Impact on Banking Ombudsman in Banking Sector- An Overview

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ABSTRACT

The ultimate aim or motive of any business or service organization is customer satisfaction and in this journey the company comes across concerns and grievances which need immediate attention. The banks are no exception as they deal with heterogeneous customers with different monetary requirements. Banking Ombudsman is a quasi judicial authority functioning under India's Banking Ombudsman Scheme 2006, and the authority was created pursuant to a decision made by the Government of India to enable resolution of complaints of customers of banks relating to certain services rendered by the banks. The Banking Ombudsman Scheme was first introduced in India in 1995, and was revised in 2002. The current scheme became operative from 1 January 2006, and replaced and superseded the banking Ombudsman Scheme 2002. From 2002 until 2006, around 36,000 complaints have been dealt by the Banking Ombudsmen. There are 16 regional offices of Banking Ombudsmen in India. This article mainly focuses on role of banking ombudsman in banking sector.

KEYWORDS: Banking Ombudsman, Complaints, Customers, Bankers, Judicial Authority.

INTRODUCTION

The Banking Ombudsman Scheme 2006 of Reserve Bank of India has come into effect from 1st January 2006 with the prime objective of improving/strengthening the relationship between Banker and Customer by providing quick and inexpensive redressal of customer complaints relating to deficiencies in banking services. If a customer is not satisfied with redressal of his grievance, after exhausting all the available avenues in the Bank, may approach the Banking Ombudsman, who will sort out and facilitate speedy settlement of the grievances. Details of the scheme and addresses of all Banking Ombudsman Offices are available in the RBI .We have displayed at all our branches a notice explaining that we are covered by the Banking Ombudsman Scheme, 2006 of the Reserve Bank of India. The copy of the scheme is made available at all the branches. Within 30 days of lodging a complaint with us, if customer does not get a satisfactory response from us and if customer wishes to pursue other avenues for redressal of grievances, customer may approach Banking Ombudsman appointed by Reserve Bank of India under Banking Ombudsman Scheme, 2006.

Over 9,500complaints of deficient services by nationalized and private sector banks are pending with banking ombudsmen, the Reserve Bank of India (RBI) has said. The revised Banking Ombudsman scheme 2006 allows a customer to seek redress of complaints against banks relating to credit cards and house loans, among others. The number of complaints pending for resolution as **on December 13, 2015 was 9,508,** the RBI said in reply to an RTI query."No time limit is

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specified for resolution of complaint under Banking Ombudsman Scheme, 2006," it said. The number of complaints received by banking ombudsmen across the country from January 1 to December 13 this year was 87,683, the RBI said. As per the central bank's annual report on the scheme for 2014-15, a total of 85,131 complaints were received by it during the last fiscal.
"Public sector banks accounted for 65% of the total complaints out of which 31% (**26,529) complaints**were against State Bank of India (SBI) and associates group," it said. Private sector banks accounted for **23% (19,773)** complaints, whereas 4% (3,406) were against foreign banks. Regional rural banks and scheduled urban co-operative banks accounted for 2% (1,966) of the complaints received. **6% (4,566)** of the complaints were against non-bank entities not covered under the Banking Ombudsman scheme, the RBI said. There are 15 banking ombudsmen across the country. The Reserve Bank of India had introduced the Banking Ombudsman scheme in 1995 that provided for resolution of customers' complaints relating to deficiency in banking services. The scheme was revised twice — in 2002 and in 2005. The current scheme came into force from January 1, 2006.

REVIEW OF LITERATURE

R. K. UPPAL (2010),says that the maximum complaints are in the public sector banks and are continuouslyincreasing,and as such, they adversely affected customers'satisfaction and performance. The complaints and all the activities performed by banks are in deposit, credit cards and housing loans. It is necessary to mitigate these complaints to make the customer satisfied. Each and every bank should establish a customer care centre to solve the complaints of the customers. Private sector and foreign banks are taking the lead in making customers happy. Moreover, Indian public sector banks are still not taking the initiative in solving the complaints of their customers. Consequently, if the Indian public sector banks will not improve themselves to mitigate the complaints of the bank customers, their survival will become difficult in the competitive era. However, the 'reserve bank' of India should instruct all the public sector banks to solve the complaints of the customers at the earliest.

