



**ACE CO-OPERATIVE BANK LTD.**

**POLICY DOCUMENT ON CUSTOMER PROTECTION =  
LIMITING LIABILITY OF CUSTOMER POLICY**

**2024**



# **ACE CO OPERATIVE BANK LTD.**

## **Policy Document on CUSTOMER PROTECTION =LIMITING LIABILITY OF CUSTOMER POLICY**

**Review of CUSTOMER PROTECTION = LIMITING LIABILITY OF CUSTOMER POLICY in Board of Directors Meeting dt. 28/03/2024**

The modified policy will be as under:-

### **CUSTOMER PROTECTION = LIMITING LIABILITY OF CUSTOMER POLICY**

**The policy document has been prepared in the guidelines of the Reserve Bank of India.**

With the increased thrust on IT enabled financial inclusion and related customer protection issues, and considering the recent surge in customer grievances relating to unauthorized transactions resulting in debits to their accounts /cards, the criteria for determining the customer liability in these circumstances, the Reserve Bank of India has issued guidelines for preparing the Board Approved Policy for Customer Protection – Limiting Liability of Customers of cooperative Banks in Unauthorized Electronic Banking Transactions. Vide Circular No. RBI/2017-18/109 DCBR.BPD. (PCB/RCB) . Cir. No. 06/12.05.001/2017-18 December 14, 2017, it reads out as under:-

### **Customer Protection – Limiting Liability of Customers of Co-operative Banks in Unauthorised Electronic Banking Transactions**

1. RBI has issued the circular UBD.BSD.I/PCB/No.45/12.05.00/2001-02 dated May 30, 2002 and para 13 of circular RPCD.CO.RCB.BC.No.36/07.51.010/2014-15 dated October 22, 2014 regarding reversal of erroneous debits arising from fraudulent or other transactions.

2. With the increased thrust on IT enabled financial inclusion and related customer protection issues, and considering the recent surge in customer grievances relating to unauthorised transactions resulting in debits to their accounts/cards, the criteria for determining the customer liability in these circumstances have been reviewed. The revised directions in this regard are set out below.

### **Strengthening of systems and procedures**

3. Broadly, 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, card not present (CNP) transactions), Pre-paid Payment Instruments (PPI), and
- (ii) Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

4. The systems and procedures in banks must be designed to make customers feel safe about carrying out electronic banking transaction. To achieve this, banks must put in place:

(i) appropriate systems and procedures to ensure safety and security of electronic banking transactions carried out by customers;

(ii) robust and dynamic fraud detection and prevention mechanism;

(iii) mechanism to assess the risks (for example, gaps in the bank's existing systems) resulting from unauthorised transactions and measure the liabilities arising out of such events;

(iv) appropriate measures to mitigate the risks and protect themselves against the liabilities arising therefrom; and

(v) a system of continually and repeatedly advising customers on how to protect themselves from electronic banking and payments related fraud.

### **Reporting of unauthorised transactions by customers to banks**

5. Banks must ask their customers to mandatorily register for SMS alerts and, wherever available, register for e-mail alerts, for electronic banking transactions. The SMS alerts shall mandatorily be sent to the customers, while email alerts may be sent, wherever registered. The customers must be advised to notify their bank of any unauthorised electronic banking transaction at the earliest after the occurrence of such transaction, and informed that the longer the time taken to notify the bank, the higher will be the risk of loss to the bank/customer. To facilitate this, banks providing e-banking services must provide customers with 24x7 access through multiple channels (at a minimum, via website, phone banking, SMS, e-mail, IVR, a dedicated toll-free helpline, reporting to home branch, etc.) for reporting unauthorised transactions that have taken place and/or loss or theft of payment instrument such as card, etc. Banks shall also enable customers to instantly respond by “Reply” to the SMS and e-mail 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. Further, a direct link for lodging the complaints, with specific option to report unauthorised electronic transactions shall be provided by banks on home page of their website. 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. The communication systems used by banks to send alerts and receive their responses thereto must record the time and date of delivery of the message and receipt of customer's response, if any, to them. This shall be important in determining the extent of a customer's liability. 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. On receipt of report of an unauthorised transaction from the customer, banks must take immediate steps to prevent further unauthorised transactions in the account.

