensation Policy for Banking Services", hereinafter called as the Policy, is to establish a system whereby the Bank compensates the customer for the loss or inconvenience due to deficiency in service on the part of the Bank or any act of omission or commission, directly attributable to the Bank.

3. Scope:

a) The Policy will be applicable for all banking services to the customers of the Bank and covers all branches .

b) The Policy is based on principles of transparency and fairness in the treatment ofcustomers. It is designed to cover deficiency in service in areas relating to unauthorized /erroneous debit, non-execution / delayed execution of debit / credit NEFT, ACH / ECS /NACH transactions including Unauthorized Electronic Banking Transactions, issuance ofATM/Debit Cards without written consent of customers, Payment of Cheque afteracknowledgement of Stop Payment Instructions / Non-blocking of lost ATM card / UPIservices / INB services after acknowledgement of request for its blocking, delay in collectionof local / outstation cheques and loss of cheques / instruments in transit, delay insettlement of disputed ATM transactions and other electronic / digital transactions, as specified in the Policy.

c) Grant of compensation under this Policy is without prejudice to the Bank's rights indefending its position before any Court of Law, Tribunal or any other forum duly constitutedto adjudicate Banker Customer disputes and does not constitute admission of liability or anyother issue, of any nature whatsoever, for the purposes of Adjudicatory Proceedings.

d) Wherever number of days is mentioned, the number of days is considered as "Calendardays", unless mentioned specifically as "working days".

4. Recognition of Deficiency and Compensation:

4.1 Unauthorised / Erroneous Debit:

a) If the Bank has raised an unauthorised / erroneous debit to an account, the entry shall bereversed with value dated credit to deposit / overdraft / loan account immediately on beingdetected / informed, after due verification.

b) Further, if the customer has suffered any financial loss incidental to return of a cheque or not carrying out of direct debit instructions due to insufficiency of balance on account of theunauthorized / erroneous debit, Bank will compensate the customer to the extent of suchfinancial loss in addition to an amount equivalent to interest calculated on theunauthorized/ erroneously debited amount at applicable Savings Bank rate, besidesrefunding the cheque return charges.

c) In case verification of the entry reported to be unauthorised / erroneous by the customerdoes not involve a third party, the Bank shall arrange to complete the process of verificationwithin a maximum period of 7 working days from the date of reporting of erroneous debit. Ifit involves a third party or where verification is to be done at overseas centres, the Bankshall complete the verification process within a maximum period of one month from thedate of reporting of unauthorised / erroneous transaction by the customer.

d) In case any amount has been debited to the account of a customer on account offraudulent transaction(s) and the Bank is at fault, the amount will be restored to theaffected customer account without delay / demur, once the fraud is established, with dueverification.

e) If a fraud of customer, has been committed by a member of staff, and has been so established, Bank will not only restore the amount, it will also pay compensation @1%above the specified rate as provided in Bank's Cheque Collection Policy for delayedcollection in deposit account and © 1% above the applicable interest rate in respect ofoverdraft/loan account, for the period, on the amount involved.

<u>4.2ECS direct debits/other debits to accounts</u>:

a) The Bank undertakes to carry out, within the prescribed time, direct debit /ECS(ElectronicClearing System) debit instructions of customers. In the event of non-compliance/delayedcompliance of instructions by the Bank to meet such commitments, the customer will becompensated to the extent of any financial loss the customer would incur on account ofdelay in carrying out the instruction/failure to carry out the instructions.

b) Such compensation will in addition to an amount equivalent to the interest calculated on the amount to be debited, for the delayed period, at applicable Savings Bank rate, withminimum of Rs. 100/-, subject to a maximum of Rs. 1,000/-.

c) 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 inviolation of the arrangement or inadvertently, the Bank will reverse the charges, subject to scrutiny of agreed terms and conditions, and compensate the customer with a sum equal tothe charges reversed.

<u>4.3Penal interest payable for delays in credit / return of NEFT/NEC/ACH/ECS transactions</u>:

In terms of the NEFT / NECS /ACH/ ECS Procedural Guidelines of RBI, as also the relevant circulars / instructions issued by RBI from time to time, the Bank will afford credit to beneficiaryaccounts or return transactions (un-credited for whatever reason) to the originating /sponsor Bank within the prescribed timeline. Any delays in doing so will attract the followingpenal provisions:

<u>4.4 NECS / ECS-Credit:</u>

Destination Bank would be held liable to pay penal interest at the current RBI Repo Rateplus two per cent from the due date of credit till the date of actual credit for any delayedcredit to the beneficiary’s account. Penal interest shall be credited to the beneficiary'saccount even if no claim is lodged.

