



The Co-Operative Bank of Rajkot Ltd.

Multi State Co-Operative Bank

Customer **Protection/Compensation** **POLICY**

Limiting Liability of Customers of Bank in Unauthorised Electronic Banking Transactions

w.e.f 01.04.2024

Approved by

Resolution No.19

Board of Directors

Dated 14.03.2024

Reference: RBI Circular

RBI/2017-18/109 DCBR.BPD. (PCB/RCB).Cir.No.06/12.05.001/2017-18 dated 14.12.2017

RBI/2019-20/67 DPSS.CO.PD No.629/02.01.014/2019-20 dated 20.09.2019

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Customer Protection/Compensation Policy

1. Preamble

With high surge in Digital transactions across the Banking industry now a days, the associated risks have also multiplied and hence Customer protection against unauthorized electronic banking transactions has assumed greater importance from the regulatory perspective.

2. Objectives of the Policy

Customer protection including mechanism of creating customer awareness on the risks and responsibilities involved in electronic banking transactions.

2.1 Customer liability in cases of unauthorized electronic banking transactions.

2.2 Customer compensation due to unauthorized electronic banking transactions (within defined timelines).

3. Applicability

The Policy guidelines apply to Customers conducting electronic banking transactions using bank's ATM / Debit Card/Mobile Banking/etc. The Policy is applicable to all customers of the Bank, and it is intended to be read, understood and practiced by all the employees who directly or indirectly service the customers.

4. Strengthening of systems and procedures

The electronic banking transactions can be divided into two categories:

(i) Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. Internet banking, mobile banking, UPI, Prepaid instruments, online transactions through card (Card not present) etc.

(ii) Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transactions i.e. ATM, POS, QR Scan & Pay etc).

5. Reporting of unauthorized electronic banking transactions by Customers

5.1 Banks shall ask their customers to mandatorily register for SMS alerts for electronic banking transactions.

5.2 The SMS alerts shall mandatorily be sent to the customers.

5.3 The customers must be advised to notify the bank of any unauthorized electronic banking transaction at the earliest after the occurrence of such transaction.

5.4 Bank will provide customers with 24x7 access through multiple channels (at a minimum, via website, phone banking (call centre), SMS, e-mail, a dedicated helpline, reporting to home branch, etc.) for reporting unauthorized transactions that have taken place and/or loss or theft of payment instrument such as card, etc.

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- 5.5 Bank shall also enable customers to instantly respond by "Reply" to the SMS alerts and the customers should not be required to search for a web page or an e-mail address to notify the objection, if any.
- 5.6 Direct link for lodging the complaints with specific option to report unauthorized electronic banking transactions shall be provided by the bank on home page of the website.
- 5.7 The loss/fraud reporting system shall also ensure that immediate response (including auto response) is sent to the customers acknowledging the complaint along with the registered complaint number.
- 5.8 The communication systems used by bank to send alerts and receive their responses thereto shall record the time and date of delivery of the message and receipt of customer's response, if any, to them.
- 5.9 The banks may not offer facility of electronic transactions, other than ATM cash withdrawals, to customers who do not provide mobile numbers to the bank.
- 5.10 On receipt of report of an unauthorized transaction from the customer, bank shall take immediate steps to prevent further unauthorized transactions in the account.

6. Third Party Breach

The following will be considered as Third-party breach where deficiency lies neither with the Bank nor with the customer but elsewhere in the system i.e.

Application frauds

- Hacking
- Account takeover
- Skimming / cloning
- External frauds / compromise of other systems, for e.g. ATMs / mail servers etc. being compromised.

7. Limited Liability of a Customer

(a) Zero Liability of the 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 unauthorized transaction.

(b) Limited liability of the 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 customer has shared the payment credentials, the customer will bear the entire loss until he/she reports the unauthorized transaction to the bank. Any loss occurring after the reporting of the unauthorized transaction shall be borne by the bank.
- (ii) In cases where the responsibility for the unauthorized electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and the customer notifies the bank of such a transaction within **four to seven working days of receiving a communication of the transaction**, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in below Table-1, whichever is lower.

