MONEYLIFE FOUNDATION
THE RIGHT THING TO DO

Trust Registration No. E-26571; PAN: AACTM4377J;
80(G) Registration No. DIT(E)/MC/80G/685/2010-11

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12 April 2021

Mr Shaktikanta Das
Governor,
Reserve Bank of India
Mumbai - 400001

Sub: Hardship and Financial Death Inflicted on Depositors Due to Arbitrary freezing of bank accounts, citing non-renewal of Know-Your-Customer (KYC) documents and other reasons.

Dear Mr Das,

On behalf of 137,000 members of Moneylife Foundation we are writing to you about a serious issue that continues to harass bank customers and depositors. The issue is freezing of bank accounts for non-updation of KYC requirements. Freezing of bank accounts, especially the one-way action that allows deposits but not withdrawals, inflicts extreme hardship, sometimes even financial death on many honest, law-abiding depositors, treating them worse than criminals or those accused of financial fraud.

What is worse, there is lack of clarity about how and when KYC-related punishment can be inflicted on depositors, depriving them of access to their own money, entrusted with banks. While we appreciate and support the need for strict identification in order to prevent the misuse of banking channels for money-laundering and financial fraud, our plea is only on behalf of law-abiding citizens using banks for routine financial transactions.

Also, since the country is facing a second wave of Covid-19 with limited access to transport, it is imperative that RBI clarifies KYC issues to reduce harassment of depositors until normalcy returns.

The irony is that law-abiding customers and businesses are harassed for KYC and have to comply with endless paperwork even to open and close accounts, and yet, the dilution of the very same KYC rules allowed a criminal enterprise like Dewan Housing Finance Limited (DHFL) to open nearly 2.6 lakh fake home-loan accounts to access Pradhan Mantri Aawas Yojana (PMAY) benefits with the misuse of Aadhar-based account opening norms.

The siphoning of public funds in that case was of Rs14,000 crore and the money was routed to several fictitious concerns flying under all KYC norms and scrutiny rules. This alone calls for a complete overhaul of KYC norms, risk classification, acceptable documentation and the implementation. Here is a link to the report:
(https://www.financialexpress.com/opinion/a-failure-of-scrutiny-dhfl-fraud-shows-limitations-of-aadhaar-in-plugging-leakages/2220525/)

You may have noted that the Supreme Court of India recently admonished the government saying "don't attach assets at the drop of a hat" in the context of GST dues (https://www.financialexpress.com/economy/gst-dues-dont-attach-assets-at-the-drop-of-a-hat-sc-to-taxman/2228875/). How much worse is it to freeze assets and savings of ordinary people, even pensioners, denying them access to their own funds , merely for delayed KYC updation?

We sincerely hope, that the cases and issues brought up in this Memorandum will be given due consideration and prompt action shall be taken to ascertain that banks do not abuse the power granted to them.

Yours Sincerely,

Sucheta Dalal
Founder Trustee

Debashis Basu
Founder Trustee

INTRODUCTION

Moneylife Foundation is a non-profit organisation with the primary aim of spreading financial literacy, and has always worked for the benefit of consumers, be it through educational seminars or counselling through its panel of experts for a variety of different problems consumers face. We are deeply concerned with the way banks freeze customer accounts on the flimsiest grounds which can affect a customer's credit record, and inflict monetary losses such as loss of pension for senior citizens, salaries for employees and much more. Moneylife Foundation had done extensive work to collect data and experiences from depositors whose accounts have been frozen and have collated such findings in this memorandum. [1]

OUR FINDINGS:

1. Indiscriminate Freezing of Accounts: Freezing of bank accounts and depriving people of access to their own money is an extreme punishment, which is imposed with impunity by bank officers, often without adequate notice, or sufficient time for compliance with KYC re-submission. We understand that banks have been empowered by RBI and the Ministry of Finance (MoF) to partially freeze customer accounts for failure to update KYC documents. We fully understand the importance of identification to prevent tax fraud and money-laundering. But the frequency of updation for savings/pension and current accounts that have routine transactions, under threat of freezing them, seems an extreme action that imposes great hardship on customers, especially due to indiscriminate application of rules by banks.

