

# RESERVE BANK TIGHTENS OMBUDSMAN SCHEME

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

The Reserve Bank of India has tightened the banking ombudsman scheme with the objective to strengthen the grievance redressal mechanism for customers.

The banking regulator has asked all commercial banks having 10 or more banking outlets to have an independent internal ombudsman (IO) to review customer complaints that are either partly or fully rejected by the banks.

“The IO shall, inter alia, examine customer complaints which are in the nature of deficiency in service on the part of the bank, that are partly or wholly rejected by the bank,” RBI said in a statement. The instructions are not applicable for Regional Rural Banks sponsored by commercial banks.

As banks should internally escalate complaints that are not fully redressed to their respective IOs before conveying the final decision to the complainant, customers need not approach the IO directly, the RBI said.

## Fixed term

According to bankers, the Internal Ombudsman Scheme of 2018 mandates banks to grant a fixed term of three to five years, which cannot be renewed, to the IO. The IO can be removed only with prior approval from RBI. The remuneration would have to be decided by the customer sub-committee of the board.

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