Table-1

Type of account	Maximum liability in Rs.
For BSBD Accounts	5,000 or transaction value whichever is lower
<ul style="list-style-type: none">• All other SB accounts.• Current/Cash Credit/Overdraft Accounts of MSMEs• Current Accounts/Cash Credit/Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh.	10,000 or transaction value whichever is lower
All other Current/Cash Credit/Overdraft Accounts	25000 or transaction value whichever is lower

(c) Full Liability of a Customer

The entire liability of the unauthorized electronic banking transactions shall be solely on the Customer in following cases:

- (i) Customer shall bear the entire loss in cases where the loss is due to negligence by the customer, e.g. where the customer has shared payment credentials or Account/Transaction details, viz. Mobile banking user id and pin, Debit card PIN/OTP or due to improper protection on customer devices like mobile/laptop/desktop leading to malware/ Trojan or Phishing/Vishing attack. This could also be due to SIM deactivation by the fraudster. Under such situations, the customer will bear the entire loss until the customer reports unauthorized transaction to the bank.
- (ii) In cases where the responsibility for unauthorized electronic banking transaction lies neither with the Bank nor with the customer but lies elsewhere in the system and when there is a delay on the part of the customer in reporting to the Bank beyond seven working days after receiving the communication from the Bank regarding unauthorized electronic banking transactions.

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- (iii) The Bank will not be liable for the losses, in cases where the unauthorized electronic banking transaction was successful through the second factor authentication sent to the Customer's registered email / mobile number. It will be considered as sufficient proof of customer's involvement /consent in effecting the transaction.
- (iv) Customer should regularly update his/her registered contact details as soon as such details are changed. Bank will only reach out to customer at the last known email/mobile number. Failure of the customer to update the Bank with latest contact details shall be considered as customer negligence. Any unauthorized transaction arising out of this delay shall be treated as customer liability.
- (v) Hence, Bank will not be responsible for any unauthorized transaction initiated by family members or known members of the customer/account holder through debit card, mobile banking, etc.
- (vi) Overall liability of the Customer in third party breaches where the deficiency lies neither within the Bank nor with the Customer but lies elsewhere in the system, is summarized below:

Table-2

Sr.No.	Time taken to report the fraudulent transaction from the date of receiving the communication from	Customer's liability
1	Within three working days	Zero liability
2	Within four to seven working days	The transaction value or the amount mentioned in Table 1, whichever is Lower.
3	Beyond seven working days	Full Transaction Value (Zero liability on Bank)

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

8. Reversal timeline for Zero liability/ Limited liability of the Customer

- 8.1 On being notified by the customer, the bank shall credit (shadow reversal – lien) the amount involved in the unauthorized 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).

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- 8.2 The credit shall be value dated to be as of the date of the unauthorized transaction.
- 8.3 Banks may also at their discretion decide to waive off any customer liability in case of unauthorized electronic banking transactions even in cases of customer negligence.
- 8.4 Customer's complaint shall be resolved and post determining the liability of the customer, the customer is compensated (removing the lien) within 90 days from the date of receipt of the complaint.
- 8.5 If the complaint is not resolved or customer **liability is not determined** within 90 days, the bank shall compensate the Customer (removing the lien) immediately, as per the schedule mentioned earlier in the policy.
- 8.6 In case of debit card/ bank account, the customer does not suffer loss of interest.

9. Burden of proof of Customer liability

- 9.1 The burden of proving Customer liability in case of unauthorized electronic banking transactions shall be with the bank.
- 9.2 Bank has a process of second factor authentication for electronic transactions, as regulated by the Reserve Bank of India.
- 9.3 Bank has onus to prove that all logs / proofs / reports for confirming two factor authentications is available.
- 9.4 Any unauthorized electronic banking transaction which has been processed post second factor authentication known only to the customer would be considered as sufficient proof of customer's involvement / consent in effecting the transaction.

10. Roles & Responsibilities of the Bank

- 10.1 Bank shall ensure that the Customer protection policy (unauthorized electronic banking transactions) is available on the Bank's website as well as at Bank's branches for customer reference.
- 10.2 Bank shall also ensure that existing customers are informed about the bank's policy via SMS.
- 10.3 Bank shall provide the details of bank policy in regard to customers' liability at the time of opening the accounts.
- 10.4 Bank will regularly conduct awareness on carrying out safe electronic banking transactions to its customers and staff. Information of Safe Banking practices will be made available through campaigns on any or all of the following - website, mobile banking, etc.

