



# **Sumitomo Mitsui Banking Corporation Customer Compensation Policy**

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*Version: 03*

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# 1. Introduction

This policy of Sumitomo Mitsui Banking Corporation, India (“SMBC”) relates to compensation from SMBC to its customers for matters covered under this policy. Such compensation is intended to make good only direct financial loss occasioned to customers, where it is established from internal enquiry that SMBC is directly responsible, from its own acts of omission or commission amounting to a deficiency of service, for:

1. Unauthorized/ Erroneous debit to an account with SMBC
2. NACH debits/Electronic payments
3. Payment on a cheque after acknowledgement of stop-payment instructions
4. Payment of interest for delay in issue of duplicate draft
5. Payment of Interest for delayed Collection of Outstation Cheques,
6. Compensation for loss of instrument in Transit,
7. Foreign exchange service
8. Reversal of Erroneous/unauthorized/Fraudulent or other transactions excluding debits on account of Internet Frauds
9. Reversal of Erroneous/unauthorized/Fraudulent debits arising on Internet Banking (Vishing/Smishing) related transactions
10. Transaction of “at par instruments” of Co-operative Banks by Commercial Banks
11. Delay in release of Securities/Documents/Title deeds
12. Compensation for loss of Instruments in transit
13. Delay in affording credits and/or return of transactions
14. Timelines for payment of compensation amount

This policy is based on principles of transparency and fairness in the treatment of customers. The objective of this policy is to establish a system whereby SMBC shall compensate the customer for any financial loss he/she might incur due to deficiency in service of or any act of omission or commission directly attributable to SMBC.

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## ***2. Unauthorized/Erroneous Debit***

In instances of unauthorized/erroneous debit to the customer's account, SMBC will investigate the matter, and upon confirmation of error, reverse the entry. If the result of the erroneous debit is a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest, or the payment of additional interest to SMBC, SMBC will compensate the customer for such loss with an amount calculated at the prevailing savings account interest rate on the date of debit, for the period between such erroneous debit and its reversal.

Where verification for confirmation with regard to an entry reported to be erroneous, does not involve a third party, SMBC will endeavor to complete the process within a maximum period of 7 working days from the date it receives an erroneous debit complaint from the customer. Where a third party is involved, SMBC will on a best efforts basis endeavor to complete the process within 30 working days from the date it receives an erroneous debit complaint from the customer.

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### ***3. NACH debits/other debits to Accounts***

In the event SMBC fail to meet customer instructions for such debits, SMBC will compensate the customer for loss with an amount calculated at the prevailing savings account interest rate for the period between the due date of direct debit/NACH debit and the date of actual debit. If the direct debit/NACH debit be towards payment of a loan installment, any incidental penal/late payment charges demonstrated as correctly levied will also be reimbursed to the customer.

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 in violation of the arrangement, the bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

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## ***4. Payment of cheques after stop payment instructions***

Where payment is made on a cheque after stop payment instructions are acknowledged as received by SMBC, and there have been no subsequent and contradictory instructions received by SMBC, SMBC will reverse the transaction and give value-dated credit of the amount of the cheque. Such debits will be reversed within 2 working days of customer intimation being received.

## ***5. Issue of Duplicate Draft and Compensation for delays***

Duplicate draft will be issued within a period of 14 days from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of Corresponding period will be paid as compensation to the customer for such delay.

## ***6. Cheque collection***

Compensation for delay in collection of instruments is as described in SMBC's cheque collection policy, which provides for:

- payment of interest for delayed collection of outstation cheques
- Cheques/instruments lost in transit, in the clearing process or at the payee bank's branch.

## **7. Foreign exchange services**

The bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the bank would not be able to ensure timely credit from overseas banks. It is the bank's experiences that time fore collection of instruments drawn on bank in foreign countries differ from country to country and even within country, from place to place. The time norms for return of instrument cleared provisionally also vary from country to country.

For collection of cheques designated in foreign currencies, SMBC will compensate the customer for any undue delay in affording credit after the cheque proceeds are credited to the Nostro Account of SMBC. The compensation amount in such an instance will be arrived at as detailed in the SMBC's cheque collection policy, for:

- i. interest for the delay in crediting proceeds as indicated in the cheque collection policy of SMBC
- ii. compensation for delays in affording credit on foreign inward remittances will be as recommended in FEDAI Rule 4.A.3(ii)

## ***8. Reversal of Erroneous/Unauthorised debits arising on fraudulent or other transactions excluding debits on account of Internet Frauds***

SMBC shall take into account the following, while deciding on customer compensation:

(i) In case of any fraud, if SMBC is convinced that an irregularity/fraud has been committed by its staff towards any constituent, the Bank shall at once acknowledge its liability and pay just the claim.

(ii) In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system, the Bank shall compensate the customer up to a limit (the limit to be fixed by the Bank as part of a Board approved Customer Compensation Policy).

