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A Study Of Banking Ombudsman Scheme In India

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ABSTRACT

Banking sector has been growing at a very fast pace in this 21st century. With the passage of time various technological changes took place, which have changed the meaning of banking these days. Digital banking is the hot topic now a days . But with the increased change of technology in banking have also increased the risk of security amongst customers. To cope with this situation RBI started BANKING OMBUDSMAN SCHEME 2006. OMBUDMAN is an official appointed to investigate the complaints against maladministration of public authority. The main objective behind the launch of this scheme is to enable complaints of customers regarding the services rendered by the banks.

It is an inexpensive forum for bank customers for resolution of complaints relating to certain services rendered by the banks. Under this scheme all the scheduled commercial banks, rural regional banks, scheduled primary cooperative banks are covered. The main aim of this scheme is to provide all the possible solution to the customers against administrative misconduct.

Government of India launched the scheme and the senior officer is appointed by Reserve Bank of India. There are various grounds under which an individual can file case under this scheme. The officer have the reasons to decline the request of an individual which are not included or is outside the scope of this scheme but other remedies for filing complaints under law is also available to the individuals .

INTRODUCTION

It is a quasi judicial authority formed to resolve the complaints of the customers against banking services. The section 35 of Banking Regulation Act, 1949 deals with the BANKING OMBUDSMAN SCHEME. It not only includes the scheduled commercial banks, regional rural

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banks, scheduled primary cooperative banks but also NBFC's as well. The main function of this scheme is to regulate and resolve the grievances of the customers regarding the services of the banking system. Individuals can easily file their complaints under the scheme and set grounds with set procedures. Ombudsman Scheme should treat the customers impartially for building confidence of small customers. The present study is conducted to enhance and create the awareness about the Banking Ombudsman Scheme among the customers of banks in India. Through this scheme, Government and RBI has brought the aspect of quality working in banking services. Customers can use the right and can file complaint under it if they face any issue related to banking services rendered to them.

REVIEW OF LITERATURE

Girivasuki and Dinakar (2015) analyzed the Banking Ombudsman Scheme in respect of its effectiveness in Indian banking sector. Further the performance of Banking Ombudsman Scheme was evaluated using descriptive analysis. In the results of the study, the rate of disposal was 94% during the year 2010-11 and 2011-12. Further the disposal rate was found to be 93% for the year 2012-13. On the basis of these results it was concluded that Banking Ombudsman Scheme is effective.

Singh (2016) reviewed the performance of Banking Ombudsman Scheme as an effective tool to empower bank's customers. It was found that a revision of the scheme was done in the year 2006 to make it more effective. It can be concluded that the revised scheme is very efficient and is on a continuous path of improvement as the grievance resolving ratio has increased from 94% in 2010-11 to 96% in 2014-15.

Hemadivya et.al. (2018) , studied the effectiveness of Indian Banking Ombudsman. Further paper analyzed the role of Banking Ombudsman in India and evaluated the effectiveness of the banks Ombudsman as banking disputes redressal body. As per the results of the study it was found that a good number of complaints were received and redressed by Banking Ombudsman. Moreover, customers were found to be very much satisfied with the services of Banking Ombudsman. It was suggested to spread awareness amongst the customers regarding Banking Ombudsman Scheme so that they can avoid unnecessary risk concerned with the banking transactions.

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OBJECTIVES OF THE STUDY

Following are the main objectives of the present study:-

1. To create awareness among the customers regarding Banking Ombudsman Scheme.
2. To have information regarding complaint redressal under Banking Ombudsman Scheme in India.
3. To give valuable suggestion for improvement in Banking Ombudsman Scheme.

RESEARCH METHODOLOGY

The present study is descriptive in nature. In the present study Banking Ombudsman Scheme has been selected considering secondary data collected from the website of Reserve Bank of India. Further, different newspapers, magazines, websites of different banks and data basis have been used.

