



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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**REDRESSAL OF CUSTOMERS' GRIEVANCES IN BANKS: A STUDY OF BANK OMBUDSMAN'S PERFORMANCE IN INDIA**

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**ABSTRACT**

The Reserve Bank of India set up the Bank Ombudsman in year 1995 to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services. The present paper aims to study the mechanism & operations of Bank Ombudsman in India and to evaluate its performance regarding the handling of complaints on the basis of selected parameters. The performance of Bank Ombudsman has been evaluated on the basis various parameters such as complaints received by ombudsman offices, region- wise receipt of complaints, mode-wise receipt of complaints, nature of complaints handled, disposal of complaints, mode of disposal of complaints, pending position of complaints, cost of running the scheme, etc. for the period of 2005-06 to 2009 -10. For analysis purpose descriptive statistics such as percentage, simple growth rate and exponential growth rate have been used. The study found that there was a tremendous increase in the number of complaints filed with Bank Ombudsman during the study period. Among different categories of complaints, credit card related complaints form the major part of total number of complaints. More than ninety nine percent of complaints received were disposed by mutual settlement of the parties and number of complaints pending for more than three years declined sharply. In the end, study suggested to include the more categories of complaint under the preview of ombudsman keeping in mind the new technological advancements and to popularize the scheme in rural and semi urban areas.

**KEYWORDS**

Banks, Complaints, Grievances, Ombudsman, Redressal.

**INTRODUCTION**

In the present scenario of competitive banking, excellence in customer service is the most important tool for sustained business growth. Customer service has been the challenging job in the banking industry, specifically, after the financial sector reforms and implementation of new age technology. Providing prompt and efficient service is on the top agenda of commercial banks to attract and retain the new customers. Making banks more customer-friendly has also been high on the agenda of the Reserve Bank of India. Reserve Bank of India has taken so many steps in this regard, which includes deregulation of interest rates, deregulation and setting up of ATMs, payments system initiatives like RTGS (Real Time Gross Settlement) and NEFT (National Electronic Fund Transfer), adoption of Fair Practices Code (Lender's liability), issuance of guidelines for handling of card products, implementation of code of conduct for Direct Selling Agents (DSA) and Direct Recovery Agents (DRA), setting up of a mechanism to handle the customer complaints, etc. It is the result of RBI's initiatives that today all commercial banks have their own grievance redressal cells to handle the grievances of their customers. However, sometimes, customers' complaints are not handled properly by banks, which may result in dissatisfaction to the customers. At this point of time customer is in a dilemma about where to file a complaint against the deficiency in services rendered by the banks. Courts may not be the right choice because of long time involved in settling of cases and heavy costs. Here, Reserve Bank of India has provided an alternative mechanism to handle the customers' grievances by setting up of Bank Ombudsman in India. The prime objective behind the setting up of Bank Ombudsman was to provide an expeditious and inexpensive forum to bank customers for resolution of their complaints relating to deficiency in banking services. In India, Bank Ombudsman is in operation for more than one and half decade but its existence and working are not known to many customers (Singh, 2006). So, firstly, it is important to understand the working of Bank Ombudsman and to make the bank customers aware about its existence. It will help the bank customer to avail the maximum benefit from this institution. Secondly, it is also important to evaluate the performance of bank ombudsman regarding the handling of complaints to have an idea about the success or failure of this institution. Keeping in mind these two important aspects of Bank Ombudsman the present study has been designed i) to study the mechanism and operations of Bank Ombudsman in India and ii) to evaluate the performance of bank ombudsman for the last five years on the basis of selected parameters.

**REVIEW OF LITERATURE**

Not much of literature is available on the Bank Ombudsman in India. Studies which are available in this regard are generally based on working of Bank Ombudsman. Chatterjee (2007) critically evaluated various schemes of banking ombudsman schemes in operation from time to time. Singh (2006) found that majority of respondents (63%) surveyed had no knowledge about the bank ombudsman scheme irrespective of their banks and none of the surveyed respondents had ever filed a complaint with bank ombudsman. Khan (2010) suggested that attempts should be made to increase the instances of disputes being resolved by mediation/conciliation rather than by awards. Further, In the event, if ombudsman has to give an award; it must be made final and binding on the parties with only single appeal allowed to a higher court of law. As far as performance of bank ombudsman is concerned no exhaustive study has been conducted so far.

**RESEARCH METHODOLOGY**

For the first objective of the study, 'Bank Ombudsman schemes 1995, 2002 and 2006' have been studied minutely to understand the working of Bank Ombudsman. These schemes are issued by Reserve Bank of India from time to time and are available on RBI's official site ([www.rbi.org.in](http://www.rbi.org.in)). For the second objective, secondary data has been compiled from 'The Banking Ombudsman Scheme-2006-Annual report', which is published by Reserve Bank of India every year. To analyze the performance of Bank Ombudsman various parameters such as complaints received, region- wise receipt of complaints, mode-wise receipt of complaints, nature of complaints handled, disposal of complaints, mode of disposal of complaints, pending position of complaints, cost of running the scheme, etc. have been selected. The period of study pertains to 2005-06 to 2009-10'. For analysis purpose, descriptive statistics tools such as percentages, simple growth rates and exponential growth rates have been used. Simple growth rate is just year to year growth and has been calculated by using formula;  $g = (y_t - y_{t-1}) / y_{t-1} * 100$  where,  $g$  = simple growth rate,  $y_t$  = value of variable  $y$  in current year,  $y_{t-1}$  = value of variable  $y$  in previous year. Exponential growth rate is simply compounded growth rate but unlikely the compound growth rate; it is worked out for a period on the basis of the value of a variable for all the years. In this case, least square trend is fitted for given years and given values of the variable. The exponential equations used for this purpose are as under:

