

Banking Codes and Standards Board of India

PCCOs' Conference 2016

The annual Conference of Principal Code Compliance Officers (PCCOs) representing all member banks of Banking Codes and Standards Board of India (BCSBI) viz. (Commercial banks, Urban Co-operative Banks and Regional Rural Banks) was held on May 23, 2016 at Hall of Culture, Nehru Centre, Mumbai. Shri S.S. Mundra, Deputy Governor (DG), Reserve Bank of India (RBI) graced the occasion and delivered the keynote address. Shri C. Krishnan, member of Governing Council of BCSBI, Shri Arun Pasricha, Chief General Manager, Consumer Education and Protection Department (CEPD), RBI and Shri Anand Aras, Chief Executive Officer(CEO), BCSBI also addressed and interacted with the participants.

2. At the outset, Smt Jyoti Sharma, Senior Vice President, BCSBI welcomed all the dignitaries and the delegates. She informed that BCSBI has now 136 members comprising 71 Scheduled Commercial Banks, 18 Urban Co-operative Banks and 47 Regional Rural Banks. She informed that it was heartening that PCCOs and nominees of 100 banks from all over India were participating in the Conference.

3. In his keynote address, Shri Mundra stated that BCSBI had been instrumental in driving improvement in level of service extended by the banks to their customers . He mentioned that BCSBI, in consultation with the member banks through IBA, has brought out two Codes viz. Code of Bank's Commitment to Customers and Code of Bank's Commitment to Micro and Small Enterprises. RBI attached great importance to the work and assessments of the BCSBI, and placed an onerous responsibility on the BCSBI in this relatively unexplored area.

The Deputy Governor expressed that while awareness of the Code of Bank's Commitment to Customers was good, awareness of the Code of Bank's Commitment to Micro and Small Enterprises, is relatively low. Further, bank's frontline staff having interface with the customers should have right kind of attitude and for this, special training should be imparted to them. Enhancing customer experience is primarily the responsibility of the banks and hence, the onus of empowering the frontline staff with required information and sensitizing them about customer service, lies with the banks.

He expressed satisfaction that all Banks have adopted a Customer Rights Policy. However, the level of implementation of BCSBI Codes at the ground level is not satisfactory. Based on the findings of Code Compliance Survey of 2015, he emphasized that many banks need to enhance the present level of Code implementation and appropriately fulfill the commitments to their customers laid out in the Codes.

He stated that Banking Ombudsman(BO) Scheme is envisaged as an inexpensive, expeditious customer grievance redressal mechanism in the banking sector. The nodal officers must also undertake a root cause analysis of complaints to ensure that similar complaints do not arise again. In the context of BO scheme, he informed that RBI was planning to augment the number of its BO offices in the near future and also to come out with certain amendments to the Scheme. He advised that Internal Ombudsman, the Principal Nodal Officer and PCCOs in banks should have clearly demarcated roles and responsibilities and a clear chain of command to avoid overlaps or vacuum.

Upon analysis of the grievances received under the BO Scheme, RBI had observed that a vast majority of complaints pertain to non-observance of the Fair Practices Code and non-adherence with commitments made under the BCSBI code, followed by complaints relating to credit/ debit cards, deposits accounts and pensions. The large number of complaints on account of non-adherence to Codes/standards is difficult to accept as the banks have accepted these Codes formulated by the BCSBI.

As the online transactions have increased, so have the rise in complaints related to electronic banking transactions. Complaints related to unauthorized fund transfers, fraudulent withdrawals from ATMs using duplicate cards, phishing E-mails aimed at extracting personal information, etc. have witnessed manifold increase in recent times. He said that it is imperative to have a robust mechanism to prevent incidents of fraud in areas of mobile/net banking and electronic fund transfer so as to retain customers' confidence in these delivery channels. Raising customer awareness on safe usage of such channels should also be an important item on the agenda of the banks. He hinted that RBI was already examining whether to issue regulatory directions with regard to limiting the liability of customers on fraudulent transactions arising out of cards and electronic banking.