Most businesses have to work at retaining customers and spend resources on ensuring customer satisfaction or customer delight. It is only in banking that customers have to worry about being mis-sold dubious financial products and insurance, or debited with

[1] This report has been prepared with the help of Consumer activists/ bankers, Harsh Roongta, Ajit V Shenoy, Abhay Datar, Adv Jayesh Desai and Dilip Modi with Moneylife Foundation Team.

charges for unasked services or are punished by cutting off access to their own money sometimes because of the bank's failure to update documents on the core banking system.

2. No Clarity on Risk-Categorisation: We find there is no clear definition or guideline for categorisation of customers into high-risk, medium-risk and low-risk categories and each bank has been asked to evolve their own criteria and claim a certain number in each category. When asked, banks refuse to share any details on this. The RBI Master Directions say, "Risk categorisation shall be undertaken based on parameters such as customer's identity, social/ financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in." Banks have evolved their own criteria and the large number of complaints suggest that the categorisation is faulty. Since there is no public information on who is classified as high risk, it is more than likely that banks are deliberately mis-classifying customers or doing it randomly for perfunctory compliance with RBI requirements, with the result that fraudsters may be escaping scrutiny while ordinary depositors are being harassed.

While we appreciate RBI's stringent KYC requirements, we fail to understand why risk categorisation is not inspected/verified, especially when there are thousands of complaints from ordinary people on social media and to the RBI, on harassment and freezing of routine bank accounts. We request the Reserve Bank to seek and collate data on risk-categorisation of customers and conduct a random sampling exercise to verify if it is being done correctly. Actual complaints received from bank customers could be a part of this sample.

3. No Clarity on Frequency and Basis of KYC Updation: RBI's Master Directions on KYC updation make it clear that scheduled commercial banks need to update the KYC norms for only high-risk customers every two years. For medium- and low-risk customers, it is once every 8 and 10 years, respectively. Even here, a simple self-declaration is sufficient in case there are no changes, but this option is never provided to routine accounts.

Instead, obviously low-risk customers, government pensioners, senior citizens living on interest income or salaried employees receiving regular paycheques have been harassed for KYC updation every 2 years. There is no clarity to the account holder about her risk-categorisation and how often KYC needs to be updated, especially for bank accounts that are regularly in operation and clearly used only for routine personal or business transactions.

4. No SOP for Freezing Accounts & Inconsistent Application of Rules: No standard operating procedure (SOP) for banks, including record management, for carrying out re-KYC of existing customers. Often, the reminder messages for KYC updation include a threat to freeze/block account. Some go ahead and block accounts without warning, so that affected customers are forced to rush to the bank for updation. There are several cases of senior citizens living on a pension who have been forced into such distress and even harassed for Aadhaar verification when their finger prints do not register on machines. Apart from KYC, the RBI issues other rules from time to time for business accounts and authorised signatories. Banks seem to apply these rules as per their interpretation and understanding and have been empowered to penalise running accounts by freezing funds. This extreme action, happens without applying any principles of natural justice, and can have serious consequences including default on loans and non-payment of salaries etc. We believe that banks simply cannot be empowered with such draconian powers except in case of financial crime.

5. Technology & Core Banking Not Used for KYC: Banks do not use latest available technologies like digital ID or video-based customer identification process (V-CIP) as a consent-based alternate method of establishing KYC of existing customers despite the Covid lockdown. Customers are asked to submit documents at the home branch, making the core banking concept useless for depositors, especially those who were stuck abroad, in other cities or lived far away from home branches.

6. Centralised KYC Not Used: We are unclear why the centralised KYC, which was created as a verified repository of customer information and is far more reliable than using Aadhaar, is not used for all financial transactions including banking, insurance and investment. On this, Mr Harsh Roongta, former banker and columnist has written in *Business Standard*, "The biggest reasons are lack of clear directions from the various regulators (RBI, SEBI, IRDAI, and PFRDA), lack of online connectivity between various players and the central repository, lack of process standardisation across regulators, lack of clarity on who and how the cost of the repository will be borne etc."

7. Lack of Information to Customers about Freezing Accounts:

a. Data collated by Moneylife Foundation shows that banks have sometimes frozen customer account without any prior intimation (letter, email, SMS or phone call) whatsoever. Many customers do not even get proper information when they ask why their accounts have been frozen.

b. There are instances where depositors realised their account was frozen only when the cheques they issued had bounced, or they attempted an online transaction, or Point of Sale (PoS) transaction that was declined. These draconian actions cause trauma and also impact business and credit history. What is worse, there are absolutely no consequences to the bank for wreaking such havoc.

c. There have been instances when banks collected KYC documents and did not update KYC details in the core banking software for various reasons. They have cited excuses like servers being down or net connectivity issue. However, customers face the consequences in the form of repeated demands for re-submission of KYC documents and allegations that they have not submitted documents.

d. One example of draconian action is the blocking of three credit cards of a customer for non-compliance with KYC, without prior intimation. He continued to receive credit card statements but was also unable to upload the required KYC documents through the bank's online portal as they were continuously rejected.

