

Banking codes and standards Board of India Prelude

In the age of the information superhighway and the rising need for click-of-a-button solutions, ambling to a bank for a service can be very demanding and tiresome. Millions of footfalls are recorded in each branch across all the banks in India. In the present customer-centric business model followed by banks, no sweat is saved to establish a customer grievance cell or a grievance redressal forum to address the grievances of the customers. An aggrieved customer in the haste to get over with the bank chore might at the best approach the authority at the branch or in extreme cases, might approach the grievance redressal cell of a bank for deficient services or delay in addressing concerns. What happens when the customer wants to go beyond the bank authorities for trivial but important services when such services fall deficient? Who can an individual approach in such cases, while ensuring that the redressal forum is an autonomous body specially for the welfare of the common customers. Such a board was formed in 2006 under the stewardship of the Reserve Bank of India, now known as 'The Banking Codes and Standards Board of India' (BCSBI).

Genesis

In November 2003, RBI constituted the Committee on Procedures and Performance Audit of Public Services under the Chairmanship of Shri S.S.Tarapore (former Deputy Governor) to address the issues relating to availability of adequate Banking Services to the common man. The mandate to the Committee included identification of factors that inhibited the attainment of best customer services and suggesting steps to improve the quality of banking services to individual customers. There was felt a need to benchmark the services provided by the banks in an effort to continuously upgrade the package of services that banks offered to their customers.

Ideally, such a function should be performed by a Self Regulatory Organization (SRO) but in view of the existing framework of the banking sector in India, it was felt that an independent, autonomous Board will be best suited for the function. Therefore, Dr. Y.V. Reddy, Governor, Reserve Bank of India, in his Monetary Policy Statement (April 2005) announced setting up of the banking Codes and standards Board of India in order to ensure that comprehensive code of conduct for fair treatment of customers was evolved and adhered to. The Reserve Bank of India, while announcing the formation of the Banking Codes and Standards Board of India (BCSBI) in the Annual Policy Statement, had requested Indian Banks' Association (IBA) to set up a Working Group to draft a comprehensive fair practice code covering all the areas of customer service for uniform adoption by banks. Accordingly, the IBA had set up a Working Group to study the international practices and review the existing codes. The Working Group had examined fair practice codes adopted by Bankers in other domains like UK, Canada, Hong Kong, Singapore and Australia and prepared a draft Bankers' Fair Practice Code, duly incorporating some of the finer points from those documents. The Working Group further refined the draft Code incorporating the suggestions from our member banks and submitted it to the BCSBI. BCSBI had made certain further refinements to the Code and the "Code of Bank's Commitment to Customers" was brought out. The Code sets

minimum standards of banking practices for banks to follow when they deal with individual customers.

The "Code of Bank's Commitment to Customers" was released by Dr. Y.V. Reddy, Governor, Reserve Bank of India in an inaugural function held at RBI on 1st July 2006. Under the aegis of the code, banks will be required to register themselves with BCSBI as members and have the Code adopted by their respective boards. Thereafter, when they are ready to implement the commitments contained in the Code, the banks will enter into a covenant with BCSBI binding them to monitoring by BCSBI as far as implementation of the Code is concerned. The banks would also be required to make necessary changes in certain policy and procedural aspects around their products and services.

The Banking Codes and Standards Board of India has been registered as a separate society under the Societies Registration Act, 1860. Therefore, it would function as an independent and autonomous body. It is an independent banking industry watch dog to ensure that the consumer of banking services get what they are promised by the banks. The code applies to savings deposits and current accounts, card products and services, loans and overdrafts and payment services including foreign exchange. A Governing Council of the BCSBI has been constituted to look after its financial affairs and managerial policies. The Governing Council would consist of members drawn from different disciplines such as banking, law and accountancy.

The Code as established by the society

This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with individual customers. The Code does not replace or supersede regulatory or supervisory instructions of the Reserve Bank of India (RBI) and we will comply with such instructions/directions issued by RBI from time to time. The Code contains details of the information a bank would give before a person becomes its customer and it also details the information a person would get after he becomes a customer of a bank. Through this Code the banks have committed that the information not essential for account opening would be sought from their prospective customers only on voluntary basis. The banks further commit not to use personal information about clients for any commercial purpose without seeking prior consent of the customer.

Objectives of the Code

The Code has been developed to:

- Promote good and fair banking practices by setting minimum standards in dealing with the customer.
- Increase transparency so that the customer can have a better understanding of what the customer can reasonably expect of the services
- Encourage market forces, through competition, to achieve higher operating standards
- Promote a fair and cordial relationship between the customer and the bank
- Foster confidence in the banking system.

Responsibility of the member banks as per the banking code:

- Have a Help desk/Helpline at the branch
- Have a Code Compliance officer at each Controlling office above the level of the branch.
- Display at each branch name and contact number of Code Compliance Officer.
- Display Name and address of the Banking Ombudsman.
- Display the book of rules near the entrance of each branch, accessible to all customers, enumerating the services that are offered along with the time limit within which the services are to be delivered.

This is to help the customer in case his bank does not provide services as promised in the Code.

What should a customer do if his bank does not provide services as promised in the Code?

The customer should first approach the help desk of the branch/bank. In case the issue is not resolved, the Code Compliance Officer of the bank may be approached by the complainant. In case the issue is still not resolved to the satisfaction of the customer he should take it up with the banking ombudsman who has their own procedures and rules. The BCSBI too shall address genuine complaints. However, The BCSBI shall not undertake or cause investigation on a complaint which is anonymous or is considered to be fictitious, vexatious or frivolous. With respect to other complaints, the BCSBI may undertake or cause investigation at its discretion, but shall be under no obligation to do so.

Investigation into a Complaint

The Board may conduct or cause to conduct an investigation into a breach which is alleged or suspected of having been committed or which is alleged or suspected of being committed by a Member. The Executive may make enquiries, seek clarification if necessary from the Code Compliance Officer, or in his absence, from the Chief Executive of the Member concerned, and from any other person it considers necessary. The Board may appoint or request the Member to appoint accountant/s or other relevant professional/s to assist it in the investigation. Expenses including professional fees in respect of such appointment shall be payable by the Member concerned.

Procedure

The Executive shall prepare a draft statement of facts making out a prima facie case of the alleged Breach. The draft statement of facts shall be served on the Member (Bank) concerned, calling upon it to submit its explanation thereto within the time specified in the notice. The Board shall consider the explanation, if any, and decide if the Breach is established and the sanction to be imposed, having regard to its gravity and other relevant factors. The BCSBI shall inform its decision to the Member within 10 days of the meeting of the Governing Council in which such decision is taken. The Member shall be provided with the reasons for the decision, and for the proposed sanction, if any, to enable it to make a representation in writing to the Board. The representation must reach the Board within 30 days of the date of the letter advising the Member of the decision of the Board. The Member shall be advised of the Board's final decision within

ten days of the meeting of the Board at which that decision is made. The final decision shall take effect from the date it is communicated to the Member concerned.

Sanctions/ Order by the Board on the Member

For arriving at the sanction, all relevant factors shall be taken into account, including:

- The extent of actual or potential harm to the customer;
- Whether the breach was isolated or systemic;
- Whether the breach was inadvertent, or represented a knowing act of commission or omission;
- The length of time over which the breach continued undetected or without effective remedial action being taken;
- Whether there were any warning signals, such as concerns expressed in the media, customer complaints, or guidance from the BCSBI, and what heed was paid to such signals;
- The extent of damage to confidence in, or the reputation of, the banking industry at large
- The extent to which the Member sought to profit, or to avoid or mitigate a loss, by its actions or omissions.