

GET YOUR PLEA HEARD BY THE OMBUDSMAN

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

Last year, Mumbai-based consumer lawyer Jehangir Gai got a call from his friend for help. The friend had planned an international holiday and paid for it using his credit card. He cleared the entire card bill in the next cycle. However, he had to cancel his plans when the country went into a lockdown due to the covid-19 pandemic. The refund came back to his card. As he had already cleared the bill, he asked the bank to issue him a cheque. The bank refused to do so.

Gai's friend was told that the issuer will adjust the money against his future bills. Gai helped his friend and wrote to the banking ombudsman. "Within a week we received a reply. The ombudsman said that it had dealt with a similar issue earlier. The reply lacked clarity. There was no provision to appeal against such an order," said Gai.

While in this case the ombudsman closed the case without a satisfactory reply, there are a high number of cases that are rejected outright due to certain errors during the filing of the complaint. "There is lack of awareness about various aspects of Reserve Bank of India's (RBI) ombudsman scheme but it's the financial institutions' responsibility, too, to ensure that customers are aware about its details. Even if people are aware of the ombudsman scheme, they don't know the right way to approach it," said Deepti George, head of policy at Dvara Research.

Let's look at the reasons for rejection and how an individual can ensure his complaint isn't rejected.

High rejection rate

RBI has three ombudsman schemes at present—banking ombudsman, ombudsman for [non-banking financial companies](#) (NBFCs) and one for digital transactions.

The banking ombudsman witnessed 58% increase in the number of complaints in 2019-20 (1 July 2019 to 30 June 2020) compared to a year earlier. It got 308,630 complaints against banks in 2019-20 compared to 195,901 in the previous year.

Of the total complaints that the banking ombudsman received, 46% were non-maintainable. In other words, the ombudsman only accepted 54% of the total complaints it received and the rest were rejected.

In banking, complaints were disposed as non-maintainable primarily for three reasons. One, they were not represented properly. Two, the aggrieved party came directly to the ombudsman instead of first trying to resolve with the bank; RBI calls these First Resort Complaints (FRC). Three, the banking customer had resubmitted complaints that the ombudsman had dealt with earlier.

The ombudsman for NBFCs got 19,432 complaints in 2019-20 compared to 3,991 in the previous year, an increase of 387%. Of the 19,432 complaints, the ombudsman received, the maintainable complaints were 5,687, which is less than one-third. The top three reasons for rejection: they were outside the territorial jurisdiction; were FRCs, and were not represented properly.

The ombudsman for digital transaction saw an increase of 120% (annualized as it was launched on 31 January 2019) compared to the previous year; as complaints were up from 470 in 2018-19

to 2,481 in 2019-20. The ombudsman found only 948 as maintainable out of 2,481 it got. The three primary reasons for rejection: complaints were not represented properly; were outside the territorial jurisdiction and were FRCs.

Things to keep in mind

Before approaching the ombudsman, make a complaint to the relevant financial institution first. But keep a few things in mind.

If no reply is received within a month of the complaint or the reply is not satisfactory, you can approach the ombudsman. All your correspondence with the bank should be on email. Remember that phone recordings with customer care executives can be contested easily.

Ensure that your complaint falls within one of the grounds of the complaints listed under Section 8 of the RBI Ombudsman Scheme, 2006. These include non-payment or delay in the payment or collection of cheques, non-acceptance without sufficient cause of small denomination notes, non-adherence to the prescribed working hours, and levying of charges without adequate prior notice to the customer, [among others](#).

Remember that if your complaint is primarily about a third-party product, you should approach the regulator of that product. "If it is an [insurance](#) product, you need to approach the insurance ombudsman, or it could be the markets regulator in the case of mutual funds. Don't approach the banking ombudsman because a bank sold it to you," said Gai.

A complaint to the ombudsman must be filed within a year of getting a reply from the bank. In case you haven't received a reply from the bank, you should move within 13 months of filing the complaint.

Also, you can't approach the ombudsman if you have approached another authority such as a consumer or criminal court. However, there is no bar to approaching a court if your complaint fails with the ombudsman.

You can still face rejection if grounds of complaints are not clear. "RBI needs to broaden and change their categories under which consumers can complain to include grievances that don't fall under current categories," said George.

In Gai's experience, many of the decisions of the ombudsman are arbitrary. "Like in the case of my friend. At times, the orders are confusing that don't provide relief to the consumer," he said.

The way forward

On 27 January, RBI released a framework for strengthening the grievance redressal mechanism in banks. According to the note, the new framework will require banks to offer more disclosures on complaints; the ombudsman would recover the cost of maintainable complaints from the banks against whom the number of complaints received are in excess of their peer group averages; and the regulator will intensify its reviews of the bank's internal grievance redressal mechanisms.

In the recent monetary policy, RBI also announced an Integrated Ombudsman Scheme (IOS). Under this scheme, there will be one ombudsman for all complaints related to banks, NBFCs and digital wallets.

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