$$Y_e = ab^t \quad (I)$$

$$\text{Where, } b = (1+g)/100 \quad (II)$$

$Y_e$  is the computed value of concerned variables,  $a$  and  $b$  are the estimates,  $t$  is the time period and  $g$  is the growth rate

In semi-logarithmic form, the equation (I) takes form;

$$\text{Log } y_e = \log a + t \log b \quad (III)$$

The present equation is known as semi- logarithmic equation which gives the straight line. However, on arithmetic chart the curve gives a nonlinear trend. From this semi- logarithmic equation, we get the estimated values of log a and log b. The growth rate obtained from equation (II) is;

$$g = (b-1) \times 100,$$

$$g = [\text{antilog}(\log b)-1] \times 100$$

## GENERAL FRAMEWORK OF BANK OMBUDSMAN IN INDIA

According to the Concise Oxford Dictionary 2000 (New Edition), the word 'ombudsman' means "an official appointed by Government to investigate individual's complaint against public authority etc." In other words, the institution of 'ombudsman' when appointed is to look into or investigate into the complaint against the 'public body' made by the public, who are adversely affected or their interest is jeopardised due to laxity or deficiency of services, so rendered by 'public body'(Khan,2010).

In the banking sector, there are different types of customers' grievances which may vary on one ground to another. Number of complaints are filed every day with the banks because of which banking sector is constantly under criticism by press, public and estimate committees. Various committees, commissions and working groups were formed to look into the issue of customer service since 1972 such as Banking Commission headed by Sri R.G. Seraiya, Sri. R.K.Talwar Committee, Goiporia Committee etc. Though, banks have implemented the recommendations to greater extent still there is no perceptible change in the quality of customer services and still the deficient areas are clearly visible and the customer remain dissatisfied (Khan,2010). Narasimhan Committee on "Banking and Financial Sector Reforms" examined these different areas of customer service and recommended introduction of the "Banking Ombudsman Scheme 1995". RBI accepted the recommendation and as a part of banking policy, Dr. C. Rangarajan, Governor, announced the 'The Banking Ombudsman Scheme' on June 14, 1995 under the Section 35A of Banking Regulation Act 1949. The main purpose of this scheme was to provide an expeditious and in expensive forum to bank customers for resolution of their complaints relating to deficiency in banking services provided by scheduled commercial banks, regional rural banks and scheduled primary co-operative banks. With the change in time and adoption of new technology at large by banks, RBI modified this scheme in the year of 2002, 2006, 2007 and 2009 to include consumer complaints on new areas such as credit card complaints, internet banking complaints, deficiencies in providing the promised services by both bank and its sales agents, levying service charges without prior notice to the customers, non- adherence to the Fair Practices Code adopted by individual banks, etc. At present Bank ombudsman scheme 2006 is in force with amendments in the year of 2007 and 2009. The subsequent paragraphs will throw the light on working of Bank Ombudsman in India.

### APPOINTMENT AND TENURE OF BANK OMBUDSMAN

Under the 2006 Scheme, it is stipulated that the RBI may appoint one or more officers in the rank of Chief General Manager or Manager to be known as Banking Ombudsman to carry out the functions entrusted to them by or under the scheme<sup>1</sup>. This appointment is made for the period not exceeding three years. For effective implementation of this scheme Reserve Bank of India has set up fifteen Bank ombudsman offices across the country.

### PROCEDURE FOR FILING THE COMPLAINTS

Any person who has a grievance against a bank on any one or more of the grounds mentioned in Clause 8 of the scheme (see Box:1) may, himself or through his authorized representative (other than an advocate), make a complaint to the Banking Ombudsman within whose jurisdiction the branch or office of the bank complained against is located<sup>2</sup>. The addresses of all fifteen Bank Ombudsman offices along with their e-mails are available online ([www.bankingsombudsman.rbi.org.in](http://www.bankingsombudsman.rbi.org.in)). It is important to note here that complainant can approach to the bank ombudsman only if the complaint is rejected by bank or the reply to his complaint is not received from the bank concerned within the period of one month or complainant is not satisfied with the reply given by bank. The complaint does not have to be in any specific format. If one does not know how to go about his / her complaint, the scheme provides a standard format for lodging complaints. However, one may also use his/ her own format to file a complaint. One may also file complaint electronically at [www.bankingsombudsman.rbi.org.in](http://www.bankingsombudsman.rbi.org.in). At the time of filing a complaint, the complaint must clearly make out three things: i) The facts giving rise to complaint ii) The extent of loss caused to the complainant iii) The relief sought from the banking ombudsman.<sup>3</sup> As far as cost is concerned the Bank Ombudsman does not charge any fee for resolving customers' complaints.