RESERVE BANK OF INDIA(2015) 'in their article deals with Over 9,500 complaints of deficient services by nationalized and private sector banks are pending with banking ombudsmen, the Reserve Bank of India (RBI) has said. The revised Banking Ombudsman scheme 2006 allows a customer to seek redress of complaints against banks relating to credit cards and house loans, among others. The number of complaints pending for resolution as **on December 13, 2015 was 9,508,** the RBI said in reply to an RTI query."No time limit is specified for resolution of complaint under Banking Ombudsman Scheme, 2006," it said. The number of complaints received by banking ombudsmen across the country from January 1 to December 13 this year was 87,683, the RBI said. As per the central bank's annual report on the scheme for 2014-15, a total of 85,131 complaints were received by it during the last fiscal.

OBJECTIVE OF THE STUDY:

- To know the concept of banking ombudsman scheme in banking sector.
- To identify the type of complaints resolved by banking ombudsman in banking sector.
- To analyze the various receipts of complaints regards of banking sector.
- To know the role of banking ombudsman scheme in banking sector.

RESEARCH METHODOLOGY

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It is an exploratory study. The study is based on the secondary data. The data were collected from the sources like various reports published by RBI (Reserve Bank of India).

TYPE OF COMPLAINTS RESOLVED BY BANKING OMBUDSMAN

- The type and scope of the complaints which may be considered by a Banking Ombudsman is very comprehensive, and it has been empowered to receive and consider complaints pertaining to the following:
- Non-payment or inordinate delay in the payment or collection of cheques, drafts, bills, etc.;
- Non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission for this service;
- Non-acceptance, without sufficient cause, of coins tendered and for charging of commission for this service;
- Non-payment or delay in payment of inward remittances ;
- Failure to issue or delay in issue, of drafts, pay orders or bankers' cheques;
- Failure to honor guarantee or letter of credit commitments;
- Failure to provide or delay in providing a banking facility (other than loans and advances) promised in writing by a bank or its direct selling agents;
- Delays, non-credit of proceeds to parties' accounts, non-payment of deposit or non-observance of the Reserve Bank directives, if any, applicable to rate of interest on deposits in any savings, current or other account maintained with a bank ;
- Delays in receipt of export proceeds, handling of export bills, collection of bills etc., for exporters provided the said complaints pertain to the bank's operations in India;
- Refusal to open deposit accounts without any valid reason for refusal;
- Non-adherence by the bank or its subsidiaries to the instructions of Reserve Bank on ATM/debit card operations or credit card operations;

ANALYSIS AND INTERPRETATION:

TABLE NO 1
NUMBER OF COMPLAINTS RECEIVED BY OBOS

	2013-14	2014-15	2015-16
No. of OBOs	15	15	15
Complaints received during the year	76573	85131	102894

Source: Annual report of RBI, 2016

Compared to previous year there was 21 % increase in the complaints received in the OBOs during the year 2015-16. This gives an indication about increasing awareness amongst bank customers about their rights and how to exert them. This also shows that the consistent and concerted efforts of RBI and OBOs of spreading awareness about the BOS are yielding the desired results.

TABLE NO 2

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OBO-WISE RECEIPT OF COMPLAINTS

OBO	No. of complaints received during 2013-14	2014-15	2015-16	% change in 2015-16 over 2014-15	% to total complaints
Ahmadabad	4588	4965	5909	19.01%	5.74%
Bangalore	4101	4610	5119	11.04%	4.98%
Bhopal	4907	5451	5748	5.45%	5.59%
Bhubaneswar	1498	2448	3050	24.59%	2.96%
Chandigarh	3162	3131	4571	45.99%	4.44%
Chennai	8775	8285	8645	4.35%	8.40%
Guwahati	770	1054	1328	26.00%	1.29%
Hyderabad	4477	4366	5910	35.36%	5.74%
Jaipur	4104	4088	4664	14.09%	4.53%
Kanpur	8389	8818	9621	9.11%	9.35%
Kolkata	4698	5277	4846	-8.17%	4.71%
Mumbai	9965	10446	12333	18.06%	11.99%
New Delhi	11045	14712	22554	53.30%	21.92%
Patna	3253	4456	5003	12.28%	4.86%
Thiruvananthapuram	2841	3024	3593	18.82%	3.49%
Total	76573	85131	102894	20.87%	

Source: Banking Ombudsman Scheme 2006 - Annual Report 2015-16

OBO New Delhi received the highest number of complaints (22554) with 22% of the total complaints received. Four metro centers OBOs viz. New Delhi, Chennai, Kolkata, Mumbai and two non-metro centers viz. OBO Kanpur and Bhopal put together, accounted for 62 % of the total complaints received.The complaints received at OBO New Delhi increased by 53% during the year 2015- 16 vis-s-vis previous year 2014-15.