### **DISPUTE REDRESSAL MECHANISM: TECHNOLOGICAL PRODUCTS :**

- 1) Complaints regarding failed ATM transaction are grouped as under: -
  - a) Our Debit Cards used at our ATMs attached to the branch of issue.
  - b) Banks Debit Card is used at our ATM's not attached to the Branch of issue
  - c) Other Bank cardholder using his card at our ATM
  - d) Banks Debit Cards used at other Bank ATM's

- 2) In terms of Reserve Bank of India guidelines, the wrongful Debit in the customer's account on account of ATM failed transactions shall be reversed within 5 working days from the date of receipt of complaint from the customer, failing which a penalty at Rs.100/- for each day of delay shall be credited to the customer's account along with the disputed amount.
- 3) For all failed transactions in IMPS\Mobile Banking and UPI, amount shall be credited to Customers Account on T+1 basis as per the guidelines of NPCI.
- 4) Any customer is entitled to receive such compensation for delay, if a claim is lodged with the issuing bank within 30 days of the date of the transaction.
- 5) If the customer prefers the complaint after 30 days but within 60 days the claim will be settled without compensation through our Dispute Management System (DMS) package. The claim referred after 60 days but within 120 days, known as good faith claim, is settled through NPCI.
- 6) All disputes regarding ATM failed transactions shall be settled by the issuing bank and the acquiring bank through National Payment Corporation of India only. No bilateral settlement arrangement outside the dispute resolution mechanism available with the system provider is permissible.

**Exception handling:**

- 1) Exception transactions are those that cannot be reconciled or reported as erroneous by a card holder.
- 2) Members should collaboratively endeavor to settle discrepancies in settlement, if raised by other member banks, and all such discrepancies should be resolved amicably.

**Charge Backs:**

It is obligatory on the part of the card issuer member to resolve and settle all adjustments pertaining to the cardholder transaction arising out of error, within 120 days after date of original transaction provided if a claim is lodged with the issuing bank within 30 days of the date of the transaction.

The card issuer member shall furnish all documents in support of cardholder's transaction dispute. If the acquirer member bank, does not honor the cardholder dispute, the acquirer member bank shall submit a representation within 60 working days after the charge back initiated date.

A charge back form may be submitted by an issuer to NFS in response to a cardholder dispute using the appropriate form. NFS will in turn forward the charge back form to the concerned member bank after making necessary adjustments in the daily settlement report.

**Credit/Debit Adjustments**

Acquirer Member Bank should take appropriate measures to adjust cardholder balance arising out of error, identified during EOD balancing. However, it is obligatory on the part of all acquirer Member Banks to submit adjustment details along with appropriate documents to NPCI, within 30 working days after the settlement date of the original transaction. An issuer bank may at its discretion accept an adjustment beyond the specified period.

NFS will in turn forward the adjustment form to the concerned member bank after making necessary adjustments in the daily settlement report.

**Representation -**

An acquirer member bank shall submit a Representation to reverse a cardholder's dispute. The Representation shall be submitted within 60 working days after the settlement date of cardholder's dispute along with all relevant documents. The document should be sent to the card issuer member bank and in case the card issuer member bank does not respond the same within 5 working days from the date of dispatch, NPCI reserves the right to reverse the representation.

