



DHANLAXMI BANK

COMPENSATION POLICY

Version: 9 (2025)

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1. Introduction

This Compensation Policy of the Bank is designed in line with the Reserve Bank of India's Charter of Customer Rights (December 2014), Master Circular on Customer Service in Banks (July 2015), Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions (DBR.No.Leg.BC.78/09.07.005/2017-18 dated July 6, 2017), Harmonisation of Turn Around Time (TAT) and Compensation for Failed Transactions (DPSS.CO.PD.No.629/02.01.014/2019-20 dated September 20, 2019), and subsequent amendments. The Bank endeavors to provide fair, transparent, and timely compensation for financial loss caused by deficiency of service.

2. Objective

The objective of this policy is to ensure that customers are compensated proactively and transparently, in accordance with RBI's *Customer Protection and Integrated Ombudsman Scheme, 2021*. The Bank seeks to reduce the need for escalation to external forums by ensuring timely redress at the Bank level.

3. Scope

It is reiterated that the policy covers only compensation for financial losses which customers might incur due to deficiency in the services offered by the Bank which can be measured directly and as such the commitments under this policy are without prejudice to any right the Bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

4. Unauthorised / Erroneous Debit

If the Bank has raised an unauthorized/erroneous direct debit to an account, the entry will be reversed immediately on being informed of the erroneous debit, after verifying the position. In the event the unauthorized/erroneous debit has resulted in a financial loss for the customer by way of reduction in the minimum balance applicable for payment of interest on savings bank deposit or payment of additional interest to the bank in a loan account, the bank will compensate the customer for such loss. Further, if the customer has suffered any financial loss incidental to return of a cheque or failure of direct debit instructions due to insufficiency of balance on account of the unauthorized/erroneous debit, the Bank will compensate the customer to the extent of such financial losses.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank will endeavor to complete the process of verification within a maximum period of 7 working days from the date of reporting of erroneous debit. In case, the verification involves a third party or where verifications are to be done at overseas centers, the Bank shall complete the verification process within a maximum period of one month from the date of reporting of erroneous transaction by the customer.

Erroneous transaction reported by customers in respect of credit card operations which require reference to a merchant establishment will be handled as per rules laid down by card association.

5. Reversal of Erroneous /Unauthorized/Fraudulent debits arising on Internet Banking/ATM related transactions

Fraudulent Internet Banking/ATM/POS debits are categorized under

- Funds transfer to another account (within the Bank and outside the bank)
- Internet transactions using Debit card
- Skimming/Counterfeit of Debit Card.
- Hacking of internet ID/password
- Pre-paid mobile recharge transaction using Debit card
- Transactions in shopping malls using Debit Card

In case of any fraud, if Bank is convinced that an irregularity/fraud has been committed by its staff towards any constituent. Bank will at once acknowledge its liability and pay just claim.

In cases where the Bank is at fault, Bank will compensate the customer without demur.

For cases where the Bank is not at fault, but the customer has either acted fraudulently or inadvertently comprised his Internet Banking security details or acted without reasonable care which includes not taking steps to protect computers from hackers, Bank will not be held responsible for losses caused by a third party when customers have acted without reasonable care.

In exceptional circumstances, Bank may compensate the customer for cases where the customer has not compromised any personal and confidential security parameters required to complete an Internet Banking/ATM/POS Transaction where neither the Bank nor the customer is at fault, but the fault lies elsewhere in the system. In such cases every effort will be taken by Bank for getting the amount re- instated to the customer.

In line with RBI circular Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions (DBR.No.Leg.BC.78/09.07.005/2017-18), the customer's liability shall be determined as follows:

Zero liability: Where the unauthorized transaction occurs due to contributory fraud, negligence, or deficiency on part of the Bank (irrespective of customer reporting).

Zero liability: Where the unauthorized transaction occurs due to third-party breach (phishing, vishing, smishing, skimming, hacking, etc.) and the customer reports it within 3 working days.