TABLE NO 3
RECEIPT OF COMPLAINTS - MODE-WISE

Mode of Receipt	No. of Complaints received durir 2013-14	2014-15	2015-16	% change (Year-or year)
Email	15181	19508	35169	80.3%
	(20%)	(23%)	(34%)	
On line	9785	11634	15378	32.2%
	(13%)	(14%)	(15%)	
Post/Fax/Courier/hand delive	51607	53989	52347	-3.04%
	(67%)	(63%)	(51%)	
Total	76573	85131	102894	

Source: Banking Ombudsman Scheme 2006 - Annual Report 2015-16.

From 67% in 2013-14 it has come down to 51% in 2015-16. On year-on year basis, the proportion of complaints lodged through electronic mode(Email and Online) has increased by 62%. This is one of the major factors for increase in number of complaints received during 2015-16.

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Vol-22-Issue-10-November-2019

TABLE NO. 4
COMPARATIVE POSITION OF DISPOSAL OF COMPLAINTS BY OBOS

		Year	
Number of complaints	2013-14	2014-15	2015-16
Received during the year	76573	85131	102894
Brought forward from previous year	5479	3307	3778
Handled during the year	82052	88438	106672
Disposed of during the year	78745	84660	101148
Rate of Disposal (%)	96%	96%	95%
Carried forward to the next year	3307	3778	5524

During the year OBOs handled 106672, including 3778 pending complaints pertaining to last year. This is the highest number of complaints handled by the OBOs since introduction of the BOS. Number of complaints received also crossed 1 lakh for first time under the BO Scheme. Despite the significant increase in receipt of complaints, OBOs disposed 101148 (95%) of the complaints as on June 30, 2016. Table 9 and Chart 9 below indicate a comparative position of disposal of complaints by OBOs.

ROLE OF BANKING OMBUDSMAN SCHEME IN BANKING SECTOR:

The RBI has started the scheme of banking ombudsman, which can effectively interpret its rules and directives so as to bring about an amicable solution to the disputes between the bank and its customers. The customers desire quick, efficient and hassle free solutions to all their complaints and disputes with the bank, without being forced to run from pillar to post to register their grievances. This new scheme of banking ombudsman has come into existence to help customers resolve most of their complaints against the banks on the basis of the simple principle that every customer deserves a fair and speedy resolution of complaints.

In 1995, RBI established the office of banking ombudsman to address the customer service complaints of the customers, disputes arising between the customers and the bank and also between different banks. The banking ombudsman is a person of repute who is conversant with Legal provisions, Banking laws, Financial Services, public administration, or management sectors. A civil servant appointed to this post should be in the rank of Joint Secretary while a person from the banking sector should have had the experience of working as a whole time director in any public sector or equivalent position. Banking ombudsman is appointed by a committee of four persons consisting of three Deputy Governors of RBI and the Additional Secretary (Financial sector), and an official from the department of Economic Affairs, who acts as a special invitee. The appointment is for a period of three years.

Ombudsman can take into account the complaints of customers related to commercial banks, regional rural banks and scheduled co-operative banks. The complaints of the customers pertaining to Housing Finance can also be lodged before Banking Ombudsman, who has got the jurisdiction to adjudicate the grievance raised by the aggrieved.Today, banking ombudsman has its offices in a number of states. The territorial jurisdiction of the appointed banking ombudsman is specified by RBI. The services of banking Ombudsman are offered free of cost to the complainants.

CONCLUSION

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Banking Ombudsman gives the verdict not only in compliance of legal provisions, but also on humanitarian grounds considering justice to be given on equity. In a note, RBI has asked all the commercial banks to implement the awards of the ombudsman as early as possible and place it before the customer service committee so that the deficiencies in the services of the banks do not recur in the future. The customer service committee should bring to the notice of the board of directors all those awards that have not been implemented for more than three months for remedial action. With the growth of financial sector and the economy, it is felt that Non-Banking Financial Companies (NBFC) should also be brought under the purview of banking ombudsman. With relation to inter-bank disputes, certain powers under arbitration and contracts law should be vested with the banking ombudsman. Thus, by widening the area and scope of complaints that the banking ombudsman can take on, customers would be greatly benefited by seeking Redressal to most of their complaints that are common while transacting with the banks.

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