4.5 NEFT:

In the event of any delay or loss on account of error, negligence or fraud on the part of anemployee of the destination bank in the completion of funds transfer pursuant to receipt ofpayment instruction by the destination bank leading to delayed payment/ wrong payment to the beneficiary,the destination bank shall pay compensation at current RBI Repo Rate plus two per cent forthe period of delay for credit to the beneficiary's a/c. In the event of delay in return of thefunds transfer instruction for any reason whatsoever, the destination bank shall refund theamount together with interest at the current RBI Repo Rate plus two per cent till the date ofrefund.

During the NEFT operating hours, originating banks should endeavour to put through therequests 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 thebusiness hours next day), from the time of receipt of the requests. In the likelihood of anydelay / possible delay in adhering to this requirement, the originators /customers should beinformed of the delay /possible delay and the reasons for the same.

In terms of the RBI ECS (Credit Clearing) procedural guidelines which clearly stipulate that ifa destination bank branch is not in a position to credit a particular transaction for reasonlike "Account Closed/ transferred"; "No such Accounts"; "Account description does nottally"; etc. it should report the same and forward it to the Service Branch/ Main Branch onthe same settlement day.

4.6 Issue of ATM / Debit Cards without written consent of customers:

Where the Bank had issued an ATM/ Debit card without the consent of the customer, which has been disputed by the customer without using the card, the said ATM/Debit card will betaken back by the Bank and got deactivated. The Bank would not only reverse the charges, iflevied, immediately but also 'pay compensation to the customer ₹100/- if cancellation is done within 7 days of the representation and Rs.500/- for cancellation done after 7 days.

4.7 Payment of Cheque after acknowledgement of Stop Payment Instructions |Nonblocking OflostATMCard / UPIServices /INBServices after acknowledgement of request for its blocking:

4.7.1 The instruction for Stop Payment of cheque / blocking of lost ATM card / NonDisabling of UPI Services -INB Services will be accepted at Home Branch, Disabling of INB Services in case of reporting unauthorised transactions) / Internet Banking (alternate channel).

4.7.2 In case a cheque has been paid after acknowledgement of its stop payment instruction/ ATM Card has not been blocked / UPI services & INB Services has not been disabled in therequested account after such a request has been acknowledged by the Bank, the Bank shallreverse the debit on account of stopped cheque / blocked ATM card / UPI transaction – INB. Transaction with value dated credit within two working days of the customer intimating thetransaction to the Bank, and also compensate the customer to the extent of direct financialloss, if any, by way of loss of savings account interest on account of reduction in the dailyclosing balance applicable for payment of interest on savings bank deposit or payment ofadditional interest to in a loan account or any charges levied for reason of balance fallingbelow minimum balance requirement or any charges levied for return of cheques due toshortfall in balance.
However, no compensation will be paid if cheque has been paid / ATM Card transaction / UPI-INB transaction has occurred prior to acknowledgment of instructions forstop payment of cheque / blocking of lost ATM Card / UPI-INB Services.

4.8Limiting Liability of Customers in Unauthorised Electronic Banking transactions:

The systems and procedures in the Bank have been designed to make customer feel safeabout carrying out Electronic Banking/Digital transactions. On receipt of report of an unauthorisedtransaction from the customer, Bank has to take immediate steps to prevent furtherunauthorised transactions in the account.

4.8.1 Reporting of Unauthorised Transactions by customers to Banks:

a) Customers will register for SMS alerts and wherever available register for e-mail alerts,for electronic banking /digital transactions. The SMS alerts shall mandatorily be sent to the customers, while email alerts may be sent, wherever registered.

b) The customers will be advised to notify the Bank of any unauthorised electronic bankingtransaction at the earliest after the occurrence of such transaction, and informed that thelonger the time taken to notify the Bank, the higher will be the risk of loss to the Bank /customer. To facilitate this, the Bank will provide customers with 24 X 7 toll free numberaccess through multiple channels (at a minimum, via website, a dedicated toll-free helpline,reporting to home branch, etc.) for reporting unauthorised transactions that have takenplace and / or loss or theft of payment instrument such as card, etc. The branches should display the Bank's Toll free number/ Cyber Crime centralized number in a prominent place inside the banking hall.

c) Further, a direct link for lodging the complaints, with specific option to reportunauthorised electronic transactions shall be provided by the Bank on home page of thewebsite.

d) The communication systems used by the Bank to send alerts and receive their responsesthereto will record the time and date of the message sent and receipt of customer'sresponse, if any, to the Bank. This shall be important in determining the extent of acustomer's liability.

e) The Bank will not offer facility of electronic transactions, other than ATM cashwithdrawals, to customers who do not provide mobile numbers to the Bank.

f)On receipt of report of an unauthorised transaction from the customer, the Bank will take immediate steps to prevent further unauthorised transactions in the account.