Thus the following is laid down for all the fraud cases other than those pertaining to Internet Banking Frauds.

Typically these frauds are of the following types:

- Lottery
- Job Rackets
- Transfer of Funds towards emails received.

a. In case of any fraud, if the Bank is convinced that an irregularity/fraud has been committed by its staff towards any constituent, the Bank will at once acknowledge its liability and pay just claim.

b. In cases where the Bank is at fault, the Bank will compensate the customer without demur.

c. In cases where neither the Bank nor the customer is at fault, but the fault lies elsewhere in the system; the Bank will compensate the customer up to a limit of Rs 5000. Such compensation would be paid only once in the lifetime of an account.

## **9. Reversal of Erroneous/Unauthorised/Fraudulent debits arising on Internet Banking (Vishing/Smishing) related transactions**

Fraudulent debits arising out of Internet banking are mainly categorised as under:

- Funds Transfer to another account (within the Bank and outside the Bank)
- Internet /MOTO using Credit /Debit card
- Skimming/Counterfeit of Credit/Debit Card
- Hacking of internet ID/password
- Pre-paid mobile recharge transaction using Credit/Debit card.
- Transactions in shopping malls using Credit/Debit Card.

a. In case of any fraud, if SMBC is convinced that an irregularity/fraud has been committed by its staff towards any constituent, the Bank will at once acknowledge its liability and pay just claim.

b. In cases where the Bank is at fault, Bank will compensate the customer without demur.

c. For cases where the Bank is not at fault, but the customer has either acted fraudulently or inadvertently compromised his Internet Banking security details (example: ID, passwords, date of birth, mother's maiden name etc.) or acted without reasonable care (which includes not taking steps to protect computers from hackers) Bank/Customer will be bound by Clause number 9.7 of the revised code of commitment by Banking Codes and Standards Board of India which stipulates that banks are not responsible for losses caused by a third party when customers have acted without reasonable care.

However, in exceptional circumstances the Bank at its discretion may compensate the customer for cases where the customer has not compromised any personal and confidential security parameters required to complete an Internet banking transaction and based on deliberation of various facts such as:

- Justification given by the customer
- Immediate or delay in reporting by the customer based on SMS alert, account statement, mini statement etc. received by the customer

## ***10. Transaction of “at par instruments” of Co-operative Banks by Commercial Banks***

The Reserve Bank of India (RBI) has expressed concern over the lack of transparency in the above transaction resulting in dishonour of at par instruments when the remitter has already paid for the instruments. In this connection it is clarified that the Bank will not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for non-payment/delayed payment of cheques in the absence of adequate funding arrangement.

## ***11. Delay in release of Securities/Documents/Title deeds***

The original security documents of title shall be returned to the borrower within 15 working days of repayment of all dues by the borrower, including principal amount, interest, EMI, costs, service charges and all other amounts due. This is subject to there being no outstanding under any other loan /overdraft/other financial facility availed by the borrower from the Bank. In case of delay on the part of the Bank in returning such documents, the Bank will compensate the customer at the rate of Rs100/- per week, subject to a maximum payment of ` 500/-. However in case of Force Majeure events, the Bank at its own cost would endeavour to retrieve/recreate the title documents and no compensation would be paid in such cases.

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## ***12. Delay in affording credits and/or return of transactions***

In the event of any delayed credit to beneficiaries' account, the destination bank would be held liable to pay penal interest.

a. NACH-Credit: Destination bank would be held liable to pay penal interest at the current RBI liquidity adjustment facility (LAF) repo rate plus 2 per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiaries' account.

Penal interest shall be credited to the beneficiary's account even if no claim is lodged.

b. NEFT: In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination bank in the completion of funds transfer pursuant to receipt of payment instruction by the destination bank leading to delayed payment to the beneficiary, the destination bank shall pay compensation at current RBI LAF repo rate plus 2 per cent for the period of delay. In the event of delay in return of the funds transfer instruction for any reason whatsoever; the destination bank shall refund the amount together with interest at the current RBI LAF repo rate plus two per cent till the date of refund.

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## ***13. Compensation for loss of instrument in Transit***

Compensation policy for financial loss suffered by the customer due to loss of instrument after it has been handed over to the bank for collection by the customer would also be as indicated in SMBC's cheque collection policy.

## ***14. Timelines for payment of compensation amount***

In case the Bank is liable to pay any compensation in accordance with the Policy, the same would be paid to the complainant within 7 working days from the completion of the investigation.

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## **15. *General***

Acceptance of the compensation by the customers under this policy shall be deemed to be final settlement of all issues arising out of grievances for which compensation is claimed.

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## **16. Force Majeure**

SMBC shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labor disturbances, accident, fires, natural disasters or other “Acts of God”, war, damage to SMBC’s facilities or of its correspondent banks’ facilities, absence of the normal means of communication or transportation etc. beyond the control of SMBC and prevents it from performing its obligations within the specified service delivery parameter.