#### BOX: 1 GROUNDS OF FILING A COMPLAINTS WITH BANK OMBUDSMAN<sup>4</sup>

<p>The Banking Ombudsman can consider complaints relating to the following deficiency in banking services as mentioned in the clause 8 of the sche</p> <ul style="list-style-type: none"> <li>✓ Non-payment or inordinate delay in the payment or collection of cheques, drafts, bills etc.</li> <li>✓ Non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission in respect thereof;</li> <li>✓ Non-acceptance, without sufficient cause, of coins tendered and for charging of commission in respect thereof;</li> <li>✓ Non-payment or delay in payment of inward remittances ;</li> <li>✓ Failure to issue or delay in issue of drafts, pay orders or banks' cheques;</li> <li>✓ Non-adherence to prescribed working hours ;</li> <li>✓ 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;</li> <li>✓ Delays, non-credit of proceeds to parties' accounts, non-payment of deposit or non-observance of the RBI directives, if any, applicable to rate of interest on deposits in any savings, current or other account maintained with a bank ;</li> <li>✓ Complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank-related matters;</li> <li>✓ Refusal to open deposit accounts without any valid reason for refusal;</li> <li>✓ Levying of charges without adequate prior notice to the customer;</li> <li>✓ Non-adherence by the bank or its subsidiaries to the instructions of RBI on ATM/Debit card operations or credit card operations;</li> <li>✓ Non-disbursement or delay in disbursement of pension</li> <li>✓ Refusal to accept or delay in accepting payment towards taxes, as required by RBI/Government;</li> <li>✓ Refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities;</li> <li>✓ Forced closure of deposit accounts without due notice or without sufficient reason;</li> <li>✓ Refusal to close or delay in closing the accounts;</li> <li>✓ Non-adherence to the fair practices code as adopted by the bank and</li> <li>✓ Non-adherence to the provisions of the Code of Bank's Commitment to Customers issued by BCSBI and as adopted by the bank</li> <li>✓ Non-observance of RBI guidelines on engagement of recovery agents by banks; and</li> <li>✓ Any other matter relating to the violation of the directives issued by the RBI in relation to banking or other services.</li> </ul> <p>The BO may also deal with any complaint on any one of the following grounds alleging deficiency in banking service in respect of loans and advances:</p> <ul style="list-style-type: none"> <li>▪ Non- observance of RBI Directives on interest rates;</li> <li>▪ Delays in sanction, disbursement or non-observance of prescribed time schedule for disposal of loan applications;</li> <li>▪ Non- acceptance of application for loans without furnishing valid reasons to the applicant; and</li> <li>▪ Non- observance of any other direction or instruction of the RBI, as may be specified by the RBI for this purpose, from time to time</li> </ul>
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### REJECTION OF COMPLAINT

The Banking Ombudsman may reject a complaint at any stage if it appears to him that a complaint made to him is: i) frivolous, vexatious, mala fide or without any sufficient cause or ii) that it is not pursued by the complainant with reasonable diligence or iii) in the opinion of Banking Ombudsman there is no loss or damage or inconvenience caused to the complainant or iv) beyond the pecuniary jurisdiction of Banking Ombudsman or v) in the opinion of the Banking Ombudsman the complicated nature of the complaint requires consideration of elaborate documentary and oral evidence and the proceedings before him are not appropriate for adjudication of such complaint.<sup>5</sup>

<sup>1</sup> Clause 4(1), 'Banking Ombudsman Scheme 2006', Reserve Bank of India

<sup>2</sup> Clause 9(1), *Ibid.*

<sup>3</sup> Clause 9(2)(a), *Ibid.*

<sup>4</sup> Clause (8), Banking Ombudsman Scheme 2006', Reserve Bank of India

<sup>5</sup> Clause 13, *Ibid.*

**SETTLEMENT OF DISPUTES**

On the receipt of a complaint, the first objective of the ombudsman is to promote a settlement of the complaint by agreement between the complainant and the bank through conciliation or mediation. If the complaint is not settled by agreement within a period of one month from the date of the receipt of the complaint, the Ombudsman shall pass an award after giving the reasonable opportunity to the parties for presenting their case. In passing the award, the ombudsman shall be guided by the documentary evidence placed before him by the parties, the principle of banking law and practice, directions issued by the RBI etc.

The award passed shall contain the direction/s, if any, to the bank for specific performance of its obligations and in addition to or otherwise, the amount, if any, to be paid by the bank to the complainant by way of compensation for any loss suffered by the complainant, arising directly out of the act or omission of the bank<sup>6</sup>.

After an award is passed, its copy is sent to the complainant and the bank named in the complaint. It is open to the complainant to accept the award in full and final settlement of his complaint or to reject it. If the award is acceptable to the complainant, he is required to send to the bank concerned, a letter of acceptance of the award in full and final settlement of his complaint, within a period of 15 days from the date of receipt of the copy of the award by him.