4.8.2 Limited Liability of a Customer:

a) Zero Liability of a Customer:
A customer's entitlement to zero liability shall arise where the unauthorised transactionoccurs in the following events:

(i) Contributory fraud / negligence/ deficiency on the part of the Bank (irrespective ofwhether or not the transaction is reported by the customer).
(ii) Third party breach where the deficiency lies neither with the Bank nor with the customerbut lies elsewhere in the system, and the customer notifies the Bank within three workingdays of receiving the communication from the Bank (by SMS alert, email or letter) regarding the unauthorised transaction.

b) Limited Liability of a Customer:
A customer shall be liable for the loss occurring due to unauthorised transactions in thefollowing cases:

(i) In cases where the loss is due to negligence by a customer, such as where he has sharedthe payment credentials/OTPs etc, the customer will bear the entire loss until he reports theunauthorised transaction to the Bank.

(ii) In cases where the responsibility for the Unauthorised Electronic Banking Transaction lies neither with the Bank nor with the Customer, but lies elsewhere in the system and whenthere is a delay (of four to seven working days after receiving the communication from theBank) on the part of the Customer in notifying the Bank of such a transaction, the pertransaction liability of the Customer shall be limited to the transaction value or the amountmentioned in Table 1, whichever is lower.

Table 1 Maximum Liability of a Customer under above paragraph 4.8.2.b (ii)

Type of Account	**Maximum Liability**
BSBD Account/PMJDY Account	Rs 5000.00
• All other SB Accounts • Pre paid Payment Instruments • CA, Cash credit /Overdrafts accounts of MSMEs • CA, Cash credit/Overdarfts accounts of individuals with annual average balance (during 365 days preceding the incidence of fraud) limit upto Rs 25 lacs	Rs 10000.00
• All other CA/Cash Credit/Overdraft Accounts	Rs 25000.00

4.8.3 Overall liability of the customer in third party breaches, as detailed in paragraph4.8.2.a (ii) and paragraph 4.8.2.b (ii) above, where the deficiency lies neither with the Banknor with the customer but lies elsewhere in the system, is summarised 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 4-7 working days	The transaction value or the amount mentioned in table 1, whichever is lower
Beyond 7 working days	Full liability

The number of working days mentioned in Table 2 shall be counted as per the workingschedule of the Home Branch of the customer excluding the date of receiving thecommunication.

Further, if the delay in reporting is beyond seven working days, the customer liability shallbe full. For such inordinate delays (beyond seven working days) the Customer shall bear thefull liability / loss and the Bank will not bear any loss or liability. However, the Bank mayextend its support (by issuing required certificates / statements free of cost) to theCustomer, if specifically requested by the Customer, without incurring any liability in anymanner, for his efforts for recovering the lost amount from the miscreants.

4.8.4. Reversal Timeline for Zero Liability / Limited Liability of customer :

On being notified by the customer, the Bank will credit/reversed the amount involved in the unauthorised electronic transaction to the customer's account within 10working days from the date of such notification by the customer. The credit shall be valuedated to be as of the date of the unauthorised transaction.

4.8.5 Further, Bank will ensure that:

a) The customer complaint is resolved and liability of the customer, if any, established within 90 daysfrom the date of receipt of the complaint, and the customer is compensated as perprovisions of paragraphs 4.8.2 to 4.8.4 above

b) Where it is unable to resolve the complaint, or determine the customer liability, if any,within 90 days, the compensation as prescribed in paragraphs 4.8.2 to 4.8.4 is paid to thecustomer; and

c) In case of debit card/ Bank account, the customer does not suffer loss of interest.