Limited liability: Where the loss is due to customer delay in reporting beyond 3 working days but within 7 working days; liability capped at amounts specified by RBI (e.g. ₹10,000 for SB accounts, higher for current/corporate).

Full liability: Where the loss is due to customer negligence or reporting delay beyond 7 working days.

The Bank will ensure re-credit within 10 working days of notification, without waiting for claim settlement. Customers shall be educated on secure practices through awareness initiatives.

Phishing is the act of attempting to acquire information such as usernames, passwords, and credit/Debit card details (and sometimes, indirectly, money) by masquerading as a trustworthy entity in an electronic communication.

Vishing is the criminal practice of using social engineering over the telephone system, most often using features facilitated by Voice over Internet Protocol (VoIP), to gain access to private, personal and financial information from the public for the purpose of financial reward. The term is a combination of "voice" and phishing.

Smishing is a form of criminal activity using social engineering techniques similar to phishing. The name is derived from "SMS phishing". SMS (Short Message Service) is the technology used for text messages on cell phones.

6. ECS direct debits/other debits to accounts

The Bank will undertake to carry out direct debit/ ECS debit instructions of the customers in time. In the event the Bank fails to meet such commitments, customer will be compensated to the extent of any financial loss the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions. If the ECS mandate is returned unpaid due to the reasons attributed to the Customer such as stop payment instructions, failure to maintain sufficient balance in the account etc. the bank shall not compensate the customer. If the ECS mandate is returned due to want of sufficient fund to be maintained by the customer in his account with the bank, the bank would debit the customer's account with applicable fee and service charge as per the schedule of charges notified by the Bank in the Bank's website as well as displayed in the notice board of the branches. In the event the Bank levies any charge in violation of the arrangement, the Bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions. Any consequential financial loss to the customer will also be compensated.

7. Credit Cards

Where it is established that the Bank had issued and activated a Credit Card without written consent of the recipient, the Bank would reverse the charges immediately and also pay a penalty without demur to the recipient amounting to twice the value of charges reversed in this regard.

The Bank shall not issue unsolicited cards. Where a card is issued/activated without explicit written/recorded consent, the Bank will reverse charges and compensate the customer at twice the value of charges reversed, as mandated by RBI. Such cases shall also be reported to RBI.

The bank will provide explanation and, if necessary, documentary evidence to the customer within

a maximum period of sixty days.

8. Payment of Cheques after Stop Payment Instructions

In case a cheque has been paid after stop payment instruction is acknowledged by the Bank, the Bank shall reverse the transaction and give value-dated credit to protect the interest of the customer. Any consequential financial loss to the customer will be compensated as provided under para 2 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank.

9. Foreign Exchange Services

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the bank would not be able to ensure timely credit from overseas banks. It is the bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, may consider upfront credit against such instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past. However, the bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent.

Compensation shall be paid as per Foreign Exchange Dealers Association of India (FEDAI) Rules 10th edition. Bank shall send intimation to the beneficiary in two working days from the date of receipt of credit advice / Nostro statement. On receipt of disposal instruction complying with guidelines, required documents from the beneficiary the Bank shall transfer funds for the credit of beneficiary's account immediately but not exceeding two business days from date of such receipt. In case of delay, the bank shall pay the beneficiary interest @ 2% over its savings bank interest rate. The bank shall also pay compensation for adverse movement of exchange rate, if any, as per its compensation policy specifying the reference rate and date applicable for calculating such exchange loss.

The Bank will have the right to debit/reverse any credit given to the customer's account at any point of time (i.e, without time limit) if it turns out that the credit was fraudulent or wrong.

10. Payment of Interest for Delayed Collection of Outstation Cheques

As part of the compensation policy of the Bank, the Bank will pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period specified in banks cheque collection policy. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the

Bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

Interest for delayed collection shall be paid at the following rates:

a) All local cheques presented in CTS grid are to be cleared on a **T+1 basis**. Outstation cheque collection timelines shall follow RBI/IBA norms. Compensation for delays shall be at:

>Savings Bank rate for delays up to 14 days.

>Term Deposit rate for delays beyond 14 days.