The Banking Ombudsman shall not have the power to pass an award directing payment of an amount which is more than the actual loss suffered by the complainant as a direct consequence of the act of omission or commission of the bank, or ten lakh rupees whichever is lower. However, in the case of complaints, arising out of credit card operations, the Banking Ombudsman may also award compensation not exceeding Rs. 1 lakh to the complainant, taking into account the loss of the complainant's time, expenses incurred by the complainant, harassment and mental anguish suffered by the complainant.

**APPEAL BEFORE THE APPELLATE AUTHORITY AND REVIEW OF THE AWARD**

The 1995 scheme had no provision for the review of the ombudsman's award. However, under the 2002 scheme, a Review Authority was established. The appellate authority is the Deputy Governor in the Reserve Bank of India. Either party aggrieved by the award may, within 45 days of the date of receipt of the award, appeal against the award before the appellate authority. The appellate authority may, if he is satisfied that the applicant had sufficient cause for not making an application for appeal within time, also allow a further period not exceeding 30 days. The Appellate Authority, after giving the parties a reasonable opportunity of being heard may i) dismiss the appeal; or ii) allow the appeal and set aside the award; or iii) send the matter to the Banking Ombudsman for fresh disposal in accordance with such directions as the appellate authority may consider necessary or proper; or iv) modify the award and pass such directions as may be necessary to give effect to the modified award; or v) pass any other order as it may deem fit.<sup>7</sup>

**AWARENESS OF THE SCHEME**

For greater awareness of the scheme it is now mandatory for the banks to ensure that the purpose of the scheme and the contact details of the Banking Ombudsman to whom the complaints are to be made by the aggrieved party should be displayed prominently in all the offices and branches of the bank in such a manner that a person visiting the office or branch has adequate information of the scheme.

**BANK OMBUDSMAN'S PERFORMANCE IN INDIA**

The second part of the paper analyses the performance of Bank Ombudsman in India on the basis of selected parameters. The performance of Bank Ombudsman has been analysed in the following paragraphs.

**COMPLAINTS RECEIVED BY THE BANK OMBUDSMAN OFFICES**

Bank Ombudsman offices receive complaints from persons against the deficiency in banking services throughout the year. Complaints received by BO for the period of 2005-06 to 2009-10 are shown in Table I

**TABLE I: NUMBER OF COMPLAINTS RECEIVED BY THE BANK OMBUDSMAN OFFICES FOR THE PERIOD 2005-06 TO 2009-10**

Period	Number Bank Ombudsman Offices	No. of complaints received during the year	Rate of increase over previous year (%)	Average per office
2005-06	15	31,732	200.49	2115.47
2006-07	15	38,638	21.76	2575.87
2007-08	15	47,887	23.94	3192.47
2008-09	15	69,117	44.33	4607.80
2009-10	15	79,266	14.68	5284.40
Growth Rate (%)	24.1			

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated

Table I shows that there has been a tremendous growth in the complaints filed with the Bank Ombudsman. Total number of complaints increased from 31732 in the year of 2005-06 to 79266 in the year of 2009-10 by registering the overall growth rate of 24.1 per cent. This substantial growth has been attributed to the inclusion of new grounds of complaints such as complaints relating to credit card issues, failure in providing the promised facilities, non-adherence to fair practices code and levying of excessive charges without prior notice, etc. in the scheme. Year-wise analysis shows that highest growth rate has been recorded in the year of 2005-06 (200.49%) followed by the year 2008-09 (44.33%). Such increase in the year of 2005-06 is due to the fact that the new 'Bank Ombudsman Scheme 2006' was introduced in the mentioned year with various amendments. Similarly, complaints related the internet banking were included in the scheme in the year of 2008-09, which had led to such growth. Table further shows that average number of complaints handled by Bank Ombudsman increased from 2115.47 in the year of 2005-06 to 5284.40 in the year of 2009-10 mainly due to the enlargement of the scheme.

**BANK GROUP-WISE RECEIPT OF COMPLAINTS**

The scope of 'Bank Ombudsman Scheme 1995' was limited to the complaints relating to deficiency in banking services provided by scheduled commercial banks (i.e. Nationalized Banks, SBI Group, Private Sector Banks and Foreign Banks) and scheduled primary co-operative banks. Later, to expand the base of the scheme, regional rural banks were also brought under the preview of Bank Ombudsman in the 'Bank Ombudsman Scheme 2002'. Bank group-wise receipt of complaints has been shown in Table II.

Table II shows that total number of complaints filed against Nationalized Banks, SBI Group, Private Sector Banks and Foreign Banks increased substantially during the study period, whereas complaints slightly declined in case scheduled primary co-operative banks, regional rural banks and 'others'. Among different bank groups, complaints filed against 'foreign banks' registered the highest growth rate of 38.0 per cent followed by private sector banks (33.0%), SBI Group (21.6%), nationalized banks (16.1%) and regional rural banks (4.30%). On the other hand, 'scheduled primary co-operative banks' and 'others' registered negative growth rate of -1.0 per cent and -12.00 per cent respectively in this regards. The positive growth rate in case of regional rural banks shows the penetration of the scheme in rural areas up to some extent. Table further reveals that proportion of individual bank groups in total number of complaints received declined in case of nationalized banks and SBI group during the first four years of the study (i.e. 2005-06 to 2008-09). However, this proportion increased in last year of the study i.e. 2009-10 in case of both 'nationalized banks' as well as 'SBI Group'. Contrary to this, the percentage share in total number of complaints receipt continuously increased in case of 'private sector banks' and 'foreign banks' for period of 2005-06 to 2008-09 whereas it decreased in the year of 2009-10. In case of rest of the categories mixed trend has been observed in this regard.

