

18 March 2017

Dr Urjit Patel
Governor,
Reserve Bank of India
Mumbai

Subject: Unfair treatment of bank customers

Dear Dr Patel,

We, a group of bank consumers and non-governmental organisations (NGOs), are disturbed at the unfair treatment that bank customers suffer in the form of frequent, arbitrary and one-sided increase in banking charges, or the refusal of banks to automatically pass on contractual benefits such as lower interest to those with floating rate home loans, or the rampant mis-selling of third-party products such as insurance.

The attached memorandum is the consensus view of a group of knowledgeable consumer activists, policy watchers, bankers, and trade unions, requesting urgent policy changes to ensure that banks treat bank customers fairly.

Dr Patel, we are confident you will have the memorandum examined and initiate action at the earliest. We look forward to active engagement and a line of acknowledgement from your office

Yours Truly,

CC:

1. Shri Narendra Modi
Hon. Prime Minister of India
Prime Minister's Office,
152, South Block, Raisina Hill,
New Delhi-110011

2. Shri Arun Jaitley,
Minister of Finance
Ministry of Finance,
New Delhi-110011

3. Smt Anjuly Chib Duggal
Secretary (Financial Services),
Department of Financial Services,
Ministry of Finance,
3rd floor, Jeevan Deep Building
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New Delhi-110001

MEMORANDUM

The Reserve Bank of India (RBI) as the banking regulator has been proactive in improving the customer service rendered by banks. However, the RBI has not taken banks to task on the many customer-unfriendly practices that are increasing with impunity.

Over the years, the RBI has remained silent on several anti-depositor actions of banks. The Banking Ombudsman's rulings also tend to side with banks, making no attempt to observe the pattern of complaints which would amply bring out rampant mis-selling of insurance and wealth management products. We have identified some specific areas and request RBI's intervention to take corrective steps after engaging with customers.

1. Digital Payments

While the Union Government is pushing consumers into digital transactions, we are not adopting global best practices to protect consumers. On 11 August 2016 (https://www.rbi.org.in/scripts/bs_viewcontent.aspx?Id=3235) the RBI issued a draft circular on limiting customer liability and shifting the onus of proving customer fault on banks. RBI had sought feedback from public before 31 August 2016. However, it has not yet been converted into a Master Circular.

We feel that with the increased use of digital payments post the demonetisation drive, it is necessary to have in place a mechanism or system to protect customers from unauthorised banking transactions. A Master circular/notification by the Reserve Bank on limiting liability in an unauthorised banking transaction will make a huge impact on protecting customers from frauds.

2. Bank Account Number Portability: We feel effective portability of bank accounts is a good anti-dote to several restrictive practices followed by the banks. This has been successfully implemented in the telecom sector and helped consumers. No practical portability option exists at present due to tie in primarily due to standing instructions for both incomes (pensions, annuities, dividends, interest) and expenses (utilities etc.) and the difficulties associated with changing those standing instructions.

Portability of loan exists on paper, but has to be made easier and seamless to execute without imposing fiscal and non-fiscal burden on the consumer.

The Prime Minister's Awas Yojana now provides interest subsidy to loan taken by eligible households. Allowing lenders to overcharge for such loan consumers is allowing them to appropriate this subsidy provided from taxpayers' funds. It is the duty of the government and regulators to ensure that the lenders do not appropriate this taxpayers' money by overcharging the borrowers and create barriers when the borrower wants to shift this loan.

3. Unfair agreements:

Banks cannot have one-sided terms and conditions in their agreements with consumers. One-sided loan agreements with details buried in the fine print are bleeding customers. The Reserve Bank, in its communication must be specific about barring the levy of unfair charges otherwise bankers take undue advantage and fleece consumers. A basic model agreement must be prescribed by the RBI to limit banks from harming customers.

4. Charges:

Frequent increase in charges and billing customers by stealth through opt-out clauses that are not noticeable must be stopped immediately. For e.g. HDFC Bank started levying charges for an invite only program, which unethically assumes that the customer is already in and willing to pay for it. The levy is stopped only when the consumer notices it and calls the bank to protest, this too is not an easy process.

5. Faulty Systems:

Wrong emails being tagged by faulty algorithms of banks and finance companies, are leading to emails being sent to people who have no borrowing or accounts. This is a serious issue that will affect people's credit history; the use of such faulty algorithms and defeats the purpose of KYC and causes serious harassment.

6. Master Circular Changes:

Frequent changes in the Master Circular or Notifications by RBI require banks to make changes in their Core Banking Systems. This leads to high IT costs, which are ultimately passed on to consumers. The RBI must restrict changes in its circulars to 4 times a year to keep costs in check.

7. Consumer Charter:

The RBI issued the Charter of Customer Rights on 3 December 2014 recognising five basic rights of bank customers and asks banks to adapt and implement it after their Board's approval. These are: (i) Right to Fair Treatment; (ii) Right to Transparency; Fair and Honest Dealing; (iii) Right to Suitability; (iv) Right to Privacy; and (v) Right to Grievance Redress and Compensation.

The Charter covers almost every problem that consumers were likely to face. Three years later, the RBI has not fixed timeframes for grievance redressal nor announced penalties for failure to treat consumers fairly, despite repeated appeals by consumer groups. Consequently, the Charter remains a toothless statement.

A Master circular/notification by the Reserve Bank giving teeth to the Charter of Customer Rights with clear provisions fixing timelines for redressal and escalation, penalty for negligent service and interest/compensation to customers for losses caused due to mis-selling is urgently needed.

Ref:

1. *Dhirendra Kumar*

It's time for customers to resist arbitrary charges by banks: ecoti.in/W9LjGb

Suffering Bank Customers Need to Step Up their Game:

https://www.valueresearchonline.com/story/h2_storyview.asp?str=33262&&utm_medium=vro.in

2. *Sucheta Dalal*

a. Beware Your Bank may be ripping you off

<http://www.moneylife.in/article/borrowers-beware-your-bank-may-be-ripping-you-off/49837.html>

b. Are Bank Charges Going Haywire? Have regulators abdicated their responsibility?

<http://www.moneylife.in/article/are-bank-charges-going-haywire-has-the-regulator-abdicated-its-role/49948.html>

c. On The Digital Highway Without A Seat Belt <http://www.moneylife.in/article/on-the-digital-highway-without-a-seat-belt/49035.html>

3. *RN Bhaskar*

Indian Banks Seek To Fatten Themselves

<http://www.freepressjournal.in/analysis/rn-bhaskar-indian-banks-seek-to-fatten-themselves/1035472>

<http://www.asiaconverge.com/2017/03/indian-banks-fatten-themselves/>

4. *Magic Bricks:*

<https://twitter.com/MagicbricksNow/status/840218224885096449>

SIGNATORIES

We undersigned fully support and endorse the views expressed and demands made in the aforesaid letter and memorandum.

Sr No	Name	Organisation/ email ID	Signature
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