>2% above Term Deposit rate for extraordinary delays beyond 90 days.

The earlier 7/10/14 day categorization shall no longer apply in CTS-based clearing.

b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the corresponding respective period or Saving Bank rate, whichever is higher.

c) In case of extraordinary delay, i.e. delays exceeding 90 days interest will be paid at the rate of 2% above the corresponding Term Deposit rate.

d) In the event the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.

e) Savings Bank rate for the period of delay beyond timeframe mentioned in for collection of local cheques under para 2.1 of Banks Policy on Collection of Cheques / Instruments.

11. Compensation for Loss of Instrument in Transit

The Bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection by the customer would also be as indicated in our collection policy. The same is extracted below for information:

12. Cheques / Instruments lost in transit / in clearing process or at paying Bank's branch

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / instruments. The Bank would provide all assistance to the customer to obtain a duplicate instrument from the drawer of the cheque. In line with the compensation policy of the Bank, the Bank will compensate the accountholder in respect of instruments lost in transit in the following way:

a) In case intimation regarding loss of instrument is conveyed to the customer beyond the time

limit stipulated for collection (7/10/14 days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above.

b) In addition, Bank will pay interest on the amount of the cheque for a further period of 15 days at Savings Bank rate to provide for likely further delay in obtaining duplicate cheque/instrument and collection thereof.

c) The Bank would also compensate the customer for any reasonable charges he/she incurs in getting duplicate cheque/instrument upon production of receipt, in the event the instrument is to be obtained from a Bank/ institution who would charge a fee for issue of duplicate instrument.

13. Issue of Duplicate Draft and Compensation for delays

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of Corresponding period will be paid as compensation to the customer for such delay.

14. Violation of the Code by Bank's Agent

In the event of receipt of any complaint from the customer that the Bank's representative/Authorized agents or DSA has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the Bank has adopted voluntarily, the Bank is committed to investigate the matter and endeavor to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified, compensate the customer for financial loss, if any.

15. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks

The RBI has expressed concern over the lack of transparency in the arrangement for payment of "at par" instruments of co-operative banks by commercial banks resulting in dishonour of such instruments when the outer has already paid for the instruments. In this connection it is clarified that the Bank will not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. Issuing bank should be responsible to compensate the cheque holder for nonpayment/delayed payment of cheques in the absence of adequate funding arrangement.

16. Compensation for delay in release of Movable / Immovable Property Documents

Bank shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.

In case of delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the Bank shall communicate to the borrower reasons for such delay. In case of loss/damage, the Bank shall bear associated costs and provide compensation as per RBI guidelines.

The borrower shall be given the option of collecting the original movable/immovable property documents either from the banking outlet/branch where the loan account was serviced or any other office of the Banks where the documents are available, as per her /his preference. The timeline and place of return of original movable/immovable property documents will have to be mentioned in the loan sanction letters issued on or after the effective date.

In case of loss/damage to original movable / immovable property documents, either in part or in full, the Bank shall assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated above. However, in such cases, an additional time of 30 days will be available to the Bank to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

Further, the compensation provided under the above directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law. These Directions shall be applicable to all cases where release of original movable / immovable property documents falls due on or after December 1, 2023.

17. Force Majeure

The Bank shall not be liable to compensate customers for delayed credit if some unforeseen event (including but not limited to civil commotion, sabotage, lockout, strike or other labour disturbances, accident, fires, natural disasters or other “Acts of God”, war, damage to the bank’s facilities or of its correspondent bank(s), absence of the usual means of communication or all types of transportation, etc.) beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.

18. Compensation for failed transactions using authorized Payment systems

It is mandatory for Bank to reimburse the customer, the amount wrongfully debited on account of failed transaction such as disruption of communication links, non-availability of cash in ATMs, time-out of sessions, noncredit to beneficiary’s account due to various causes, etc. Wherever financial compensation is involved, the same shall be effected to the customer’s account without waiting for a complaint or claim from the customer. The Bank shall ensure **auto-reversal** within timelines (e.g., T+1 for UPI/IMPS/NACH; T+5 for ATM/PoS), with compensation of ₹100/day for delay beyond TAT, credited without customer claim.