Senior bankers have verbally justified stringent action against customers by saying that RBI imposes heavy penalties on banks for failing to ensure KYC updation. In response to our RTI application on details of action against banks and penalty levied for failure to ensure KYC compliance from 1st April 2019 to date, the RBI CPIO replied no bank has been penalised or imposed with any monetary penalty. In the same period, many customers have had their bank accounts frozen, in fact, even after the lockdown due to the pandemic. There is no attempt to collate this data and estimate hardship suffered.

8. Unclear Rules & Covid Issues: Most banks create their own KYC rules and requirements. Online submissions are not allowed and many banks have even insisted that submission should be at the home branch (these include large banks like State Bank of India). It is also clear from social media, that bankers themselves are often helpless. They are travelling long distances to work, worried about their own health and safety. Public sector banks (PSBs) also face issues like printers not working, poor net connections etc that are beyond their ability to handle but affect customer service. There is irritability, hardship and frayed nerves on all sides.

Further, while classification of accounts is not done by branch level officers, they are asked to ensure compliance and also empowered with the ability to initiate the draconian action of freezing accounts. We strongly suspect wrong classification is rampant in order to comply with a show of numbers. Unless investigated, the truly high-risk accounts will probably evade all scrutiny. We urge the RBI to consider how DHFL and PMC Bank were able to evade all KYC norms by simple manipulation of internal systems, calling into question the harassment of genuine account holders doing routine transactions.

In some cases, we have discovered (Should Banks Be Permitted to Freeze a Running Account for KYC https://www.moneylife.in/article/should-banks-be-permitted-to-freeze-a-running-bank-account-for-kyc/62771.html) that the rules were misunderstood at the highest level. So clarity and standardisation is an urgent requirement.

9. Covid Issues: We have several examples where banks have demanded KYC compliance from senior citizens living on savings, at the home branch, under threat of freezing accounts. This causes untold stress for seniors, who are unable to move out freely due to restricted public transport and their own vulnerability to Covid. We have shared anecdotes in the Annexure. The harassment of NRI doctors by ICICI Bank in this context is also documented in the Annexure. In this case, the bank even told the customer that KYC documents submitted in another context would not be considered (even to cross check signatures) because they were not submitted for KYC updation. What is the point of RBI insisting on unique customer identification numbers (UCIN) if KYC is not extended across all banking relationships of the same customer with the bank? This is sheer harassment and shows the urgent need for a central KYC that is universally applicable to the same customer.

10. NRI issues: Non Resident Indians have suffered enormously, especially during Covid. Here is one example of a NRI doctor couple who were busy with treating patients in the UK during the Covid pandemic. They had submitted a local mobile number of an authorised representative to operate the account. This was deleted under the claim that each account can only have one mobile number. The Bank asked for documents to be uploaded online, but it could not be done without a registered mobile number and an OTP for authentication. There is an urgent need to implement video verification for NRI accounts as is being done for company directors through third-party agencies. The rules with regard to how many times the accounts have to be operated in order not to be considered dormant should also be reviewed, especially during the pandemic when people are unable to travel.

An NRI with an account in Punjab National Bank had sent 40 emails, called up his branch manager and even sent physical documents via Royal Mail with a Herculean effort to ensure they reached the right branch in Gujarat. Despite sending all KYC documents in May 2020 via email and registered post, the bank refuses to renew his FCNRs. Nobody from the bank responds to an email and only give assurance over phone calls. And yet, the FCNRs are not renewed for want of KYC. This is in the middle of the Covid pandemic!

In a third case that was reported to Moneylife Foundation, an NRI from the US, had his business account in India frozen by a private bank within a year after it was opened. Given the long and detailed account opening procedures for all bank accounts and especially NRI accounts, how can KYC compliance become an issue within a year? In this case it affected his ability to pay salaries and taxes, that too close to the financial year-end. There are absolutely no consequences to banks for wreaking such havoc.

