



## BCSBI News

### New CEO Appointed



Shri Anand Aras

Shri Anand Aras has taken over as the new Chief Executive Officer of BCSBI effective August 1, 2015, from Shri Narayanan Raja. Shri Aras is a Post Graduate in Law and a Certified Associate of Indian Institute of Banking and Finance. He has 32 years of experience with the HSBC Group having managed critical positions in Retail and Commercial Banking, Internal Audit and in running Centralised Processing Units. He has headed various Global Service Centres of the Bank in India, including an international assignment with HSBC Bank, USA, at Virginia.

### New Members

In the previous quarter in September 2015, two banks viz. Kallappa Anna Awade Ichalkaranji Janata Sahakari Bank Ltd., Kolhapur and Langpi Dehangi Rural Bank, Diphu, Assam became members of Banking Codes and Standards Board of India (BCSBI). With these two additions, the membership of BCSBI now stands at 131.

### Annual Conference of the Principal Code Compliance Officers

The annual Conference of Principal Code Compliance Officers (PCCOs) representing all member banks of BCSBI was held on July 14, 2015 at Mumbai. Shri S S Mundra, Deputy Governor, Reserve Bank of India (RBI) delivered the inaugural address and also interacted with the participants. Ms. Manju Agarwal, DMD (COO) of SBI, Shri A C Mahajan, Chairman, BCSBI; Shri N Raja, ex-CEO, BCSBI; Shri C Krishnan, Member, Governing Council, BCSBI and Shri Arun Pasricha,



Shri S S Mundra, Deputy Governor, RBI (second from right) is being welcomed by Shri A C Mahajan, Chairman, BCSBI at the Annual Conference of Principal Code Compliance Officers held on July 14, 2015. Looking on, are Ms. Manju Agarwal, COO, SBI, Sarvashri N Raja, then CEO, BCSBI (second from left) and C Krishnan, Member, Governing Council (extreme left).

Chief General Manager, Consumer Education and Protection Department (CEPD), RBI, also addressed the participants.

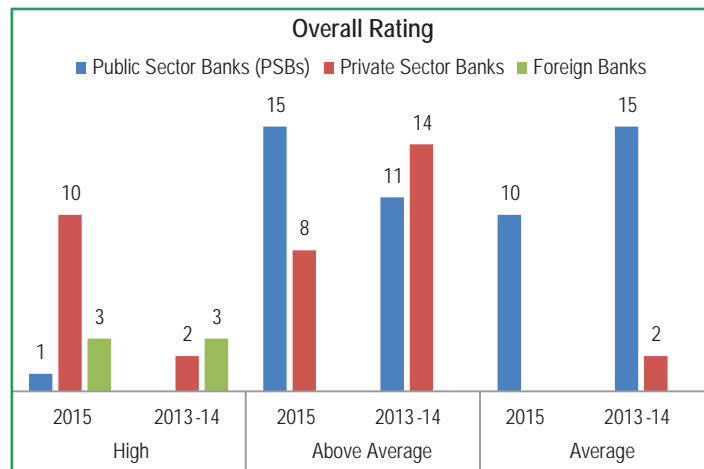
Extracts from the respective speeches are available on the BCSBI website

## RATING OF BANKS ON CODE COMPLIANCE- 2015

As part of its mandate, BCSBI has been monitoring, compliance with the Codes of Bank's Commitment to Customers and Micro & Small Enterprises by carrying out survey of select branches of member banks for verifying compliance of the Codes. Accordingly, BCSBI has conducted a survey in the current year and collected information in a structured questionnaire on implementation of the Code provisions, by visiting a representative sample of branches of 47 major banks both in semi-urban/rural and metro/urban category. The compliance of the Codes so ascertained during branch visits has been used for rating of banks on Code Compliance labelled as "**BCSBI Code Compliance Rating 2015**". The rating on BCSBI Code Compliance has since been finalized and the same has been forwarded to the banks, considered in the said exercise.

A snapshot of the overall position of rating of the 47 banks vis-à-vis position in previous survey is given below:

Sr. No	Scoring Scale indicating compliance level in percentage	Rating	Number of Banks			
			2013-14		2015	
1	85 and above	High	5	11%	14	30%
2	70 to less than 85	Above Average	25	53%	23	49%
3	60 to less than 70	Average	17	36%	10	21%
Total			47	100%	47	100%



A detailed survey report including bank ratings is hosted on BCSBI website [www.bcsbi.org.in](http://www.bcsbi.org.in).