ANALYSIS AND FINDINGS

The core findings of the present study have been shown in the following analysis:

Grounds of complaints:-

- For the non-payment or delay in collection of cheques , drafts etc
- Delay in payment of non remittances
- Failure to provide banking services
- Refusal to open bank account
- Non acceptance of small denomination notes without any sufficient cause
- Levying of charges without prior information
- Refusal to accept payment regarding taxes
- Non adherence to prescribed working hours
- Forceful closure of deposit accounts without due notice
- Refusal to issue government securities or redemption of securities
- Delay in disbursement of pension
- Refusal to close account

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A customer can also lodge a complaint for loans and advances regarding interest , delay in sanction of loan, non acceptance of application of loan .

Filling a complaint

Any individual can file a complaint if the reply is not given by the bank with in a period of 30 days or is not satisfied with the reply of the bank.

Procedure

Any individual can file under this scheme by simply writing the complaint on a plain paper or online at the address provided or even can email. The form is also available on the site of RBI and there is no requirement to lodge the complaint in the set format.

Fees structure

There are no fee charges under this scheme for filing or resolving a case against banking service.

Rejection of complaints

One’s complaint can be rejected or even cannot be considered if:-

- One has not approached his bank for grievance
- The complaint is not covered under the scheme or grounds provided
- The subject matter of the complaint is not according to the set and prescribed grounds
- One has not made the complaint within one year of receiving the reply from the bank

Who can lodge complaint?

Any individual or authorized representative other than an advocate can lodge a complaint under this scheme

Settlement of complaint by way of agreement

Under banking ombudsman scheme the officials must send the copy of the complaint to the bank branch against which the complaint has been filed under the advice of nodal officer refer in sub clause (3) of clause 15 and helps to promote settlement by way of agreement between complainant and the banks .

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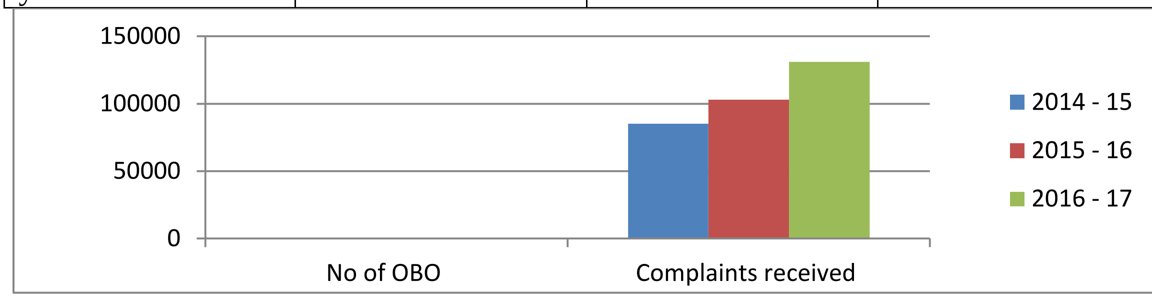
For settlement of the complaint the bank ombudsman can follow any procedure as he consider just and is not bound to any kind of rules and regulations .

Complaints received by RBI Office of Bank Ombudsman (OBO)

	2014 – 15	2015 - 16	2016 – 17
No. of OBO's	15	15	20
Complaints received during the year	85131	102894	130987



According to this report, the number of complaints lodge have increased from the year 2014-15 , 85131 to 130987 till 2016-17 . This is because of the reason that the young are know more aware of the rights and privileges given to them.