SUGGESTED ACTIONS:

1. **Conditions for Freezing:** A 100% freezing of account should only be done in case of financial fraud and should require a court order or an order from an investigation agency such as the Economic Offences Wing of the police, Central Bureau of Investigation, Enforcement Directorate, Directorate of Revenue Intelligence or Serious Frauds Investigation Office or the revenue authorities. In all other cases, banks should not be allowed to interfere with a routine running account, where there is no suspicious activity involved. We request the RBI to take this up with the Finance Ministry as well, which has framed the money-laundering guidelines.
2. **Random Sampling of Risk Classification:** We request RBI to investigate how risk-classification is actually done by banks, with a random sampling exercise with a large enough sample, based on customer complaints. This could be the basis of issuing detailed guidelines for risk-classification of customers. We strongly believe that the risk-classification by banks is arbitrary and meant for technical compliance with RBI and money laundering rules, while the real culprits escape. This is evident from the DHFL fraud mentioned above. Business and personal savings accounts with routine transactions and salary payments, also cannot possibly require repeated KYC if the classification is correct.

3. **Inform Applicable KYC Norms:** Banks should be asked to inform the customer about the category in which the account falls at the time of opening and at the time of any subsequent change, so that they are aware of the frequency with which documentation has to be submitted. Based on the categorisation, the KYC process should then be followed.
4. **Interim Measure:** As an immediate and interim measure, RBI must ensure that any accounts currently frozen allow customers to withdraw their own funds and honour all direct debits and standing instructions and NACH mandates to debit their account for telephone, electricity or gas bills, insurance premium, and mutual fund SIPs.
5. **Video-based Identification:** In January 2020, the Reserve Bank permitted banks to use video-based customer identification process (V-CIP) as a consent-based alternate method of establishing the customer's identity, for customer onboarding. Many banks are now promoting and using the V-CIP for opening new accounts. Banks must be asked to use this technology for re-KYC of existing customers, especially senior citizens. This is imperative as the country get ready to tackle the second wave of Covid infections.
6. **Covid Concession:** We request RBI to put on hold KYC updation if there are no changes and end the draconian action of freezing accounts until the Covid pandemic is over. This is especially required for Non-Resident Indian accounts, senior citizens and business accounts. Bank officials also need respite from this task as they as frontline workers and are facing enormous hardship even in attending office.
7. **Penal Action:** There must be penalty on banks in all cases where customers have been subjected to harassment, mental agony and losses caused by unlawful freezing of accounts.
8. **Get Feedback From Social Media:** We also request the RBI to consider using its official Twitter account with over a million followers as an active feedback mechanism for customer issues, with a dedicated team to collate and follow up with banks with regard to complaints received. Even the fact that RBI is watching or asking questions will ensure that banks respond to such issues with the greatest

alacrity. This will also be in line with your objective of improving grievance redress through a “disincentive-cum-incentive framework”.

9. **Use Central KYC:** We urge RBI to work with the Finance Ministry and other regulators to encourage a switch to Central KYC, available through CERSAI (Central Registry of Securitisation Asset Reconstruction and Security Interest of India). As you know, this is a verified central KYC registry governed under PML (Prevention of Money Laundering) Rules 2005 and covers all of RBI’s requirements. Importantly, SEBI has already acted on this. SEBI, vide its circular SEBI/HO/MIRSD/DOP/CIR/P/2021/31 dated March 10, 2021 now requires, inter alia, that “Where a client, for the purpose of establishing an account based relationship, submits a KYC Identifier to a RI, with an explicit consent to download records from CKYCR, then such Registered Intermediary shall retrieve the KYC records online from CKYCR using the KYC Identifier and the client shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless there is a change in the information of the client as existing in the records of CKYCR.
10. **Bank Account Portability:** Today, banks are using technology to lock-in customers instead of giving them the option to choose. Opening and closing bank accounts has become difficult for law-abiding citizens and they are harassed for KYC, while dubious banks are able to side-step RBI rules as is clear from the DHFL fraud and Punjab and Maharshtra Cooperative Bank (PMC Bank). Please refer to our detailed contentions here: https://www.moneylife.in/article/bank-account-portability-what-is-preventing-this-game-changing-move-for-customers/62915.html

    In 2017, our public petition on change.org had asked for bank account portability (https://www.change.org/p/governor-rbi-finance-ministry-stop-banks-fleecing-depositors). We had also raised fears of the misuse of interest subsidy on Prime Minister’s Awas Yojana. Our fears have turned out true, but with regard to misuse of KYC to open Aadhar-linked accounts by DHFL.