**AWARENESS ACTIVITIES**

Efforts to increase awareness of the Codes and Standards developed by BCSBI and adopted by member banks continue.

An official of BCSBI participated in a Townhall Meeting of MSME Customers organised by Reserve Bank of India on July 23, 2015 at Kolhapur. Regional Director, Reserve Bank of India, District Collector for Kolhapur and senior bank officials were present at the Meet. The officials explained the avenues available to MSME customers for institutional credit, expectations of the Government under ‘Make in India’ and Skill Development Schemes, as well as targets under priority sector lending to be achieved by banks. An audience comprising more than 450 customers of various banks, officials and representatives of industry associations, were in attendance.

A BCSBI official also participated in a “Customer Awareness Programme” organised by Bank of Baroda at Nadiad, Gujarat on July 23, 2015. Important provisions of the Codes were explained to more than 90 customers of various branches in Nadiad region, Branch Heads and staff of Bank of Baroda who participated in the programme.

BCSBI organised two meetings for the Customers of all Banks located in Jaipur and Lucknow on July 28, 2015 and August 31, 2015, respectively. The meetings were addressed by the Chairman and the Chief Executive Officer of BCSBI and a senior official from CIBIL. The role of BCSBI, essential features

of the Codes as well as Customer Rights were explained to more than 400 customers who attended each of these Meets, apart from bank officials. The interactive sessions with the customers that followed were meaningful and purposeful.

BCSBI organised a Meeting of Controlling Heads of Banks at Patna on August 10, 2015. The BCSBI officials who addressed the gathering highlighted the important role the controllers can play in enhancing awareness of Codes among bank staff, particularly those manning the front line. The Banking Ombudsman for Bihar and Jharkhand advised the participants to serve customers with empathy and courtesy. The participants comprising more than 60 AGMs/ DGMs/ GMs of banks expressed their commitment towards dealing with the customers fairly and ensuring quick resolution of customers’ grievances besides providing special treatment to senior citizens and physically challenged customers.



Shri A C Mahajan, Chairman, BCSBI makes a presentation at the Customer Meet held at Jaipur on July 28, 2015



Shri A C Mahajan, Chairman, BCSBI addresses the participants of the Meeting of the Controlling Heads of Banks at Patna. Also seen are Smt. Smita C Kumar, Banking Ombudsman and Shri Anand Aras, CEO, BCSBI

A Customer Meet was organised by BCSBI at Mangaluru on September 29, 2015 to increase awareness of customers of banks about commitments contained in the Codes. Shri Anand Aras, CEO of BCSBI, and other senior bankers addressed the gathering of around 400 customers and officials of various banks which have a major presence in Mangaluru.



Shri A C Mahajan, Chairman, BCSBI is seen addressing the Customer Meet at Lucknow. Ms. Harshala Chandorkar of CIBIL, Shri Anand Aras, CEO (second from left) and Shri Devesh Lal, GM, CEPD, RBI, are also present.



Shri Anand Aras, CEO, BCSBI addresses the participants at the Customer Meet held at Mangaluru on September 29, 2015

BCSBI provided faculty support to the College of Agricultural Banking, Pune in its “Programme on Customer Service” on July 22, 2015, and also to the Zonal Training Centre, RBI, New Delhi on July 28, 2015 in the Programme for Officers posted in various Offices of Banking Ombudsmen.



## THEME OF THE QUARTER

### Financial Mis-selling – A Cause for Concern

Financial products must be sold in a manner that is “fair, clear and not misleading”. Mis-selling means that the buyers are given unsuitable advice, risks not explained or are not given the information needed, and ended up with a product that is not right.

#### Complaints

Bank customers have complained about selling of credit cards by direct selling agents of banks without ensuring that consent was in place and the grievances also relate to providing inadequate information about Mutual Fund schemes at bank branches. The financial products also include insurance policies and advisory services (wealth management). Going purely by the flow of complaints on mis-selling of insurance products, it would seem that banks are targeting the selling of financial products as a lucrative source of fee-based income.