5. Collection of Cheques drawn on foreign countries:

The Bank will not compensate the customer for delays in collection of cheques drawn onbanks in foreign countries as the bank would not be able to ensure timely credit fromoverseas banks. It is the bank's experience that time for collection of instruments drawn onbanks in foreign countries differs from country to country and even within a country, fromplace to place. The time norms for return of instruments cleared provisionally also vary fromcountry to country

6. Remittances in India :

6.1 Payment of Interest for delayed Collection of Outstation Cheques:

As part of the compensation policy of the bank, the bank will pay interest to its customerson the amount of collection instruments in case there is delay in giving credit beyond thetime period specified in Bank's Cheque collection policy. Such interest shall be paid withoutany demand from customers in all types of accounts. There shall be no distinction betweeninstruments drawn on the bank's own branches or on other banks for the purpose ofpayment of interest on delayed collection.
Interest for delayed collection shall be paid at the following rates:

a) Saving Bank rate for the period of delay beyond 7/10/14 days as the case may be incollection of outstation cheques, i.e. from 8^{th} /11^{th}/ 15^{th} day , the interest will be payable.

b) Where the delay is beyond 14 days interest will be paid at the rate applicable forterm deposit for the corresponding period or Saving Bank rate, whichever is higher.

c) In case of extraordinary delay, i.e. delays exceeding 90 days, interest will be paid atthe rate of 2% above the corresponding Term Deposit rate.

d) In the event the proceeds of cheque under collection, to be credited to anoverdraft/loan account of the customer, interest will be paid at the rate applicableto the loan account. For extraordinary delays, i.e. delays exceeding 90 days interestwill be paid at the rate of 2% above the rate applicable to the loan account.

Interest as above shall be payable with a minimum of Rs.25/-.

Compensation as detailed above shall be paid without any formal demand from customersand there shall be no distinction between instruments drawn on the Bank's own branches oron other banks which are payable in India.

6.2 Compensation for delay in clearance of Local Cheques.

Cheques deposited in the drop-box upto 11 am will be sent for clearance on same day to the linked branch, forwhich the clearance period will be T+1 working days. Cheques deposited after 11 a.m. willbe sent for clearing on next day, for which clearance period will be T+2 working days. At present the Bank as only 5 numbers of branches with CTS facilities. With the addition of more branches the TAT will be improved further.

The compensation to the customers is payable, in cat- -2 of delay in clearance of localcheques beyond above stipulated period. Such compensation shall be paid without anydemand from customers in all types of accounts at Savings Bank interest rate.

Instruments drawn on the bank's own branches and presented across the counter are beingcredited, to the customers' account on the same day, subject to cheque amount beingunder existing cap for non-home transactions.

Bank shall also permit usage of the shadow credit afforded to the customers' accountimmediately - after closure of relative return clearing and, in any case withdrawal shall beallowed on the same day of affording shadow credit or maximum within an hour of thecommencement of business on the next working day, subject to usual safeguards.

6.3 Compensation for loss of Cheques / Instruments in transit.

In the event a cheque or an instrument accepted for collection is lost in transit or in clearingprocess or lost by the Service Provider (in case of CMP), the Bank shall immediately oncoming to know of the loss of instrument, bring the same to the notice of the accountholder so that the account holder can inform the drawer to record stop payment and alsotake care that cheques, if any, issued by him/her are not dishonoured due to non-credit ofthe amount of the lost cheque/instrument. The Bank would provide all assistance to thecustomer to obtain a duplicate Instrument from the drawer of the cheque.

In case intimation regarding loss of instrument is conveyed to the customer beyond thetime limit stipulated for collection, as per the Cheque Collection Policy of the Bank, (7/10/14days as the case may be) interest will be paid for the period beyond the stipulated collectionperiod at the rates specified above.

Bank will pay interest on the amount of the cheque for a further period of 15 days at SavingsBank rate to provide for possible further delay in obtaining duplicate cheque /instrument and collection thereof. The Bank would also compensate the customer for any reasonable charges he/she incurs ingetting duplicate cheque/instrument upon production of receipt in the event the instrument is to be obtained from a Bank/institution who would charge a fee for issue ofduplicate instrument, subject to a maximum of ₹250/- .

7 ATM Failure:

Compensation to customer for settlement of disputed ATM transactions /
Automated Deposit cum Withdrawal Machine (ADWM):

A 'failed transaction' is a transaction which has not been fully completed due to any reason not attributable to the Customer such as failure in communication links, non-availability ofcash in an

ATM, time-out of sessions, etc. failed transactions shall also include the creditswhich could not be affected to the beneficiary account on account of lack of full informationor lack of proper information and delay in initiating a reversal transaction. As per RBIinstructions issued vide Circular No. RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/201920dated 20th September 2019, if an ATM transaction is failed or not complete due to anyreason not attributable to the customer such as failure in communication links, non availability of cash in an ATM, time out of sessions, etc. it should be pro-actively reversed /auto-reversed in customers account within a maximum of T + 5 days (where T is the day oftransaction and refers to the calendar date). Accordingly, failure to re-credit the customer'saccount within T+5 days, the bank should pay compensation @ ₹100/- per day of delaybeyond T + 5 days suo moto, without waiting for a complaint or claim from the customer.