RBI has done well in completing the groundwork for bank account portability with unique identification numbers being in place for all bank customers. Permitting bank account portability would lead to competition between banks (that is central to a liberalised economy) and ensure that banks put customers first. There will be initial resistance from banks, as there was in telecom, but we urge RBI to consider the enormous benefit for customers. https://www.moneylife.in/article/bank-account-portability-what-is-preventing-this-game-changing-move-for-customers/62915.html

<u>ANNEXURE</u>

Actual examples, based on feedback from customers of accounts frozen / made inoperable with no intimation or disclosing proper reason.

1. No proper intimation from Bank for KYC and a/c being frozen

a. HDFC Bank: [redacted]; Email: [redacted]

Mr [redacted] has a joint account with HDFC Bank with his wife as the second account holder. The account is linked to his trading account with HDFC securities and marked as a "preferred banking account", with a relationship manager assigned to him. In April 2016 Mr [redacted] moved from Roorkee Branch to Gurgaon; he submitted a change of address and communication request at the Roorkee which was duly effected from May 2016, when the new address began to reflect on all bank statements. In August-September 2016, the account was transferred to Palm Square, Gurgaon branch of HDFC Bank as he wanted to rent a locker there. At that time both account holders visited the bank and submitted KYC documents required by the bank.

On 17/07/2017, he found out that he could not make a transaction in his trading account with HDFC Securities as the funds were not being released by the bank. On enquiry from the bank, he was informed that the account has been frozen as the re-KYC of the second holder, that is, his wife, was not done despite several reminders by the bank. There was no prior intimation and he was under the impression KYC formalities were complete.

Upon filing a grievance with customer service, it was transferred to the local branch at Gurgaon. The manager had no knowledge of the issue and the account was frozen at the central level. After enquiring at the Head Office at Mumbai, Mr [redacted] was told that a letter was posted to his wife, the second account holder for re-KYC, to his Roorkee address. Obviously, they never received it as they had moved to Gurgaon.

HDFC Bank took extreme action of freezing Mr [redacted]'s account although bank itself was at fault at multiple levels and its record keeping raises serious questions. The address change request, signed by both account holders was not incorporated. A single letter was sent by ordinary post to the second account holder, at the wrong address, when the account had a relationship manager assigned. Since all KYC documents were resubmitted at Gurgaon, the bank was clearly at fault for failing to update details. **This is surely a case where the banks has caused untold harassment to the customer and a fit case for action and penalty**.

b. **Col. [redacted]; Email: [redacted]** is a retired Army Officer drawing pension from an account which was held with the bank for past 30 years. The account was opened when Col. [redacted] first joined service in the army and was converted to a pension account upon retirement. On 16/01/2020 while attempting to do an online transfer of funds, he was informed by a popup that his account was frozen for non-compliance of KYC norms. On the very next day, Col. [redacted] submitted documents but the account was not activated despite 3 follow up emails (his calls were not received). It was finally activated on 21/01/2020 after speaking to the Defence Banking Advisor, when it should have happened automatically. Despite having maintained a salary account and later a pension account for 30 years, when the bank already has his PPO, Aadhar card, PAN Card etc on record, he was harassed by putting a freeze on his account without prior intimation to update KYC details.

c. **HDFC Bank: [redacted]; Email [redacted]:** One evening when Mr [redacted] went to purchase fuel, he discovered his debit-card was blocked without any intimation whatsoever. Fortunately, the staff at the retailer knew him to be a regular customer and offered to let him pay later. He then approached the nearest HDFC Bank branch where a sympathetic guard forced an employee of the bank to listen. Mr [redacted] was asked to contact the home branch next day as he was not KYC compliant. Mr [redacted] believes he has updated KYC barely 2-3 years ago, so he studied the RBI guidelines and discovered that he needed to be informed in writing before initiating coercive action. He went with his KYC documents to meet the Bank Manager next day, but received no explanation as to why his account was frozen without any prior intimation.

d. **Canara Bank**: **Mr [redacted]; Email: [redacted]:** Mr [redacted] realised his account with Canara Bank was frozen when a cheque he had issued bounced. Upon investigation he realised that the account was frozen for non-compliance with KYC norms, which he insists is a mistake as he had submitted KYC documents but they were not updated in the core banking software.

