

# THE BANKING CODES AND STANDARDS BOARD OF INDIA NEWSLETTER



## CUSTOMER MATTERS

Inaugural Issue



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA

www.rbi.org.in

गवर्नर  
GOVERNOR

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### Message

It is heartening to note that as a part of its outreach, the Banking Codes and Standards Board of India (BCSBI) is launching a quarterly newsletter, 'Customer Matters', with a view to sensitizing banks to their commitments and obligations and bank customers to their rights and responsibilities.

2. Improving the quality of banking services to the common man remains one of the central obligations of the Reserve Bank. In pursuit of this obligation, the Reserve Bank of India, with active support from scheduled commercial banks, established the BCSBI in February 2006. The BCSBI is conceived as an independent and autonomous institutional mechanism to benchmark banking services against agreed standards and thereby promote fair and transparent banking practices.

3. The BCSBI got off the block quickly and has been actively engaged in delivering on its mandate. The "Code of Bank's Commitment to Customers", released on 1 July 2006, provided a framework of minimum standards for bank services. BCSBI followed this up in May 2008 with another code, "Code of Banks' Commitment to Micro and Small Enterprises". Even as the BCSBI is still a relatively young organization, it has pursued its mandate vigorously by conducting periodical surveys to assess banks' compliance with the above two codes and through active mentoring and counselling of banks to bridge the gaps in a time bound manner.

4. Customer, they say, is the king. This becomes a reality only if customers are enabled to enforce accountability. But they can not do so if information is not disseminated or where information asymmetries operate. The proposed newsletter, 'Customer Matters', is therefore a vital initiative in bridging this gap. I hope and trust that 'Customer Matters' becomes an effective and useful medium for dialogue, dissemination and understanding between banks and their customers leading to improved banking services and higher customer satisfaction.

5. I commend the initiative of this newsletter by the BCSBI and wish them all the very best in all their endeavours.

[ D. Subbarao ]  
Governor



**USHA THORAT**, DEPUTY GOVERNOR, RBI

In the area of customer service the cherished principles in treating customers fairly are transparency, reasonableness, truth in selling, confidentiality and assistance when needed, apart from effective grievance redressal machinery.... for every one person who files a complaint there are probably 99 others who do not.. IBA, BCSBI and Banking Ombudsmen's Office are the three pillars for better customer service and we need to see that our dreams in this regard are achieved.

## MEMBER BANKS SPEAK

**O. P. BHATT**, CHAIRMAN, STATE BANK OF INDIA

STATE BANK OF INDIA firmly believes that the customer is at the focus of all the activities of the Bank. Our logo is designed to reflect our belief that the customer occupies Centre Stage for all employees of the Bank .To sensitise bank employees of the need to provide Top Class customer service with a smile, the Bank recently conducted a change in mind-set programme "Parivartan" covering all cadres of employees, as part of the Transformation Exercise undertaken by the Bank. Our Bank firmly believes in its slogan of "Banker to every Indian" and intends to reach out to all individuals and institutions across the country by providing a wide array of technology based products suited for every need of the customer, matched with top class service.



**M. D. MALLYA**, CMD, BANK OF BARODA

Bank of Baroda, India's International Bank has always placed the customers at the center of all its activities. With a strong network of branches the Bank is also networked through technology, all for the convenience of the customers. Every Barodian strives to give our customers superior quality experience through our financial solutions.



**DR. K. C. CHAKRABARTY**, CMD, PUNJAB NATIONAL BANK

We, at Punjab National Bank, are committed in 'Building a Customer Experience.' 'Customer Loyalty' is our current watchword. We are already having a strong support of 3.8 crore customers. Our endeavour is to offer attractive tailor-made products to our valued customers; provide versatile latest technology through more than 4870 service outlets covering 100% of bank's total business; sharpen the skills of our human assets & above all fine tune our operations to the expectations of our customers.



**K. R. KAMATH**, CMD, ALLAHABAD BANK

We in Allahabad Bank have initiated a similar effort in sharing some of the customer complaints with the rank and file through a chronicle so that the staff members can appreciate the feelings of customers. It is only when we put ourselves into the shoes of the customers that we understand their feelings better which will help to resolve the issues faster and better.



**NAINA LAL KIDWAI**, CEO, HSBC

At HSBC, we believe that good customer service helps strengthen relationships with customers, and we lay great emphasis on meeting and exceeding customer expectations. It is a matter of great pride and privilege for us that generations of customers, often from the same family have given us the opportunity to serve them.

**K. V. KAMATH**, MD & CEO, ICICI BANK

ICICI Bank seeks to adopt a multi-pronged approach of customer education, transparency and responsiveness to feedback to achieve the objective of enhancing the customer's experience. We seek to continuously implement process improvements based on customer feedback Similarly, our endeavour is to increase customer awareness on different banking products and process, so that the customer complaints due to lack of awareness are eliminated. Finally, we seek to improve the customer's experience in his or her interactions with the Bank by continuously emphasizing a strong culture of service in the organization.