**TABLE II: BANK-GROUP-WISE RECEIPT OF COMPLAINTS FOR THE PERIOD 2005-06 TO 2009-10**

Period	Bank Group							
	Nationalized Banks	SBI Group	Private Sector Banks	Foreign Banks	Scheduled Primary Co-op. Banks	RRBs	Others	Total

<sup>6</sup> Clause 12(4), *Ibid.*

<sup>7</sup> Clause 14(2), Banking Ombudsman Scheme 2006', Reserve Bank of India



<b>2005-06</b>	10,137 (30.38)	9,892 (29.65)	6,754 (20.24)	2,997 (8.98)	198 (0.59)	794 (2.38)	2,591 (7.77)	33,363 (100.00)
<b>2006-07</b>	10,543 (27.29)	11,117 (28.77)	9,036 (23.39)	3,803 (9.84)	313 (0.81)	536 (1.39)	3,290 (8.51)	38,638 (100.00)
<b>2007-08</b>	12,033 (25.13)	13,532 (28.26)	14,077 (29.40)	6,126 (12.79)	295 (0.62)	826 (1.72)	998 (2.08)	47,887 (100.00)
<b>2008-09</b>	14,974 (21.66)	18,167 (26.28)	21,982 (31.80)	11,700 (16.93)	302 (0.44)	846 (1.22)	1,146 (1.66)	69,117 (100.00)
<b>2009-10</b>	19,092 (24.09)	22,832 (28.80)	22,553 (28.45)	11,450 (14.45)	183 (0.23)	785 (0.99)	2,371 (2.99)	79,266 (100.00)
<b>Growth Rate (%)</b>	<b>16.1</b>	<b>21.6</b>	<b>33</b>	<b>38</b>	<b>-1</b>	<b>4.30</b>	<b>-12</b>	<b>24.1</b>

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated. Figures in parenthesis represent percentage to total

#### CATEGORY-WISE RECEIPT OF COMPLAINTS

The grounds on which a person can file complaints with Bank ombudsman have been enumerated in Clause 8 of the Banking Ombudsman Scheme 2006. There are twenty seven grounds of deficiency in service on which bank ombudsman may receive the complaints. Category wise receipt of complaints has been highlighted in Table III.

Table shows that the total number of complaints received increased tremendously in case of all the categories except for complaints regarding deposit during the study period. Complaints relating to 'Failure to meet commitments' increased at a growth rate of 68.00 per cent during the period of 2005-06 to 2009-10, which is highest among all categories of complaints. It is followed by 'Pension' (51.30%), 'Credit cards' (32.30%), 'others' (23.8%), 'Charges without notice' (20.70%). It is worth mentioning here that complaints regarding 'deposits' registered a negative growth rate of -10.00 per cent, which shows that customers prefer to resolve complaints at bank level itself.

Though the proportion of complaints relating to credit cards declined to 24.73 per cent of the total complaints in 2009-10 as compared to 25.53 percent in the previous year yet it forms the highest per cent share in the total number of complaints in the same year.

TABLE III: CATEGORY-WISE RECEIPT OF COMPLAINTS FOR THE PERIOD 2005-06 TO 2009-10

Category of complaints	Period					Growth rate (%)
	2005-06	2006-07	2007-08	2008-09	2009-10	
<b>Deposit accounts</b>	6733 (20.18)	5803 (15.02)	5,612 (11.72)	6,706 (9.70)	3,681 (4.64)	-10.00
<b>Remittances</b>	3058 (9.17)	4058 (10.50)	5,213 (10.89)	5,335 (7.72)	5,708 (7.20)	15.20
<b>Credit cards</b>	*	7688 (19.90)	10,129 (21.15)	17,648 (25.53)	18,810 (23.73)	32.30
<b>Loans and advances</b>	5215 (15.63)	5152 (13.33)	6,054 (12.64)	8,174 (11.83)	6,612 (8.34)	9.30
<b>Charges without notice</b>	*	2594 (6.71)	3,740 (7.81)	4,794 (6.94)	4,764 (6.01)	20.70
<b>Pension</b>	*	1070 (2.77)	1,582 (3.30)	2,916 (4.22)	4,831 (6.09)	51.30
<b>Failure to meet commitments</b>	*	1469 (3.80)	6,388 (13.34)	11,824 (17.11)	11,569 (14.60)	68.00
<b>DSAs and recovery agents</b>	*	1039 (2.69)	3,128 (6.53)	3,018 (4.37)	1,609 (2.03)	12.70
<b>Notes and coins</b>	*	130 (0.34)	141 (0.29)	113 (0.16)	158 (0.20)	3.60
<b>Others</b>	18357 (55.02)	9636 (24.94)	5,900 (12.32)	8,589 (12.43)	18,840 (23.77)	23.80
<b>Out of Subject</b>	*	*	*	*	2,684 (3.39)	
<b>Total</b>	33363 (100)	38639 (100)	47887 (100)	69117 (100)	79266 (100.00)	