e. **Indian Bank: Mr [redacted]'s mother; Email: [redacted]**: Mr [redacted]'s 88 year-old mother, faced a similar issue with her Indian Bank pension account where fresh KYC forms were submitted as requested. After a month she got an SMS that said "threshold limit breached" and "account blocked". Mr [redacted] had to eventually take this matter to the Ombudsman, who also replied that they had no idea as to what the message meant or why it was sent.

f. **Punjab National Bank**: **Ms [redacted], Email: [redacted]:** Ms [redacted] had her account frozen with no reason or written intimation given. She had been following up with the bank for 7 years, without getting any credible answers concerning even the reason a freeze was placed on her account. She suffers from Parkinson's disease and can barely walk uninterrupted for a few minutes. Yet, she was harassed by bank officials for even asking why her account was frozen. She was eventually able to get her account re-activated after a friend helped her approach the Finance Ministry.

g. **DBS Bank: [redacted]; Email: [redacted]:** Mr [redacted] submitted his KYC documents twice to his Relationship Manager at DBS Bank's Nariman Point branch. However, the bank failed to update this in their systems and his account was frozen by the bank for want of KYC, resulting in him being denied access to his account. Irked over this incident, he asked the bank in writing to close his account and transfer balance funds to another account. It took the bank a month and several phone calls, and emails before it could happen a few days ago.

h. **Axis Bank: [redacted]; Email: [redacted]**: Mr [redacted] received a major shock when he was unable to transfer the amount from his own

Axis Bank account, as his wife's KYC was pending. While he had submitted all the papers just two years back the bank still went ahead and froze his bank account, as if they were some criminals. Surprisingly, the year of his birth in his bank account as per the bank official is shown as 2101. When so many credits and debits were happening under his name, all that the Bank had to do was just send someone over and sort out the matter. His account remains frozen till date.

i. **State Bank of India, PF Account: [redacted], Email: [redacted]:** [redacted] discovered, when she submitted KYC documents for opening a new FCRA account for the Trust at SBI Delhi, that the KYC for her PF account at the Churchgate branch was not updated. The Dadar branch insisted that the KYC for the PF account needed to be updated at Churchgate (during Covid) despite the fact that a new set of documents were being submitted in person at Dadar, that too for a new Trust account. She was told that the Trust account would not be opened until her personal KYC was updated first for the personal PF account. So core banking was of no use in this case. The bigger issue was that KYC documents had, in fact, been physically submitted at Churchgate and a stamped acknowledgement obtained even before the first Covid lockdown. But the bank official had apparently not bothered to update records system. It required two more trips to Churchgate (Mumbai) and a re-submission of physical documents to learn that the system has now been updated.

2. Threat to Block Causing Stress:

a. IDBI Bank: Mr [redacted]; Email ID: [redacted]:

Mr [redacted], a pensioner, who has banked with IDBI Bank for over 15 years was informed through an email dated 27/04/20 that his KYC details need to be updated before 30/06/20 in order to avoid "partial freezing" of his account. He has also visited the bank regularly. The threat to freeze the account, that too in the middle of a Covid pandemic, causes enormous stress to seniors, especially when a pension account is threatened to be blocked.

b. Bank of India: [redacted], Email: [redacted]: [redacted], a 70+ IIT Mumbai alumnus and well know civic activist, received an SMS saying, "You have not submitted KYC documents in account no. XXxxxx. Please submit KYC document immediately to avoid debit freeze. No withdrawal will be permitted form the above a/c till submission of KYC document. There is no date mentioned by which time the customer is required to submit his KYC. He has been a customer of the specific branch for 50 years and retains the same account even after moving to the suburbs a few years ago. The branch officers want him to travel all the way from the suburb to the branch during COVID time and update his KYC. Mr [redacted] has only routine transactions in his account and would be a low-risk or no-risk customer.

3. **Credit Cards Blocked**

Citibank: [redacted]; Email ID: [redacted]:

Recently Mr [redacted]'s 3 credit card accounts have been frozen by Citibank for want of periodic KYC. Mr [redacted] says, the bank has been periodically sending statements and have also renewed his card but are back to demanding the same set of documents. He has tried uploading required documents for KYC through the bank's online portal but that is being rejected for some unexplained reason. Mr [redacted] has now stopped trying to upload the documents and has also stopped using the cards.