**ADITYA PURI**, MD, HDFC BANK

At HDFC Bank, we have identified customer service as a key initiative for distinguishing our brand from the competition. This is a two fold initiative in terms of clearly publishing our commitment in terms of product delivery, pricing and service and ensuring we deliver to customers as per published commitment.



**RANA KAPOOR**, MD & CEO, YES BANK

YES BANK is committed to provide all its customers a 'SUPERIOR SERVICE EXPERIENCE', which is seamlessly delivered through state-of-the-art technology, cutting-edge systems and processes, best-in-class Human Capital and backed by a world-class branch network. This firm customer commitment is championed through our Service Credo- YES FOR YOU!



**ANANTHAKRISHNA**, CHAIRMAN & CEO, KARNATAKA BANK

Customer centric approach being an integral part of Karnataka Bank's Mission, Bank has been taking several measures towards total customer satisfaction by periodical customer meets, review of time-tested and technology enabled products and services evolved to meet the changing needs and preferences of its customers and revision of customer educative literature to ensure transparency in Bank's business.



**P. T. KUPPUSWAMY**, CHAIRMAN & CEO, KARUR VYSYA BANK

Karur Vysya Bank has, with its long tradition of over 92 years, always been known as a customer friendly bank, always attuned to satisfy the needs of its customers. Our efforts have always centered on providing customer delight through innovative products and services. These services are available at affordable rates so that the benefits of technology can reach the common man.





**G. NARAYANA MOORTHY, MD & CEO,**  
TAMILNAD MERCANTILE BANK LTD.

Tamilnad Mercantile Bank Ltd. has always been successful in preserving the customer base and established a strong bondage of relationship with the customer resulting in sustainable growth of bank's business. The bank has always given top priority in adding value to the customers through innovative customer centric products and services. One such initiative is "Mobile Branch Banking Units" where rural centres are covered with the help of a van and the banking services are rendered at the doorsteps of the Village people by using V-SAT Technology. The Bank always endeavours towards zero complaint standards in its service

## Codes of Commitment launched

### Code of Bank's Commitment to Customers

BCSBI launched the Code of Bank's Commitment to Customers on July 01, 2006. The Code, which has been voluntarily adopted by member banks, sets minimum standards of banking practices for banks to follow when they are dealing with individual customers. It provides protection to customers and explains how banks are expected to deal with customers for their day-to-day operations. Fairness and transparency are the keystones which govern the Code. The Code is presently under review. Your suggestions for incorporating changes are welcome.


### Code of Bank's Commitment to Micro & Small Enterprises


The Code for Bank's Commitment to Micro & Small Enterprises (MSEs) was launched by the Union Finance Minister on May 31, 2008 and has since been adopted by all member banks. The Code is specific to the needs of MSEs and details their rights and obligations vis-à-vis their banks.

In response to the Code requirement, the Indian Banks Association has circulated to all banks a simple standardized loan application form to be filled in by MSEs. This 3–page application form is common for all banks and can be downloaded from the BCSBI website. Banks will also give a checklist alongwith the application form so that the MSE customer knows what information/documents he must submit along with the application form.

For details of the two Codes, please do visit our website [www.bcsbi.org.in](http://www.bcsbi.org.in) or the website of your bank.

## Micro and Small Enterprises ask and we answer

 I am owning a small unit manufacturing parts for auto units. I am not a graduate. I cannot afford a Chartered Accountant. How can I fill the voluminous application form for loan? Is there anything in your Code which helps me ?

 Do not worry. The application form to be filled by any MSE is now common to all member banks. It is simple and easy to understand. Banks have also promised, under the Code to help you in filling the form (para 5.1 b).




**K. J. UDESHI, CHAIRMAN, BCSBI**


*The messages from the Governor RBI, the Deputy Governor who is in charge of the portfolios of banking development as also customer service and the chairmen of public, private and foreign banks, on the launching of this Newsletter, make it amply clear that customer matters are accorded due importance by them.*


*It may surprise you to know that even a small bank like Vananchal Gramin Bank from District Dumka, Jharkhand has applied for the membership of BCSBI – which sends a very strong signal that banks, big or small want to be systemically strong enough to fulfill their commitments to their customers.*


*Equally, it is necessary for customers to be aware of their rights and obligations vis-à-vis their banks and BCSBI is making every effort to spread this awareness among the general public. This 'Newsletter' is one such effort to not only spread awareness about banking, customer rights and customer matters in general but also serve as a channel to inform the public about initiatives taken by member banks to improve customer service as also regulatory initiatives by the Reserve Bank of India towards enhancing customer service.*

*Your active participation by writing to us will help in narrowing down divergences between the written commitment and actions by banks and your expectations of service from them. Let us keep in touch.*


 I went to a bank branch for a loan of Rs.60,000. The branch official took the application and asked hazar things. I made 20 trips for 3 months and out of sheer frustration I stopped pursuing. I borrowed the money from a Mahajan. I am happy that he gave money within three hours. Can your Code do something about this?