One common complaint about an insurance product is with regard to the frequency of premium payment. Customers are often told that the policy is a single premium one but it turns out to be a multiple premium product. Another problem is when you apply for a loan product, like a home loan. It comes bundled with an insurance policy. In such cases, one needs to ensure that the policy is a term life policy and not a savings product.

Mis-selling, whether it is a life insurance policy or any other product, has largely to do with the lack of awareness of the consumer while purchasing a given product and the quality of communication between the purveyor of the product and its eventual buyer. As Dr. Raghuram Rajan, Governor, Reserve Bank of India expressed in his Seminal Report, A Hundred Small Steps – Report of the Committee on Financial Sector Reforms, “Consumer protection is important. Not every household is fully cognisant of the financial transactions they enter into.”

#### How to Spot Mis-selling

Life insurance is a long-term product because you need insurance for the major part of your working life. Even as an investment product, it works only if held for the long term because of the embedded costs. However, it's more difficult to sell a long-term product, so, to make their jobs easy, agents often approach you with a short-term insurance plan. If your agent says ‘I have a good short-term savings product of three-five years’ and gives you details of an insurance product, you should stay away from that agent because life insurance is not a product meant to give short term benefits. The main purpose of life insurance is to protect your family and assets financially, in case of unforeseen events.

Another example, when insurance is bundled with other financial products or passed off as a freebie. For instance, you take a home loan and instead of buying a pure term insurance,

which you must buy to protect your dependents in case of the loan applicant's death, you are sold an insurance plan with returns. Also, if you are visiting your bank to open a Public Provident Fund account or a recurring deposit account and the bank employee directs you to an individual who offers a product that gives similar or better returns and insurance as bonus. This, again, is a red flag you should spot, as insurance is not a by-product of investing.

#### IRDAI Intervention

According to reports, the Insurance Regulatory and Development Authority of India (IRDAI) is set to make corporate agents, including banks and their employees, liable for all insurance policies they sell. Currently, banks act as corporate agents through bancassurance agreements with insurance companies. According to the new norms, banks will be liable for the policies they sell. This means banks have to ensure no product/ policy is sold without proper disclosures about its features or to a person who does not require it. IRDAI will also seek certificates from the Chief Executive and Chief Financial Officer of corporate agents (including banks), stating there's no forced selling of insurance products to customers.

#### BCSBI Code Mandate

Treating customers fairly (TCF) is the defining purpose of the “Code of Bank's Commitment to Customers” and “Code of Bank's Commitment to Micro and Small Enterprises”

developed by the Banking Codes and Standards Board of India (BCSBI) and accepted by Member Banks. The Codes provide protection to customers and explain how banks are expected to deal with customers in their day to day operations. As per provisions

of the Code, Banks are committed to, besides other things, ensure that all investment and insurance products they are selling are in accordance with extant rules and regulations, sell a product they believe is suitable and appropriate for the customer, provide detailed terms and conditions of the product which is being offered to the customer, provide maximum possible ‘After Sales Service’. Further, when a customer of the bank avails a banking service or product, the bank will not compel him/ her to purchase/ subscribe to any third party product as a quid pro quo. The banks are also committed to disclose details of all commissions/ other fees received, if any, from mutual fund/ insurance/ other financial companies for marketing their products.

Finally, in the words of Smt. (Dr.) Deepali Pant Joshi, Executive Director, RBI, “from the principle of “Caveat Emptor”, Let the Buyer Beware, we have to move to the principle of “Caveat Venditor”, Latin for ‘Let the Seller Beware’. This forces the seller to take responsibility for the product and discourages the seller from purveying products of inferior quality.

Would you like to share any information/ experience connected with customer service? If so, please feel free to write to us at C-7, RBI Building, Bandra-Kurla Complex, Mumbai – 400 051 or mail us at [ceo.bcsbi@rbi.org.in](mailto:ceo.bcsbi@rbi.org.in)

**EXEMPLARY CASE**

\* The complainant's wife was working with one of the State Governments. She retired in November 1987, and started drawing a pension. Her basic pension was around ₹ 11,000/- plus admissible allowances. After her death, family pension plus admissible allowances was being paid to her husband, the complainant.

The complainant's account was with Bank 'A'. Since he found it difficult to withdraw the pension, he had the account transferred to Bank 'B', which was closer to his residence.