4. **NGO Account:**

ICICI Bank: [redacted]; Email: [redacted]:

This is essentially a trust account with ICICI Bank, which was partly frozen because of KYC related issues. Fortunately, they could use the account but were not allowed to deposit cheques or money. Mr [redacted] got to know about the action only when a cheque issued by the trust bounced. Since the trustees were away and unreachable, Mr [redacted], a CA and principle advisor, who manages the trust was left helpless. The trust maintains a fairly big account with ICICI Bank and is a long-time customer of the bank. It is still asked to renew KYC every 3 years in order to avoid harassment, despite having an active account with the bank.

5. **Wrong Understanding of Beneficial Ownership Rules:**

Axis Bank: Moneywise Media Pvt Ltd., main account of Moneylife Magazine: Just four days before salaries were to be paid, Axis Bank put a freeze our main bank account (operational since 2009) at the end of September 2020 because one of our significant investors had not submitted a 'beneficial ownership' declaration. Worse, the requirement itself was wrongly understood and demanded by the Bank. The investor was neither a signatory to the account nor a director on the board, but the bank wanted him classified as an authorised signatory, based on its faulty, pre-printed form. The investor naturally refused to do so.

The action was preceded by a long correspondence over Axis Bank's faulty understanding of who was a beneficial owner (in this case, the person lives abroad and is neither a director nor a signatory to the account). Repeated emails and messages to the Bank's customer service department, public relations team, head of retail as well as the managing director and CEO did not elicit any response. Our attempt to explain to the bank that ICICI Bank, in which we had a second account, had not insisted on similar rules. Finally, the intervention of someone senior at the RBI ensured that Axis Bank understood the issue and released the account. Moneylife was so harassed by the episode that we have closed all eight accounts, including personal accounts of employees and trustees at the bank.

6. **Harassment of NRIs during Covid for KYC updation**

Dr [redacted] / Dr [redacted] submitted by Mr [redacted]:

(Each of the following is supported by clear documentary evidence by way of Correspondence with ICICI Bank officials).

a) A KYC updation exercise (21 Aug 2020) initiated in middle of a pandemic, despite pleas that the accounts holders are doctors at front line fighting Covid 19 in UK which is in a middle of a lock down. Only 4 weeks allowed for compliance. There is no RBI rule that specifically insists on this, especially under such circumstances as claimed by the bank in their reply.

b) The cell number associated with the NRI accounts was deleted, unannounced, without warning or alternative in May/June 20. Thus, the Bank made it impossible to upload any KYC documents online without the two-factor authentication through OTP (sent on the deleted cell number). The only alternative being to send the documents via registered email ID of the account holder, but these too were rejected since they were not self-attested (for want of a printer, to print, sign and upload).

c) While the registered cell number was deleted unilaterally, the bank continued to send SMS alerts and to call Mr [redacted] on the same cell number in matters relating to the NRI accounts! This is total discrimination, flouting all principles of equality, fairness stated in Banking code of practice.

d) These documents, passport, driving license, marriage certificate, photos, PAN cards were rejected on premise that these were not self-attested. Yet RBI permits Official Valid Documents- OVD – to be accepted without attestation. In any case, the original documents had been verified in person at an ICICI Bank branch, in August 2018 and attested copies of KYC documents had also been submitted. However, it was deemed that these were submitted for a different reason and therefore disregarded, thus requiring the submission of a fresh set of attested documents in less than 2 year!

e) Documents for change of address in the UK have been repeatedly submitted but the change has not been effected in the bank's records even three years after initial submission of documents. The address remains the same that was given at the time of account opening in 2009.

f) This is clearly a low risk account which, under RBI rules, does not need KYC updation except once in 10 years, that too a self-declaration should be sufficient if there is no change in details.

g) Without the cell phone registration and KYC updation, the account is virtually frozen as the local representative cannot go beyond logging in to account. Thus, any transaction will not succeed as no OTP will be received for authentication.

h) The bank has ignored our suggestions including practical solutions such as to defer KYC by few months in to 2021 to get over the pandemic to obtain required attested documents from UK.

i) The bank on its own, escalated the complaint to the Internal Banking Ombudsman, who agreed with the **response of the Bank's internal grievance cell.**

j) The Customer Service wing /Customer Education and Protection Cell of the RBI did not respond to their query on the legality of the RBI KYC rules and simply forwarded it to the concerned department. There is no further communication from CEPD.