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated. Figures in parenthesis represent percentage to total

\* Either data is not available or included in 'Others'

This category also includes complaints related to debit cards and ATM cards. The types of card-related complaints consists of items like issuance of unsolicited credit cards and unsolicited insurance policies and recovery of premium charges, charging of annual fee in spite of being offered as 'free' card and issuance of loans over phone, disputes over wrong billing, settlement offers conveyed telephonically, non-settlement of insurance claims after the demise of the card holder, abusive calls, excessive charges, wrong debits to account, non dispensation of money from ATM, etc. The proportion of complaints to the total number of complaints filed in case of category 'others' increased continuously since 2007-08 onwards. It increased to 23.77 per cent in the year of 2009-10 as compared to 12.43 per cent in the previous year. The category labeled as 'others' mainly include complaints of non-adherence to prescribed working hours, refusal to accept or delay in accepting payments towards taxes as required by RBI/ Government of India, refusal to accept/delay in issuing or failure to service or delay in servicing or redemption of Government securities, refusal to close or delay in closing of accounts, etc. Complaints relating to failure on commitments made (non-adherence to fair practices code as adopted by the bank, failure to provide or delay in providing banking facilities other than loans and advances etc.) is another major category of complaints as far as the percentage share in total number of complaints is concerned, however, the share declined in the year of 2009-10(14.60%) as compared to previous year (17.11 %).

#### REGION-WISE RECEIPT OF COMPLAINTS BY BANK OMBUDSMAN

Receipt of complaints from different regions such as rural, semi urban, urban, metropolitan can be the important performance indicator of bank ombudsman's performance as it shows the efforts of Bank Ombudsman to popularise the scheme in different regions. Total number of complaints received by Bank Ombudsman from different regions has been shown in Table No IV Table shows that complaint from the rural areas recorded the highest growth rate of 54.50 per cent as total number of complaint increased from 8418 in the year of 2007-08 to 25,055 in the year of 2009-10. It is followed by semi urban (24.0%), urban (20.10%) and metropolitan (10.60%) regions. Another important observation is that the percentage share of complaints from rural areas to total number of

complaints increased from 17.58 per cent (2007-08) to 31.61 per cent (2009-2010) but the share remained to one-third of the total number of complaints. On the other hand, this share has been declining in case of urban and metropolitans during the same period.

**TABLE IV: REGION-WISE RECEIPT OF COMPLAINTS BY BANK OMBUDSMAN FOR THE PERIOD 2007-08 TO 2009-10**

Region	Period*			Growth Rate (%)
	2007-08	2008-09	2009-10	
Rural	8418 (17.58)	13915 (20.13)	25,055 (31.61)	54.50
Semi Urban	6641 (13.87)	9817 (14.20)	10,741 (13.55)	24.00
Urban	10,978 (22.92)	15,723 (22.75)	16,423 (20.72)	20.10
Metropolitan	21,850 (45.63)	29,662 (42.92)	27,047 (34.12)	10.60
<b>Total</b>	<b>47,887</b> <b>(100.00)</b>	<b>69,117</b> <b>(100.00)</b>	<b>79,266</b> <b>(100.00)</b>	

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated  
 Figures in parenthesis represent percentage to total

\*Data for period 2005-07 is not available

The noticeable response from the rural areas may be attributed to the success of the awareness efforts undertaken by the offices of the Banking Ombudsman as well as the RBI regional offices through personal/village visits, media campaign, etc. Recently, the RBI had celebrated its platinum jubilee and all offices including Central Office Departments had conducted outreach programmes. Further, top executives of the bank visited very remote and mofussil areas of the country as a part of outreach activity of Platinum Jubilee year celebrations.

**MODE-WISE RECEIPT OF COMPLAINTS AT THE BANK OMBUDSMAN OFFICES**

There are different modes available to the complainant to file a complaint with Bank Ombudsman. These include e-mail, online, letter, post-card, fax, etc. Complainants can log on to the RBI web site at 'www.bankingombudsman.rbi.org.in' and complain about deficiency in bank's services by using the online complaint form. The email ids of the Banking Ombudsmen are also available in the public domain and complainants can send emails to them. For those who have no access to internet, complaints can be sent by post. Different mode wise filing of complaints has been shown in Table V

**TABLE V: MODE- WISE RECEIPT OF COMPLAINTS AT THE BO OFFICES FOR THE PERIOD 2007-08 TO 2009-10**

Mode	Period*			Growth Rate (%)
	2007-08	2008-09	2009-10	
Email	7183 (15.00)	15,927 (23.04)	9221 (11.63)	12.14
On Line	7662 (16.00)	9352 (13.53)	11,400 (14.38)	19.80
Letter, post-card, Fax, etc.	33,042 (69.00)	43,838 (63.43)	58,645 (73.99)	28.60
<b>Total</b>	<b>47,887</b> <b>(100.00)</b>	<b>69,117</b> <b>(100.00)</b>	<b>79,266</b> <b>(100.00)</b>	

