

## **Policy on Customer Protection**

### **Limiting Liability of Customers in Unauthorized Electronic Banking Transaction**

#### **Introduction**

With increasing thrust on promotion of digital banking transactions and customer protection, there has been an upward surge in the number of customer grievances relating to unauthorised transactions, resulting in debit of their accounts maintained with the bank, due to transactions not initiated by them through different kinds of electronic modes viz. Cards, e-Com, Payment system etc. This has necessitated the review of various aspects of customer protection and criteria for determining the customer liability in such unauthorised electronic banking transactions reported by the customers and to frame Policy in limiting the liability of the customer in such transactions.

This Policy is framed on the regulatory requirements as enunciated by Reserve Bank of India vide their circular bearing reference: DCBR.BPD.(PCB/RCB).Cir.No.06/12.05.001/2017-18 dated 14th December.

#### **Types of electronic banking transactions**

Electronic banking transactions can be broadly classified into two categories:

1. Face-to-face / proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)
2. 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).

Electronic banking transactions are happening in a secure mode with valid credentials like Card No. CVV, PIN, OTP.

#### **Reporting of unauthorised transactions by customer to Bank:**

The Bank is committed to ensure safety and security of electronic banking transactions carried out by its customers; and shall act upon the unauthorised electronic banking transactions reported by the customers to the bank, based on the time of reporting, evidences and supporting documents submitted along with the complaints.

As per the RBI guidelines any transaction claimed as unauthorized debit, customer has to report to bank within 30 days to be eligible for compensation. The transactions which are not intimated to bank will be deemed as undisputed.

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Genuine and fraudulent transactions are differentiated on the basis of analysis of the pattern of transactions on the basis of amount, velocity/frequency, geographical feasibility of the transaction.

## **Registration of Customer Mobile Number and Sending SMS Alert by Bank:**

The Bank will ask the customers to mandatorily register for SMS alerts. The bank will not provide fresh digital facility of ATM Debit / Credit Card to customers who do not provide mobile numbers to the bank. Branch to obtain a suitable letter from the customer who is not willing to provide the mobile number and attach the same with account opening form.

In the cases where customer reports unauthorized transactions in his/her account but SMS not received due to non-registration of mobile number by the branch concerned, despite customer having provided mobile number then the branch is liable for omissions.

## **Notification of unauthorised electronic transactions by customer to Bank:**

The Bank requires customers to notify the Bank about any unauthorized electronic banking transaction, immediately after the occurrence of such transaction. As longer the time taken to notify the bank, the higher will be the risk of loss to the bank/customer.

To enable to be done in a smooth and efficient manner, the Bank will provide customers with Bank's official website, e-mail, reporting to home branch in person during the working hours etc. for reporting unauthorized transactions that have taken place and/or loss or theft of payment instrument such as card, etc.

Additionally, customer will be provided with mobile app to block his/her Debit/Credit card, when he/she suspects some unauthorized transactions. Presently such banking facility is available to branches.

Further, the Bank will provide a direct link for lodging the complaints, to report unauthorized electronic transactions in the home page of the Bank's website.

On receipt of report of an unauthorized transaction from the customer, the Bank will take immediate steps to prevent further unauthorized transactions in the account/cord by blocking the cord or relevant channels.

Branches to clearly guide the customers on the risk involved in sharing the credentials which lead to fraudulent transactions by cord cloning and data theft.

## **Limited Liability of a Customer**

### **A. Zero Liability of a Customer:-**

A customer's entitlement to zero liability shall arise where the unauthorized transaction occurs in the following events:

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- 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.

## B. Limited Liability of a Customer:

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/she has shared the payment credentials, clicked on a link sent by strangers, and/or entered payment credentials, and/or installed screen sharing application etc., 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 the customer notifies the bank of such a transaction within **four to seven working days** of receiving a communication of the transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1, whichever is lower.

**Table 1**  
**Maximum Liability of a Customer under paragraph 7 (ii)**

Type of Account	Maximum liability (Rs)
<ul style="list-style-type: none"><li>• BSBD Accounts</li></ul>	5,000
<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 upto Rs. 5 lakh</li></ul>	10,000
<ul style="list-style-type: none"><li>• All other Current/Cash Credit/Overdraft Accounts</li></ul>	25,000

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Further, if the delay in reporting is beyond seven working days, the customer liability shall be determined as under.

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. However, depending on case to case basis. Bank may compensate customer on amount or maximum Rs. 10000/- (Rupees Ten Thousand only) (if reported within 30 days) irrespective of the fact whether there is single or multiple number of transactions or transaction amount whichever is lower and the customer shall be entitled for such compensation only once in the customer's lift time.

Overall liability of the customer in third party breaches, as detailed in above paragraph a(II) and paragraph B(II) above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in the Table 2:

**Table 2**  
**Summary of Customer's Liability**

<b>Time taken to report the fraudulent transaction from the date of receiving the communication</b>	<b>Customer's liability (Rs)</b>
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	Unlimited, Bank may compensate a sum not exceeding Rs. 10000.00.

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 unauthorized 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 unauthorized transaction. Banks may also at their discretion decide to waive off any customer liability in case of unauthorized 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 within a period of 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions of paragraphs 6 to 9 above.

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- 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.