Customers, who do not get the benefit of redress of the failure as defined in the TAT, can register a complaint to the Banking Ombudsman of Reserve Bank of India.

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1	Automated Teller Machines (ATMs) including Micro-ATMs		
a	Customer's account debited but cash not dispensed.	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days.	Rs. 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
2	Card Transaction		
a	<u>Card to card transfer</u> Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account.	Rs. 100/- per day of delay beyond T + 1 day.
b	<u>Point of Sale (PoS) (Card Present) including Cash at PoS</u> Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	Rs. 100/- per day of delay beyond T + 5 days.
c	<u>Card Not Present (CNP) (e-commerce)</u> Account debited but confirmation not received at merchant's system.		
3	Immediate Payment System (IMPS)		
a	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	Rs.100/- per day if delay is beyond T + 1 day.
4	Unified Payments Interface (UPI)		
a	Account debited but the beneficiary account is not credited (transfer of funds).	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	Rs.100/- per day if delay is beyond T + 1 day.

Sl. no.	Description of the incident	Framework for auto-reversal and compensation	
		Timeline for auto-reversal	Compensation payable
b	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	Rs.100/- per day if delay is beyond T + 5 days.
5	Aadhaar Enabled Payment System (including Aadhaar Pay)		
a	Account debited but transaction confirmation not received at merchant location.	Acquirer to initiate "Credit Adjustment" within T + 5 days.	Rs.100/- per day if delay is beyond T + 5 days.
b	Account debited but beneficiary account not credited.		
6	Aadhaar Payment Bridge System (APBS)		
a	Delay in crediting beneficiary's account.	Beneficiary Bank to reverse the transaction within T + 1 day.	Rs.100/- per day if delay is beyond T + 1 day.
7	National Automated Clearing House (NACH)		
a	Delay in crediting beneficiary's account or reversal of amount.	Beneficiary bank to reverse the uncredited transaction within T + 1 day.	Rs.100/- per day if delay is beyond T + 1 day.
b	Account debited despite revocation of debit mandate with the bank by the customer.	Customer's bank will be responsible for such debit. Resolution to be completed within T + 1 day.	
8	Prepaid Payment Instruments (PPIs) – Cards / Wallets		
a	<u>Off-Us transaction</u> The transaction will ride on UPI, card network, IMPS, etc., as the case may be. The TAT and compensation rule of respective system shall apply.		
b	<u>On-Us transaction</u> Beneficiary's PPI not credited. PPI debited but transaction confirmation not received at merchant location.	Reversal effected in Remitter's account within T + 1 day.	Rs.100/- per day if delay is beyond T + 1 day.

19. Delay in affording credits and/or return of transactions

In the event of any delayed credit to beneficiaries' account, the destination bank would be held liable to pay penal interest.

NECS/ECS-Credit: Destination bank would be held liable to pay penal interest at the current RBI liquidity adjustment facility (LAF) repo rate plus 2 per cent from the due date of credit till the date of actual credit for any delayed credit to the beneficiaries' account. Penal interest shall be credited to the beneficiary's account even if no claim is lodged

NEFT: In the event of any delay or loss on account of error, negligence or fraud on the part of an employee of the destination bank in the completion of funds transfer pursuant to receipt of payment instruction by the destination bank leading to delayed payment to the beneficiary, the destination bank shall pay compensation at current RBI LAF repo rate plus 2 per cent for the period of delay. In the event of delay in return of the funds transfer instruction for any reason whatsoever; the destination bank shall refund the amount together with interest at the current RBI LAF repo rate plus two per cent till the date of refund.

20. Policy Validity

The policy would be valid for a period of 1 year from the date of approval of the Board before which the same should be reviewed. Any modification / review of the policy, irrespective of the reasons / nature of such modification / review, should be done only with the approval of the Board. No authority is authorised to grant extension of the validity period of the policy.