He stated that recently RBI had undertaken a survey of 4000 ATMs across the country with sample size fairly representing geographies and bank categories. It was observed that almost 1/3rd of the ATMs were not working when visited. Violation of regulatory instructions on display material, facilities for differently abled, etc. were also observed. He advised that RBI would be taking necessary supervisory action in this regard.

He advised that RBI had undertaken a study on mis-selling of Third Party Products in semi-urban and rural areas which has revealed startling facts. The Right to Suitability enshrined in Charter of Customer Rights has been totally ignored or rather knowingly violated for the reasons best known to the banks. RBI is seized of this issue and may be constrained to take strict actions including imposition of heavy penalties, if the banking industry continues to follow such unethical and unacceptable practices of mis-selling of third party products. It would be appropriate for the banks to put in place a system of periodic inspection of the sale of third party products by involving their internal inspection teams and plug the loopholes, wherever identified. The PCCOs need to play a central role in administering this. He also advised that banks need to guard against misuse of accounts for money muling. He cautioned that the newly opened accounts under the PMJDY could be very vulnerable to such sharp practices and hence, banks need to clearly guard against them.

He also cautioned banks against levying of excessive charges for various services and allowing customers' accounts to go into negative balance on account of these charges. He insisted that all banks must stop these practices forthwith if not already done so.

4. Shri Arun Pasricha, CGM, CEPD appreciated the work done by BCSBI in the field of Customer Service in banks and said that BCSBI supplements the role of RBI in setting standards of customer service and monitoring level of customer service. He informed that there were proportionately higher level of complaints received in the offices of Banking Ombudsmen in certain regions which may be due to high level of financial literacy, high level of awareness and high expectation of customers. He reiterated the concerns expressed by Shri Mundra regarding mis-selling of third party products by banks because of high targets set for sales staff, front ended

incentives and high turnover of employees. He informed that Consumer Education and Protection Department was being strengthened to look into non-BO complaints. He shared the concerns expressed by Deputy Governor regarding cyber frauds and said that banks have to take proactive steps to prevent such frauds.

5. Shri C Krishnan, Member, GC, BCSBI reiterated that banks have to take more steps for creating awareness about the Code of Bank's Commitment to Micro and Small Enterprises. He emphasized that while the top management of the banks is aware and are sensitive about the Codes, this has not percolated down. He stressed on the role and responsibilities of PCCOs and said that they should independently assess the ground reality regarding Code compliance. In case PCCOs observe that Code provisions are not implemented at grass-root level, they should send a report to BCSBI and take it up with the bank's top management. He said that it was in the interest of banks to have satisfied customers as there is no better publicity than word of mouth publicity by satisfied customers.

6. Shri Anand Aras , CEO, BCSBI spoke about his observations about the nature of complaints received in BCSBI. He stressed that BCSBI is not a grievance redressal body but it looks into complaints for any systemic issues. However, he advised banks that they should reduce their Turn Around Time(TAT) for redressal of complaints. He said that many complaints against banks were received where banks were charging penalty from customers for non-maintenance of minimum balance before levying these charges. In such cases, banks have to give 30 days notice to restore minimum balance before levying these charges. He also said that it has come to notice during Code compliance surveys and visit of officials to branches of banks that there is low awareness about Codes among the frontline staff. He informed that BCSBI would now start conducting meeting of frontline staff of banks at different locations and it would be the duty of PCCOs to ensure that required number of officials are deputed for such meets. Besides, Banks should encourage their officials to appear for Certificate Examination in Customer Service and Banking Codes and Standards conducted by IIBF. They can also include training and e-learning modules on BCSBI Codes in their regular training programmes.

He briefed the audience about the thematic studies conducted by BCSBI regarding SMS charges levied by banks and MITCs of Saving Bank accounts. He

also informed that BCSBI was guiding banks which were weak regarding the implementation of Codes on Information Dissemination and Transparency parameters so that they improve on these before the next Code Compliance Survey. He also advised that PCCOs should ensure to submit Annual Statement of Compliance before 31st January of each year. He informed that the next Code Compliance Survey would start in September 2016 and for the first time, 5 large Urban Co-operative Banks would also be included in the Survey and more number of branches and more centres would be covered. He concluded by saying that PCCOs should take steps so that their Code Compliance Rating improves over that of the previous year.
