



भारतीय रिजर्व बैंक

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January 27, 2021

All Scheduled Commercial Banks (excluding Regional Rural Banks)

Madam/Dear Sir,

Strengthening of Grievance Redress Mechanism in Banks

Please refer to the '[Statement on Developmental and Regulatory Policies](#)' issued as part of the [Monetary Policy statement dated December 4, 2020](#), wherein it was stated that with a view to strengthen and improve the efficacy of the grievance redress mechanism of banks and to provide better customer service it has been decided to put in place a comprehensive framework comprising certain measures.

2. Reserve Bank of India has taken various initiatives over the years for improving customer service and grievance redress mechanism in banks. Detailed guidelines on customer service were issued to banks encompassing various aspects of operations that impact customers. The Banking Ombudsman Scheme was introduced in 1995 to serve as an alternate grievance redress mechanism for customer complaints against banks. In 2019, Reserve Bank also introduced the Complaint Management System (CMS), a fully automated process-flow based platform, available 24x7 for customers to lodge their complaints with the Banking Ombudsman (BO).

3. As part of the disclosure initiative, banks were advised to disclose in their annual reports, summary information regarding the complaints handled by them; and certain disclosures were also being made in the Annual Report of the Ombudsman Schemes published by the Reserve Bank. To further strengthen grievance redress mechanisms, banks were mandated to appoint an Internal Ombudsman (IO) to function as an independent and objective authority at the apex of their grievance redress mechanism.

4. Effective grievance redress should be an integral part of the business strategy of the banks. It is, however, evident from the increasing number of complaints received in the Offices of Banking Ombudsman (OBOs), that greater attention by banks to this area is warranted. More focused attention to customer service and grievance redress will ensure satisfactory customer outcomes and greater customer confidence.

5. In view of the above, and to further strengthen the customer grievance redress mechanism in banks, it has been decided to put in place a comprehensive framework comprising of, *inter-alia*, enhanced disclosures by banks on customer complaints, recovery of cost of redress from banks for the maintainable complaints received against them in OBOs in excess of the peer group average, and undertaking intensive review of the grievance redress mechanism and supervisory action against banks that fail to improve their redress mechanism in a time bound manner. Details of the framework are provided in the [Annex](#).

6. The framework will come into effect from the date of the circular.

Yours faithfully,

(Ranjana Sahajwala)
Chief General Manager

Strengthening of Grievance Redress Mechanism in Banks

The framework for strengthening grievance redress mechanism in banks will have the following major components:

I. Enhanced disclosures on complaints

2. Disclosures serve as an important tool for market discipline as well as for consumer awareness and protection. Appropriate disclosures relating to the number and nature of customer complaints and their redress facilitate customers and interested market participants to better differentiate among banks to take an informed decision in availing their products and services. To ensure provision of relevant and important information in this regard to bank customers and other stakeholders, the current set of disclosures made by the banks are being enhanced as indicated below:

Disclosures by banks

3. Disclosures currently made by banks regarding customer complaints and grievance redress in their annual report are made in terms of Para 16.4 of the [Master Circular on 'Customer Service in Banks' dated July 01, 2015](#)¹. The disclosures are summary in nature and comprise the following:

¹ https://www.rbi.org.in/Scripts/BS_ViewMasCirculardetails.aspx?id=9862

Current disclosures made by banks on complaints and grievance redress

Customer complaints (received by the bank)

		Previous year	Current year
(a)	No. of complaints pending at the beginning of the year		
(b)	No. of complaints received during the year		
(c)	No. of complaints redressed during the year		
(d)	No. of complaints pending at the end of the year		

Awards passed by the Banking Ombudsman

		Previous year	Current year
(a)	No. of unimplemented Awards at the beginning of the year		
(b)	No. of Awards passed by the Banking Ombudsmen during the year		
(c)	No. of Awards implemented during the year		
(d)	No. of unimplemented Awards at the end of the year		

4. It has now been decided that the above disclosures will be replaced by the following set of granular disclosures to be made by banks in their annual reports. These disclosures are intended to provide to the customers of banks and members of public greater insight into the volume and nature of complaints received by the banks from their customers and the complaints received by banks from the OBOs, as also the quality and turnaround time of redress.

Enhanced disclosures to be made by banks on complaints and grievance redress

Summary information on complaints received by the bank from customers and from the OBOs

Sr. No	Particulars	Previous year	Current year
Complaints received by the bank from its customers			
1.	Number of complaints pending at beginning of the year		
2.	Number of complaints received during the year		
3.	Number of complaints disposed during the year		
	3.1 Of which, number of complaints rejected by the bank		
4.	Number of complaints pending at the end of the year		
Maintainable complaints received by the bank from OBOs			
5.	Number of maintainable complaints received by the bank from OBOs		
	5.1. Of 5, number of complaints resolved in favour of the bank by BOs		
	5.2 Of 5, number of complaints resolved through conciliation/mediation/advisories issued by BOs		
	5.3 Of 5, number of complaints resolved after passing of Awards by BOs against the bank		
6.	Number of Awards unimplemented within the stipulated time (other than those appealed)		

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in BO Scheme 2006 and covered within the ambit of the Scheme.