## **Customer Liability in Unauthorized Electronic Banking Transaction :**

### **A) Systems and Procedures**

- 1) Ace Cooperative Bank has appropriate systems and procedures to ensure safety and security of electronic banking transactions carried out by its customers;
- 2) Bank has robust and dynamic fraud detection and prevention mechanism;
- 3) Bank has put in place mechanism to assess the risks resulting from unauthorized transactions and measure the liabilities arising out of such events;
- 4) Bank is continuously taking appropriate measures to mitigate the risks and protect themselves against the liabilities arising therefrom;
- 5) Bank will at regular intervals advise customers on how to protect themselves from electronic banking and payments related fraud

### **B) Reporting of Unauthorized Transactions**

- 1) All the Customers of the Bank shall mandatorily register for SMS alerts and wherever available register for e-mail alerts, for electronic banking transactions.
- 2) Bank shall send SMS alerts mandatorily to all Customers and email alerts shall be sent wherever registered. The customers must notify their bank of any unauthorized electronic banking transaction at the earliest after the occurrence of such transaction.
- 3) Customers shall report the Unauthorized Transaction at Branches of the Bank within the Branch working hours or can lodge the complaint in Customer Grievance Module on Banks website [www.acebank.in](http://www.acebank.in) which is available 24x7
- 4) Customers shall inform the bank immediately of the unauthorized transactions and failure to do so shall increase the liability or risk of loss to the bank/ customer.
- 5) Customer lodging the complaint for unauthorized electronic transaction are required to file FIR ( First Information Report) with Police Authorities with appropriate jurisdiction and shall give copy of the FIR filed to the Bank.

## **Limited Liability of the Customer**

### **C) Zero Liability**

- 1) In case of Unauthorized Transaction 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.**

### **D) Limited Liability of the Customer**

- 1) 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 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 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 below Table, whichever is lower.

**E) Summary of Customer Liability**

<b>Maximum Liability of the Customer under Para 9 (E) and RBI circular dated 14<sup>th</sup> December 2017 Para 7 (ii)</b>		
<b>Sr. No.</b>	<b>Type of Account</b>	<b>Maximum Liability</b>
1	Basic Savings Account	Rs.5,000/=
2	<ul style="list-style-type: none"> <li>• All other SB accounts</li> <li>• Pre-paid Payment Instruments and Gift Cards</li> <li>• Current/ Cash Credit/ Overdraft Accounts of MSMEs</li> <li>• 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</li> <li>• Credit cards with limit up to Rs.5 lakh</li> </ul>	Rs.10,000/=
3	<ul style="list-style-type: none"> <li>• All other Current/ Cash Credit/ Overdraft Accounts</li> <li>• Credit cards with limit above Rs.5 lakh</li> </ul>	Rs.25,000/=

Overall liability of the customer in third party breaches, as detailed in paragraph D and paragraph E above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in Table given below

**F) Customers Account will be credited within 10 days from the Receipt of the Compliant in above cases.**

<b>Summary of Customers Liability</b>	
<b>Sr. No.</b>	<b>Time taken to report the fraudulent transaction from the date of receiving the communication</b>
1	Within 3 working Days
2	Within 4 to 7 working Days
3	Beyond 7 working days

**G) Reporting of the Transactions Beyond 7 working Days**

In case the Customer Report the unauthorized transaction after 7 working days Customer Liability shall be 50% of the Transaction value or Rs. 10,000/- whichever is higher.

## **H) Reversal Timeline for Zero Liability / Limited Liability Customer**

- 1) 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.
- 2) Bank shall within 90 days from the date of the complaint shall resolve Customer complaint and liability of the customer, if any, established and the customer shall be compensated as per provisions of paragraphs F above.
- 3) In cases where liability is not established or customer is not compensated within 90 days from the date of complaint Customer will be compensated as per clause F above immediately.

**The number of working days mentioned in Table 2 shall be counted as per the working schedule of the home 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. Banks may also at their discretion decide to waive off any customer liability in case of unauthorised electronic banking transactions even in cases of customer negligence.