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- 10.5 Bank shall communicate to its customers to mandatorily register their mobile number for receiving SMS alerts.
- 10.6 Bank will enable various modes for reporting of unauthorized transaction by customers.
- 10.7 Bank shall respond to customer's notification of unauthorized electronic banking transaction with acknowledgement specifying complaint number, date and time of transaction alert sent and date and time of receipt of customer's notification.
- 10.8 On receipt of customer's notification, the Bank will take immediate steps to prevent further unauthorized electronic banking transactions in the account or card.
- 10.9 Bank shall ensure that all such complaints are resolved and liability of customer if any, established within a maximum of 90 days from the date of receipt of complaint.
- 10.10 During investigation, in case it is detected that the customer has falsely claimed or disputed valid transactions, the bank reserves its right to take due preventive action of the same including closing the account or blocking card limits.
- 10.11 Bank may restrict customer from conducting electronic banking transaction including ATM transaction in case of non-availability of customer's mobile number.
- 10.12 This policy should be read in conjunction with Customer Right Policy and Customer Services Policy of the Bank.

11. Duties & Obligations of the Customer

- 11.1 Customer shall mandatorily register valid mobile number with the Bank.
- 11.2 Customer shall regularly update his /her registered contact details as soon as such details are changed. Bank will only reach out to customer at the last known mobile number. Any failure of customer to update the Bank with changes shall be considered as customer negligence. Any unauthorized transaction arising out of this delay shall be treated as customer liability.
- 11.3 Customer should provide all necessary documentation as required by the bank to conduct the investigation, for determining customer liability for compensating the customer.
- 11.4 Customer should co-operate with the Bank's investigating authorities and provide all Assistance.
- 11.5 Customer must not share sensitive information (such as Debit/Credit Card details & PIN, CVV, Net Banking Id & password, OTP, transaction PIN, challenge questions) with any entity, including bank staff.

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- 11.6 Customer must protect his/her device as per best practices including updation of latest antivirus software on the device (Device includes smart phone, feature phone, laptop, desktop and Tab).
- 11.7 Customer shall go through various instructions and awareness communication sent by the bank on safe and secured banking.
- 11.8 Customer must verify transaction details from time to time in his/her bank statement and/ or credit card statement and raise query with the bank as soon as possible in case of any mismatch.

12. Reporting and monitoring

- 12.1 Banks shall annually review the unauthorized electronic banking transactions reported by customers or otherwise, as also the action taken thereon, to the Board which include volume/number of cases and the aggregate value involved and distribution across various categories of cases viz., card present transactions, card not present transactions, internet banking, mobile banking, ATM transactions, etc.
- 12.2 All such transactions shall be reviewed by the bank's internal auditors.

13. Compensation Policy

- 13.1 TAT (Turn Around Time) and Customer compensation for failed transactions using authorised Payment Systems are as under.

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
1.	Automated Teller Machines (ATMs) including Micro-ATMs		
a	Customer's account debited but cash not dispensed.	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days.	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
2.	Card Transaction		
a	Point of Sale (PoS) (Card Present) including Cash at PoS Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.
b	Card Not Present (CNP) (ecommerce) Account debited but confirmation not received at merchant's system.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.

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3.	Immediate Payment System (IMPS)		
a	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day
4.	Unified Payments Interface (UPI)		
a	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day	₹100/- per day if delay is beyond T + 1 day.
b	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
5.	National Automated Clearing House (NACH)		
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.	

14. Amendment to the policy

Board of Directors of the bank can amend or modify this Policy in whole or in part, at any time as and when require for smooth functioning of the bank based on Regulatory requirements as may be issued from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), Clarification, circular(s) etc. CEO may resolve any practical difficulties arise in implementation of this policy from time to time and in case any amendment requires in the policy then approval of the board of directors of the bank will be taken in board meeting.

15. Review of the Policy

This Policy will be changed, reviewed, modified as and when felt necessary by the Board of Directors of the bank during any financial year.

16. Approval by Board of Directors

The Board of Directors approved the '**The Customer Protection/Compensation Policy**' in Board Meeting held on **14.03.2024** vide Board Resolution No. **19. The Customer Protection/Compensation Policy** will be applicable with effect from **01.04.2024**.