8. **Compensation for delay in Issuance of Duplicate Drafts/ Banker's Cheque(IOI):**

Duplicate Banker's Cheque/Demand Drafts will be issued within 3 working days from the date of receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at therate applicable for Fixed Deposit of corresponding period will be paid for the delay beyond3 days as compensation to the customer.

9. Payment of "at par" Cheques issued by other Banks:

Bank will not pay any compensation, to the cheque holder, for dishonour of "at par" cheques issued by other banks, including co-operative banks, in the absence of adequatefunds in the account on which cheques are issued even though the amount of the cheque may have been paid to the Bank, which had issued the "at par" cheque.

RBI instructions stipulate that banks will not honour cheques drawn on current accountsmaintained by other banks with it, unless arrangements are made for funding chequesissued. Issuing bank shall be responsible to compensate the cheque holder for non-paymentof cheques in the absence of adequate funding arrangement.

10. Lenders' liability: Commitments to borrowers:

The Bank has adopted the principles of "Lenders' liability". In terms of guidelines for"lenders' liability" and the "Code of Bank's commitment to customers" adopted by theBank, the Bank would return to the borrowers all the securities /documents /title deeds ofthe mortgaged property within 15 days of repayment of all dues agreed to or contracted,subject to any other right/lien/claim by the Bank till the relevant claim is settled /paid. If anyright to set off is to be exercised for any other claim, Bank shall give due notice with fullparticulars about the other claims and retain the securities/documents/title to mortgagedproperty till the relevant claim is settled/paid. In the event of loss of title deeds tomortgaged property at the hands of the Banks, the compensation will cover out of pocketexpenses for obtaining duplicate documents on actual basis subject to a ceiling of Rs.5000/- plus a lump sum amount, as decided by the Bank in the following manner:

"The Bank would pay the compensation for delay in return of securities/documents/titledeeds of the mortgaged property beyond 15 days of repayment of all dues agreed to orcontracted, subject to above conditions, @ Rs.100/- per day (maximum Rs.5000/-) to theborrower".

11 Compensation for wrongful dishonour of cheques :

In case of complaints received from the customers for wrongful dishonour of cheques, the Bank shall take appropriate steps to investigate the reason for such lapses and shallcommunicate to the customer within 7 working days from the date of receipt of complaint.Otherwise, the Bank may compensatethe customer suitably for financial loss as decided bythe Bank with minimum of ₹ 100/- per day for the period of delay,subject to a maximum of₹1,000/-, wherever justified.

12.Violations of Bank's Agents :

In the event of receipt of any complaint from the customer that the Bank'srepresentatives/couriers, or any other agent (DSA)/BC/CSPs engaged in any improper conduct oracted in violation of the Code of the Bank's commitment to customers which the Bank hasadopted voluntarily, the Bank shall take appropriate steps to investigate and redress thecomplaint and endeavour to communicate to the customer within 7 working days from thedate of receipt of complaint and where justified, may compensate the customer suitably forfinancial loss as decided by the Bank. Also, steps will be taken, if required as per Bank'sdecision, to prevent recurrence of similar complaints.

13 Timeline for payment of compensation :

The amount of compensation for deficiencies in various categories of Banking Services as mentioned in this Policy will be paid to the customers within 15 (fifteen) days after thedeficiency is acknowledged. Staff accountability will be examined in case to case basis.

14 Authority for payment and control reporting :

The amount of compensation paid by the branches should be properly recorded in the “Compensation Register” and the detail records for the same with calculated amount to be sent tp the Regional offices for the control. If the amount is beyond RBO’s delegation the same to be forwarded to Head office for the controlling with proper recommendations. The RBO’s should also send the summary for the total compensation paid to the customers by their branches to the Head office on a monthly basis.

It is to be also mentioned that in case of any compensation amount is paid to the customers where there is pure negligence of duty is observed from the branch staffs , then on verification and scrutiny the compensation amount to be recovered from the concern staffs.

15. Customers' Responsibility:

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

The Bank will not be responsible for the loss to the customer, if the 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, compromiseof passwords/OTPs or confidential information, until the time the Bank has been notified of suchloss/compromise and the Bank has taken steps to prevent its misuse.

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