Under the Revised Pension Rules framed by the said State Government, pensioners prior to the year 2006 became entitled to enhanced basic pension. Similarly, there was an increase in the family pension. The complainant demanded that the arrears of pension up to March 2011 and thereafter the family pension should be paid in accordance with pension scheme. Since no heed was paid to his representations, he filed a consumer complaint before the Consumer Forum against both the banks.

During the course of the hearings, an officer of Bank 'A' admitted that the arrears had to be paid. The officer later stated that arrears up to December 2014 had been cleared and paid. Later, the remaining arrears till May 2015 were also paid, clearing the entire amount.

Though his primary grievance had been redressed and the complaint stood disposed, the grievance that remained to be decided was with regard to the harassment he had suffered at the hands of the bankers, the cost of the litigation that was thrust upon him and the penal interest on the arrears paid to him.

The grievance was redressed, albeit after filing of the complaint. The Forum observed that one branch of Bank 'A' was blaming another branch for the delay in providing the necessary information to Bank 'B' for processing the arrears of pension as well as family pension. So, the processing and payment of the arrears had been delayed. The Bank 'A' had a duty to procure the information expeditiously from its own branch and forward it to Bank 'B'. But it had not done so, due to which the complainant had been harassed. The information was communicated much later, after more than six months, and that too only after the complaint had been filed.

The Forum concluded that the transfer of the pension account while holding back the relevant information relating to the account would constitute a deficiency in service. Hence, the Forum indicted Bank 'A' for its indifference to the senior citizen. The Forum also observed that Bank 'B' had also been callous and had not bothered to even contest the complaint.

In its judgment the Forum held both the banks liable to compensate the complainant. The Forum awarded an amount of ₹ 60,000 as interest on delayed payment of the arrears. In addition, compensation and costs were also awarded.

**DID YOU KNOW?****Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Credit Card Accounts**

As per latest RBI instructions, 'past due' status of a credit card account for the purpose of asset classification would be reckoned from the payment due date mentioned in the monthly credit card statement. Consequently, in case of banks, a credit card account will be treated as non-performing asset if the minimum amount due, as mentioned in the statement, is not fully paid within 90 days from the payment due date mentioned in the statement.

Banks are required to report a credit card account as 'past due' to credit information companies (CICs) or levy penal charges, etc. if any, only when a credit card account remains 'past due' for more than three days. The number of 'days past due' and late payment charges shall, however, be computed from the payment due date mentioned in the credit card statement.

**Extending Value Added Services through ATMs by Primary (Urban) Co-operative Banks (UCBs)**

Urban Co-operative Banks will be permitted to offer services that can be offered via a standardised ATM machine like bill payments, account transfers, etc. at their on-site/ off-site/ mobile ATMs as per following approved services/ facilities: (1) Deposits/ Withdrawals; (2) Personal Identification Number (PIN) changes; (3) Requisition of cheque books; (4) Statement of accounts; (5) Balance enquiry; (6) Inter account transfer within the bank between accounts of same customer or different customers of the bank at the same centre or different centres within the country; (7) Inter Bank Funds Transfer – Transfer of Funds between the bank's customers and customers of other banks; (8) Mail facility for sending written communication to the bank; (9) Utility payments like Electricity bill, Telephone bill, etc.; (10) Issue of railway tickets; and (11) Product Information

**Banknotes with new numbering pattern and special features for the visually impaired**

Reserve Bank of India is issuing Banknotes in Mahatma Gandhi Series 2005 with a new numbering pattern and special features for the visually impaired in ₹ 100, 500 and 1000 denominations.

In the new numbering pattern, the numerals in both the number panels of these denominations ascend in size from left to right, while the first three alphanumeric characters (prefix) remain constant in size. Printing the numerals in ascending size is a visible security feature in the banknotes so that the general public can easily distinguish a counterfeit note from a genuine one.

Special features for the visually impaired have been introduced in order to make it easier for them to identify banknotes, the size of the Identification Mark in ₹ 100, 500 and 1000 denominations has been increased by 50% and angular bleed lines – 4 lines in 2 blocks in ₹ 100, 5 lines in 3 blocks in ₹ 500 and 6 lines in 4 blocks in ₹ 1000 denominations, have been introduced.