Top five grounds of complaints received by the bank from customers

Grounds of complaints, (i.e. complaints relating to)	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
1	2	3	4	5	6
Current Year					
Ground - 1					
Ground - 2					
Ground - 3					
Ground - 4					

Ground - 5					
Others					
Total					
	Previous Year				
Ground - 1					
Ground - 2					
Ground - 3					
Ground - 4					
Ground - 5					
Others					
Total					

Note: The master list for identifying the grounds of complaints is provided in [Appendix 1](#).

II. Recovery of cost of redress of complaints from banks

5. At present, redress of complaints under BO Scheme, 2006 (BOS) is cost-free for banks as well as their customers. Given that the banker-customer relationship is the primary relationship, the main responsibility of customer grievance redress lies with banks. With a view to ensure that banks discharge this responsibility effectively, the cost of redress of complaints will be recovered from those banks against whom the maintainable complaints² in the OBOs exceed their peer group average as detailed in para 7 below. However, grievance redress under BOS for customers will continue to remain cost-free.

6. To operationalize the cost-recovery framework for banks, peer groups based on the asset size of banks as on March 31 of the previous year will be identified, and peer group averages of maintainable complaints received in OBOs would be computed on the following three parameters:

- average number of maintainable complaints per branch;
- average number of maintainable complaints per 1,000 accounts (total of deposit and credit accounts) held by the bank; and

² Maintainable complaints refer to complaints on the grounds specifically mentioned in BOS 2006 and are covered within the ambit of the Scheme.

- average number of maintainable digital complaints per 1,000 digital transactions³ executed through the bank by its customers.

7. The cost of redressing complaints in excess of the peer group average will be recovered from the banks as follows:

- excess in any one parameter - 30% of the cost of redressing a complaint (in the OBO) for the number of complaints in excess of the peer group average;
- excess in any two parameters - 60% of the cost of redressing a complaint for the number of complaints exceeding the peer group average in the parameter with the higher excess;
- excess in all the three parameters – 100% of the cost of redressing a complaint for the number of complaints exceeding the peer group average in the parameter with the highest excess.

8. The cost of redress to be recovered in this respect will be the average cost of handling a complaint at the OBOs during the year.

III. Intensive Review of Grievance Redress Mechanism

9. Reserve Bank will undertake, as a part of its supervisory mechanism, annual assessments of customer service and grievance redress in banks based on the data and information available through the Complaint Management System, and other sources and interactions. Banks identified as having persisting issues in grievance redress will be subjected to an intensive review of their grievance redress mechanism to better identify the underlying systemic issues and initiate corrective measures. The intensive review shall include, but will not be limited to, the following areas:

- i. Adequacy of the customer service and customer grievance redress related policies.
- ii. Functioning of the Customer Service Committee of the Board.

³ 'Digital Transaction' means a payment transaction in a seamless system effected without the need for cash at least in one of the two legs, if not in both. This includes transactions made through digital / electronic modes wherein both the originator and the beneficiary use digital / electronic medium to send or receive money.

- iii. Level of involvement of the Top Management in customer service and customer grievance related issues.
- iv. Effectiveness of the grievance redress mechanism of banks.

10. Based on the review, a remedial action plan will be formulated and formally communicated to the banks for implementation within a specific time frame. In case no improvement is observed in the grievance redress mechanism within the prescribed timelines despite the measures undertaken, the bank(s) will be subjected to corrective actions through appropriate regulatory and supervisory measures.

Strengthening of Grievance Redress Mechanism in Banks

Master list of grounds of complaints to be used for disclosure on the top five ground-wise receipt of complaints by banks under Para 4 of the Annex

1. ATM/Debit Cards
2. Credit Cards
3. Internet/Mobile/Electronic Banking
4. Account opening/difficulty in operation of accounts
5. Mis-selling/Para-banking
6. Recovery Agents/Direct Sales Agents
7. Pension and facilities for senior citizens/differently abled
8. Loans and advances
9. Levy of charges without prior notice/excessive charges/foreclosure charges
10. Cheques/drafts/bills
11. Non-observance of Fair Practices Code
12. Exchange of coins, issuance/acceptance of small denomination notes and coins
13. Bank Guarantees/Letter of Credit and documentary credits
14. Staff behaviour
15. Facilities for customers visiting the branch/adherence to prescribed working hours by the branch, etc.
16. Others