



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

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*Version: 05*

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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.

### 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 as per prevailing RBI circular RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20 dtd September 20,2019 Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems and as updated from time to time. Compensation for delay in NACH transactions is as per table below. 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.

Description of the incident	Framework for auto-reversal and compensation	
	Timeline for auto-reversal	Compensation payable
<b>National Automated Clearing House (NACH)</b>		
a)Delay in crediting beneficiary's account or reversal of amount	Beneficiary bank to reverse the uncredited transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b)Account debited despite revocation of debit mandate with the bank by the customer.	Customer's bank will be responsible for such debit. Resolution to be completed within T + 1 day.	

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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.

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## **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)
- Hacking of internet ID/password

## Limited Liability of a Customer

### (a) Zero Liability of a Customer

A customer's entitlement to zero liability shall arise where the unauthorized transaction occurs in the following events:

- (i) Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
- (ii) Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within **three working days** of receiving the communication from the bank regarding the unauthorised transaction.

### (b) Limited Liability of a Customer

A customer shall be liable for the loss occurring due to unauthorized transactions in the following cases:

- (i) In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by 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 when there is a delay (of **four to seven working days** after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.

**Table 1: Maximum Liability of a Customer**

Type of Account	Maximum
BSBD Accounts	INR 5,000
Current/ Cash Credit/ Overdraft Accounts limit up to Rs.25 lakh	INR 10,000
All other Current/ Cash Credit/ Overdraft Accounts	INR 25,000

Further, if the delay in reporting is beyond **seven working days**, the customer Liability shall be limited to transaction value.

Overall liability of the customer in third party breaches, as detailed above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in the Table 2:

<b>Table 2: Summary of Customer's Liability</b>	
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	The transaction value

The number of working days mentioned in Table 2 shall be counted as per the working schedule of the branch of the customer excluding the date of receiving the communication.

## **Reversal Timeline for Zero Liability/ Limited Liability of customer**

On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). The credit shall be value dated to be as of the date of the unauthorised transaction.

Further, the bank shall ensure that:

- (i) a complaint is resolved and liability of the customer, if any, established within 90 days from the date of receipt of the complaint, and the customer shall be compensated as per provisions above;
- (ii) where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed above shall be paid to the customer; and
- (iii) in case of bank account, the customer does not suffer loss of interest

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 Email 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.