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated. Figures in parenthesis represent percentage to total. \*Data is available from 2007-08 onwards

Table shows that filing of complaints through letter, post-card, fax, etc. has increased from 33,042 in year of 2007-08 to 58,645 in the year of 2009-10 by registering the growth rate of 28.60 percent, which is highest among all the modes. It is being followed by online (19.80 %) and E-mail (12.14%). Moreover, the percentage share of letter, post-card, fax, etc. in total complaints has been rising continuously since 2007-08 as increased from 69.0 per cent (2007-08) to 73.99 per cent (2009-10). On the contrary, the percentage share of complaints through 'e-mail' and 'online' declined from 15.00 per cent to 11.63 per cent and from 16.00 per cent to 14.38 per cent respectively during this period. The increase in percentage share of complaints from rural areas led to increase in use of letters and post cards, which is also indicating the less access to internet facilities in the rural/semi urban areas as compared to the urban and metro.

**DISPOSAL OF COMPLAINTS BY BANK OMBUDSMAN**

The speedy disposal of complaints is one of the most important indicators of the performance of bank ombudsman. As per scheme there are three ways to dispose of the complaints. These are rejection of complaint, disposal by award and disposal by settlement. Performance of bank ombudsman relating disposal of complaints has been depicted in Table VI

**TABLE VI: DISPOSAL OF COMPLAINTS BY BANK OMBUDSMAN FOR THE PERIOD 2005-06 TO 2009-10**

Particulars	Period					Growth Rate (%)
	2005-06	2006-07	2007-08	2008-09	2009-10	
Complaints received during the year including complaints brought forward from previous year	33363	44766	54992	75009	88,699	24.7
Total number of complaints disposed of including rejected*	27193 (81.51)	37661 (84.13)	49100 (89.29)	65576 (87.42)	83,336 (93.95)	27.9
Total number of complaints disposed of excluding rejected*	14889 (44.63)	22150 (49.48)	29365 (53.40)	22461 (29.94)	31,489 (35.50)	14.9
Total number of complaints rejected*	12304 (36.88)	15511 (34.65)	19735 (35.89)	43115 (57.48)	51847 (58.45)	38.9
Disposal by Award**	146 (0.98)	84 (0.38)	70 (0.24)	73 (0.33)	211 (0.67)	5.9
Disposal by settlement**	14743 (99.02)	22066 (99.62)	29295 (99.76)	22388 (99.67)	31,278 (99.33)	15.3
Complaints carried forward to next year *	6170 (18.49)	7105 (15.87)	5892 (10.71)	9433 (12.58)	5,363 (6.05)	0

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rate are self calculated

\* Figures in parenthesis represent percentage to total Complaints received during the year including complaints brought forward from previous year

\*\* Figures in parenthesis represent percentage to Total number of complaints disposed of excluding rejected

Table VI reveals that total number of complaints including brought forward from the previous years increased to 88,699 in the year of 2009-10 as compare to 333,63 in the year of 2005-06 by registering the growth rate 24.7 per cent. During the study period, the proportion of total number of complaints disposed of (including rejected) to complaints received during the year (including complaints brought forward from previous year) increased from 81.51 per cent in the year of 2005- 06 to 93.95 per cent in the year of 2009 -10. It is indicating the promptness in disposal of cases at all the BO offices. Total number of rejected complaints has increased from 12304 to 51847 by registering the growth rate of 38.9 per cent over the study period. As a result percentage of total number of

complaints disposed of excluding rejected has declined from 44.63 per cent to 35.50 per cent during this period. The most highlighting feature of ombudsman's performance is that disposal of complaints by settlement remained more than 99 per cent during all the years of study along with the healthy growth rate of 15.3 per cent. On the other hand, deposit by way of awards remained less than one per cent of the total number of complaint disposed of and number of award issued has just increased by 5.9 per cent i.e. from 146 in the year 2005-06 to 211 in the year 2009-10. Lesser number of awards issued by the Bank Ombudsman offices may be attributed to the bank's attempt to resolve the complaints before issue of awards, since receipt of awards is considered as un-desirable. Further, conciliation meetings which enable two parties to meet "face to face" have played an important role in the process of resolution of complaints. Although, Banking Ombudsman does not force parties to come to settlement, such meetings facilitate them to come to their own solution rather than have a solution imposed on them by way of an award. Hence, the objective of the Bank Ombudsman scheme (expeditious and inexpensive resolution of customer complaints without having to examine elaborate documentary evidences) seemed to be satisfactorily achieved to a large extent by promoting settlement by mutual consent. Last but not least the percentage of complaints carried forward to next year declined from 18.06 per cent in the year 2005-06 to 6.05 per cent in the year 2009-10 with zero percent growth rate.

#### PENDENCY OF COMPLAINTS WITH BANK OMBUDSMAN OFFICES

The number of pending complaints with Bank Ombudsman offices and period of pendency can be another performance indicator of ombudsman's performance. Table VII shows the time span wise pending position of complaints at bank ombudsman offices.