 To take care of problems like yours banks are now required to give you a checklist along with the application form so that they let you know in the beginning itself what documents are required from you. Banks have committed not only to acknowledge receipt of your loan application but also to take a decision on your application for up to Rs.2.00 lakh within two weeks from the date of receipt of application and in four weeks for loans up to Rs.5.00 lakh. In case your loan application is rejected by the bank, the reasons for such rejection will be communicated to you.


 I have been managing a small auto ancillary unit for over 25 years. I took a term loan from my banker. For the last two years things have not been moving smoothly and my term loan has fallen in arrears and the unit has become sick. But now I have received fresh orders; I am putting in my best to recover. Bank has also agreed to nurse the unit. But bank for some reason or other is delaying the restructuring plan. Could BCSBI pull me out of this problem?


 In terms of para 5.7 of the MSE Code, banks have committed to their customers to initiate corrective action for revival of sick units if found to be potentially viable. Banks are committed to work out a rehabilitation package (which will also include your contribution) and


implement the same within 60 days from the date of receipt of your request.


 I run a small brick kiln unit. I took a loan of Rs.5.00 lakh from my bank. I find my account is debited by various charges. Has RBI or any other agency not rationalized these charges? I do not even know what these charges are. Should I not know them? Is there no way out?

 Your banker is required to tell you different types of charges, say inspection charges, processing fee etc. before sanction of the loan (para 5.1(c)). If there is any change in these charges, banker is required to inform you at least one month in advance (para 3.3). Your rights in this regard are given in the Code.

 My banker, while sanctioning loan for my unit, made me sign a 22-page document at 33 places. I want a photocopy of these documents for my record and reference. How can I get these? Could you find me a way?

 Under the MSE Code, your banker is required to give you authenticated copies of all loan documents (para 5.3 (d)).

 I have a running unit for which I need working capital finance. My past experience tells me that banks invariably sanction credit limit less than the actual requirement. Does the Code have any provision to ensure that adequate working capital limits are sanctioned by a bank?

 In case of manufacturing units, member banks are committed to sanction working capital limits computed on the basis of a minimum of 20 percent of the projected annual turnover (para 5.2 (c)(iii)). Of course, the projections need to be realistic.

### Some useful tips before availing of a bank loan

1. First of all decide whether you wish to opt for a fixed interest rate on your loan or a floating rate of interest.
2. If you are opting for a fixed interest rate loan, you must know :
  - For how many years the same rate of interest would apply.
  - Whether there is going to be an 'interest reset' clause in the loan agreement and if so from when it will be effective.

(An 'interest rate re-set' clause allows a bank to review and re-set rates at the end of a specified period of time based on prevailing interest rates at that time).
3. If you have opted for a loan at **floating rate of interest** you need to know :
  - The Base / Reference rate of the bank to which your floating rate of interest is linked.
  - Whether the interest rate offered to you by the bank is at a premium or a discount in relation to the Base rate.
  - Whether the agreement specifies a 'minimum interest rate'

clause. (This would mean that even if the interest rate moves down you cannot benefit from it below the minimum rate specified by the bank).

- Whether the bank has pre-determined reset dates like January 1, April 1, July 1, October 1 etc.
  - If the bank does not have pre-determined reset dates will the bank notify you about the change in Base rate ?
  - **Please note that in a floating rate of interest the rate of interest can be changed only when the Base / reference rate is changed and only to the extent of the change in the Base / Reference rate i.e.** if you have been offered a discount of 1% below the Base rate initially, the discount will remain throughout the tenure of the loan unless there is something to the contrary specified in the loan agreement.
4. Insist on a sanction letter detailing particulars of amount sanctioned, terms and conditions, responsibilities of bank and borrower etc.
  5. Ask for an amortisation schedule i.e. schedule of repayment of principal and interest over the duration of the loan.
  6. Ask your bank whether it gives you an option to let equated monthly instalments stay constant and increase tenure or vice-versa when the interest rate changes.
  7. Be aware that -
    - You may have to pay non-refundable processing charges, pre-payment charges / conversion charges for switching your loan from fixed to floating or vice-versa, or penal rates of interest for any delayed repayment.
    - Banks are required to give the borrower authenticated copies of all loan documents executed by the borrower along with a copy of all enclosures in the loan document.
    - Banks may offer Top up loans generally in the form of personal loans which are high-cost debts (charged high rates of interest).
    - Banks may insist on an insurance cover for the loan amount sanctioned but it cannot insist on any specific insurance provider.
  8. If you have a grievance against the bank first lodge a complaint with the bank. In case you do not receive a response from the bank to your satisfaction within 30 days, you may approach the Banking Ombudsman whose contact details have to be displayed in every bank branch.

#### Reader's Voice

Would you like to share any information/experience connected with customer service? If so, please feel free to write to us.