Bank group wise complaint

Banks group	2014-15	2015-16	%age Change	2016-17	%age Change
Nationalized banks	28891	35447	22.69%	45384	27.98%
	34%	35%		35%	
SBI & Associate	26529	29585	11.52%	35950	21.51%
	31%	29%		27%	
Private sector banks	19773	26931	36.20%	35080	30.26%
	23%	26%		26.50%	
Foreign banks	3406	3413	0.21%	3284	-3.78%
	4%	3%		2.50%	
RRBs	1966	2293	16.63%	2481	8.20%
	2%	2%		2%	
Others	4566	5225	14.43%	8828	68.96%
	6%	5%		7%	
Total	**85131**	**102894**	**20.86%**	**130987**	**27.30%**

Source: RBI

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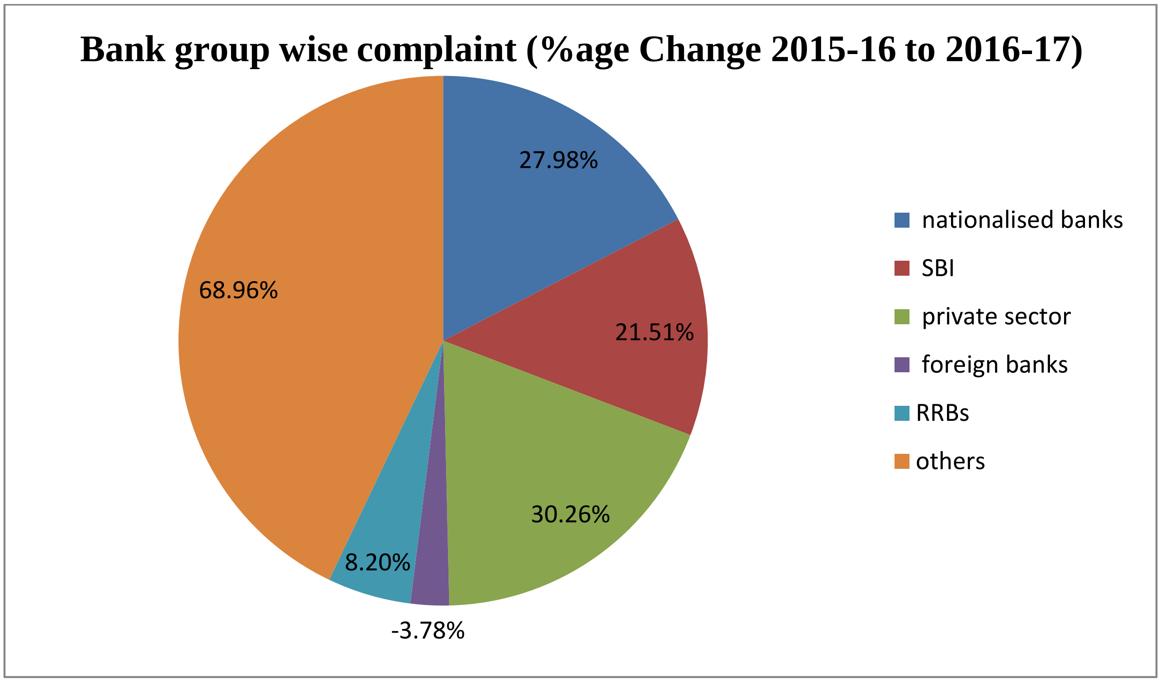
According to this the number of complaints against nationalized banks, SBI , RRBs , Foreign banks have increased in recent years .



Source: RBI

Types of complaint registered under banking ombudsman scheme:

- Failure to meet commitment of fair practice , ATM , debit cards , credit cards , deposit accounts , loans and advances , remittances , recovery agents , levy of charges without prior notice , pension payments . These are types on which certain complaints have been filed with ombudsman

Under this there are 30 grounds on which complaint can be filed but are subject to be rejected any time by ombudsman as deemed fit.

Conclusion

The banking ombudsman scheme is becoming popular in recent trend as the number of complaints booked under this have tremendously increased. This scheme has created awareness amongst the individuals. The procedure to file a complaint under this scheme is very simple and easy. It also provides an opportunity to the complainant to ask for the compensation regarding the loss suffered due to the negligence of banking services rendered. This scheme works under

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the regulations of certain grounds mentioned. The RBI is also in the process to start ombudsman scheme for non-financial institution. RBI has also started complain management system to harness the increasing volume of complaints. RBI in 2018 has also introduced an internal ombudsman scheme.

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