Table VII highlights that there was a sharp decline in the pending complaints having pending period of more than 3 months. During the study period, pending complaints having period of more than three months sharply declined from 1,605 (2005-06) to 242 (2009-2010) by registering a negative growth rate of -48.00 per cent. Further, proportion of this category in total pending complaints declined considerably from 26.01 per cent to 4.51 per cent during the same period. A marginal decline was also observed in case of complaints pending for the period of 2-3 months having negative growth rate of -3.00 per cent. This indicates substantial improvement in prompt disposal of complaints due to the close follow-up, both by the Bank Ombudsman offices and top management. On the other hand, pending complaints up to one month increased to 2,787 in the year 2009-10 as compared to 1,699 in the year 2005-06. The complaints not accompanied by documentary evidence, unusually long time given to the concerned banks to respond to queries, etc. mostly contributed to the delay in disposing of the complaints.

**TABLE VII: PENDING POSITION OF COMPLAINTS AT BO OFFICES FOR THE PERIOD 2005-06 TO 2009-10**

Period of pending	Period					Growth rate (%)
	2005-06	2006-07	2007-08	2008-09	2009-10	
Up to 1 month	1699 (27.54)	2262 (31.84)	2712 (46.03)	5041 (53.44)	2787 (51.97)	17.9
1-2 months	1885 (30.55)	1936 (27.25)	1394 (23.66)	2751 (29.16)	1526 (28.45)	0.0
2-3 months	981 (15.90)	943 (13.27)	861 (14.61)	956 (10.13)	808 (15.07)	-3.0
More than 3 months	1605 (26.01)	1964 (27.64)	925 (15.70)	685 (7.26)	242 (4.51)	-48.0
Total	6170 (100.00)	7105 (100.00)	5892 (100.00)	9433 (100.00)	5363 (100.00)	0.0

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rates are self calculated  
Figures in parenthesis represent percentage to total

#### COST OF HANDLING COMPLAINTS AT BANK OMBUDSMAN OFFICES

The total cost of handling the complaints includes the revenue expenditure and capital expenditure incurred in running the Banking Ombudsman offices. The revenue expenditure consists of the establishment items like salary and allowances of the staff attached to Banking Ombudsman offices and non-establishment items such as rent, taxes, insurance, law charges, postage and telegram charges, printing and stationery expenses, publicity expenses, depreciation and other miscellaneous items. The capital expenditure items include the furniture, electrical installations, computers/ related equipments, telecommunication equipments and motor vehicle. Initially, the total expenditure in operationalizing the Banking Ombudsman Scheme was shared by the banks, in the proportion of their working funds, up to December 2005. From January 1, 2006 onwards the expenditure is fully borne by RBI in terms of the revised Banking Ombudsman Scheme, 2006. The total cost of the scheme and cost per complaint has been shown in Table VIII

**TABLE VIII: COST OF HANDLING COMPLAINTS AT BANK OMBUDSMAN OFFICES**

Period	Total Cost ( Rs. Cr)	No. of Complaints disposed of	Cost per Complaint (Rs)
2005-06	8.12	27193	2986
2006-07	9.81	37661	2604
2007-08	12.5	49100	2546
2008-09	15.29	65576	2331
2009-10	19.74	83336	2368
Growth rate (%)	27.9		

Source: Compiled from 'Bank ombudsman Scheme 2006, Annual Report', various issues, Percentage and growth rates are self calculated

Table VIII shows that total cost running the bank ombudsman offices increased in absolute terms, from 8.12 Cr to 19.74 Cr by registering the growth rate of 27.9 per cent during the study period. The cost per complaint disposed maintained the same level during this period because of increase in number of complaints disposed of.

#### DISCUSSION AND CONCLUSION

There has been a substantial increase in the number of complaints received by the Bank Ombudsman offices which shows the increased faith of customers in Bank Ombudsman. Bank group wise, there has been increase in number of complaints filed in case of all scheduled commercial banks. However, primary co-operative banks and regional rural banks constitute very nominal share in total number of complaints, which shows that this scheme has yet to take momentum in these banks. Among different categories of complaint substantial increase has been noticed in case of complaints relating to credit cards and these complaints form the major part of total number of complaints. It shows that the credit card related problems are becoming serious day by day. Another reason for such increases is entitlement of compensation on grounds of the loss of the complainant's time, expenses incurred by the complainant, harassment and mental anguish suffered by the complainant. As far as disposal of complaints is concerned more than ninety nine percent complaints are disposed by mutual settlement of the parties concerned which well explains the role and motive of the bank ombudsman. Decline in duration of pending complaints also narrates the efficiency of ombudsman in disposal of complaints. Another step taken by RBI to allow the complainant to file the complaint through online mode seems to be successful as more than one-fourth of total complaints are filed through this mode. Though there is an increase in number of complaints from the rural areas but it does not seem to be up to the mark. Improving accessibility of the scheme to the rural poor by having more offices in rural areas is need of the day. Further the scope of Bank Ombudsman is limited to twenty seven grounds on which a customer can file a complaint against bank. In fact, there is dire need to expand the scope of

ombudsman in changing IT environment. The ombudsman can be given certain powers to recommend to the RBI to take coercive action against the bank which is found to be violating any banking law or regulation. To conclude, the customer will definitely file a complaint with ombudsman regarding his grievance, if he is aware about Bank Ombudsman.

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