Further, banks shall ensure that:

- (i) a complaint is resolved and liability of the customer, if any, established and the customer is compensated as per provisions of paragraphs 6 to 9 above, within such time as may be specified in the bank's Board approved policy, but not exceeding 90 days from the date of receipt of the complaint;
- (ii) where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in paragraphs 6 to 9 is paid immediately to the customer; and
- (iii) in case of debit card/bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

### **Board Approved Policy for Customer Protection**

Bank shall formulate / revise their customer relations policy with approval of their Boards, which should clearly define the rights and obligations of customers in case of unauthorized transactions in specified scenarios i.e. Debits to customer accounts owing to customer negligence/ bank negligence /banking system frauds / third party breaches etc. The policy should also include mechanism of creating customer awareness on the risks and responsibilities involved in electronic banking transactions, and customer liability in case of unauthorized electronic banking transactions, procedure for reporting unauthorized electronic banking transaction and acknowledgement of complaints. It should also provide for a robust grievance redressal structure as per extant instructions, escalation matrix, clear timelines for resolution of customer complaints, and compensation keeping in view the instructions contained in paragraphs 10 above. The instructions contained in this circular shall be incorporated in the policy, and the policy should be prominently displayed at branches.

## **Burden of Proof**

The burden of proving customer liability in case of unauthorised electronic banking transactions shall lie on the bank.

## **Reporting and Monitoring Requirements**

The banks shall put in place a suitable mechanism and structure for the reporting of cases of unauthorised electronic banking transactions to the Board or one of its Committees. The reporting shall, inter alia, 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. The Board in each bank shall periodically review the unauthorised electronic banking transactions reported by customers or otherwise, as also the action taken thereon, the functioning of the grievance redressal mechanism and take appropriate measures to improve the systems and procedures. All such transactions shall be reviewed by the bank's internal auditors.

## **ACE CO-OPERATIVE BANK LTD**

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**Based on the above guidelines issued by RBI, the “CUSTOMER PROTECTION – LIMITING LIABILITY OF CUSTOMER POLICY” with modifications on 28.03.2024 for ACE Bank is proposed as under:-**

- All the customers be instructed to mandatorily register for SMS alerts and, wherever available, register for e-mail alerts, for electronic banking transactions.
- The SMS alerts shall mandatorily be sent to the customers, while email alerts may be sent, wherever registered.
- The banks should not offer facility of electronic transactions, other than ATM cash withdrawals, to customers who do not provide mobile numbers to the bank.
- The customers must notify our bank of any unauthorised electronic banking transaction within three days after the occurrence of such transaction.
- On receipt of the complaint letter from the customer, the bank will hot mark the said ATM card.
- **The customers have to submit the copy of Police NC/FIR made to the nearest police station within Seven days from the date of incidence.**
- **If the Bank will not receive compliant letter from the customer within three days and a copy of Police Complaint or NC made by the customer within seven days, no claim shall be entertained.**
- On receipt of the copy of police complaint from the customer, the bank will Contact concerned banks in the vicinity and collect the CCTV footage and handover to the police authorities for their investigation.
- The customer may be advised to close the said Saving Bank account with immediate effect and open new saving account from safety point of view because the fraudsters might develop any unknown trick for further withdrawals.



- The complaints received from the customers to be placed before the Customer's Grievances Sub-committee for its redressal.
- **Even though all such process/ activities are carried out, the liability of our bank shall be made limited to the amount involved in the incidence or Rs. 75,000/- (Rupees Seventy Five Thousand only) whichever is lower, per customer per annum.**
- **The settlement of the complaint to be made within a stipulated time by RBI from time to time from the receipt of the complaint from the customer.**
- The bank will create a special fund for settlement of customer's complaints under digital payment by appropriation of profits / by annual provisioning debited to P & L a/c.
- **The settlement amount should be paid through the Customer's Protection on Digital Payment Fund created by the bank and not to wait till receipt of claim from the insurance company. On receipt of the claim, the same may be adjusted to the protection on Digital payment fund created by the bank.**

The Board of Directors shall thoroughly review and approve all the decisions of the Customer's Rights & Grievances sub-committee and transactions made during the month in the next Board of Director's Meeting.

**The Board of Directors of the Bank reserves the rights to alter/ to change/ to add any clause in the aforesaid policy whenever it requires to comply with the Directives issued by the Reserve Bank of India from time to time.**

**Placed, discussed and Reviewed the Policy in the Board of Directors Meeting held on March,2024 .**

**Chief Executive Officer**

**Chairman**