

**CRITICAL ANATOMIZATION OF THE BANKING OMBUDSMAN SCHEME WITH
COMPARATIVE ANALYSIS TO BANKING CODES AND STANDARDS**Nidhi Nande¹**ABSTRACT**

In the contemporary banking sector, excellence in customer care services is the most crucial tool for growth and development. In order to utilize this opportunity, the banking ombudsman scheme was introduced by the Reserve Bank of India to resolve the customer's grievances. To further protect the interests of the customers, Banking Codes and Standards Board of India was setup as an autonomous body to formulate standard codes and guidelines for the banks to provide fairness in the customer services. Irrespective of all these efforts, there are still certain prevailing conditions which cause improper, unfair and delayed redressal to the consumer's complaints. The paper analyzes the two mechanisms in detail along with criticizing both to improve their implementations. It also focuses on comparatively analysing both the concepts to reach a fair view. The paper also includes special emphasis on case study of Axis bank for the implementation of the scheme. The paper concludes by indentifying the shortcomings and providing necessary recommendations.

KEYWORDS- Banking Ombudsman Scheme, Banking Codes and Standards Board of India, Axis Bank, Awareness, Comparison

I. INTRODUCTION

After Nationalization and Liberalization, the banking sector in India needed some type to machinery to maintain its consumer base. In furtherance to this a sub-committee was set-up in 1992¹ and as a result in 1995 the first Banking Ombudsman Scheme was introduced². The scheme was further amended in 2002 and 2006. Presently the act of 2006 is implemented including amendments up to 2019³. Along with this, the ensure the facilitation of quality services to the customers, Banking Codes and Standard Board of India was setup in 2006 on the recommendation of S Tarapore Committee⁴. With the all these efforts the percentage of

¹ Nidhi Nande, Student, Symbiosis Law School Pune. E-mail: nande.nidhia@gmail.com

proper redressal of Consumers grievances is very low and this obligated to conduct this research to find the real reasons of such failure and recommend ways to improve the level of customer satisfaction in the banking sector.

II. LITERATURE REVIEW

1. ANALYSIS OF BANKING OMBUDSMAN SCHEME²

(Dr. Dinakar Girivasuki)

In: International Journal of Engineering and Management Research (2015)

The study focuses on identifying the effectiveness of banking ombudsmen scheme and to analyze its performance in the banking sector of India. It has very well measured the performance of banking sector in customer services through this scheme by using descriptive statistical tools such as percentage and growth rate analysis.

GAPS- Although, the study is very extensive and accurate for analysing the scheme but it ignored other prevailing factors and mechanisms in banking sector which have significant impact on the functioning of the scheme.

2. STUDY OF BANKING OMBUDSMAN SCHEME³

(Sachin Chawan, Prajкта Kamble)

In: International Journal of Management Review (2019)

The study has encompassed all the procedural aspects of banking ombudsmen scheme and ways to access the offices. The study has explained the procedural aspects with details case studies, thereby including both theory and practical application of the scheme.

GAPS- In the process of explaining the pros of the scheme it failed to highlight on the cons. It also ignored the unawareness of huge consumer population with respect to the scheme.

3. AWARENESS OF BANKING CODES AND STANDARDS BOARD OF INDIA⁴

(Dr. Bhola Sarang)

² Dr. Dinakar Girivasuki, Analysis of Banking Ombudsman Scheme, International Journal of Engineering and Management, Vol. 5 Issue 8, (2015)

³ Sachin Chawan, Prajкта Kamble, Study of Banking Ombudsman Scheme, International Journal of Management Review, Vol. 7 Issue 1 (2019)

⁴ Dr. Bhola Sarang, Awareness of banking codes and standards board of India, International Journal of Multidisciplinary Research Review, Vol.3 Issue 11,(2018)

In: International Journal of Multidisciplinary Research Review (2018)

The paper focused on testing the reach and awareness of the BCSBI Guidelines among the bankers and customers. The research concluded that out of 80% banks which have implemented the guidelines, only 51% bankers are aware of it, thus showing a lack of understanding and reach to the ultimate customers.

GAPS- The study although has very efficiently measured the lack of awareness about these guidelines but it ignored the presence of other factors and mechanisms like Banking Ombudsman Scheme and failed to differentiate them which could not actually clear the position of consumer redressal mechanism.

III. SCOPE AND OBJECT OF RESEARCH

The scope of the research is limited to discussing Banking Ombudsman Scheme through various case studies and by making a comparative analysis with Banking Codes and Standards Board of India. The major objective of this research is to analyze the gap between the efficiency of Banking Ombudsman Scheme and other alternative. The research also aims compare and contrast the scheme with BCSBI Guidelines along with case studies.

The research questions for the study are formulated as-

1. Is the Banking Ombudsman Scheme performing efficiently in the Indian Banking Sector?
2. What are the major points of difference between Banking Ombudsman Scheme and BCSBI guidelines?
3. Is there a need to replace the existing consumer redressal mechanism in banking sector of India?

IV. RESEARCH HYPOTHESIS

- The unawareness of the Banking Ombudsman Scheme and Banking Codes and Standards Boards of India among the customers

- There are major points of differences in the Banking Ombudsman Scheme and Banking Codes and Standards Boards of India which determines to suitability or unsuitability of these mechanisms in Indian Banking Sector.
- There is need to amend certain aspects of these consumer redressal schemes in order for the customers to avail true and full benefit.

V. RESEARCH METHODOLOGY

The methodology adopted for the research is twofold- the first part is an empirical research where a questionnaire has been circulated to various customers of banks and their opinion has been taken on this issue which is further analyzed and interpreted by the author to present a holistic view on the practical aspects of the concept. Another part of the research is descriptive, doctrinal and analytical and is mainly based on the sources like legislations, books, articles, journals and other research works in this area and thereby analysis and criticism to the information gathered by the author.

VI. CRITICAL ANALYSIS OF THE MECHANISMS

A. BANKING OMBUDSMAN SCHEME

With the aim of enabling the customers to an easy and expeditious method of grievance redressal, the banking ombudsman scheme was introduced by the Reserve Bank of India in 1995⁵. It was incorporated under Section 35A of the Banking Regulation Act, 1949 as a flagship of RBI⁶. It aims at resolving customer's grievances regarding deficiency in banking services through the Banking Ombudsman who is a senior officer appointed by the RBI to implement the mechanism of complaints redressal. All the Regional Rural Banks, Scheduled Commercial Banks and Scheduled Co-operative banks operational in India are covered under this Scheme.

1. Procedure of Resolving Grievances under Banking Ombudsman Scheme

In light of clauses 8 to 14 of Chapter IV of the Banking Ombudsman Scheme, 2006, the procedure involved in the scheme can be divided into phases-

⁵ Supra 2

⁶ R K Uppal, Customer Complaints in Banks, Journal of Economics and International Finance (2010)

- Any aggrieved customer of banking service can lodge a complaint for the deficiency of the banking services either online or through filling of offline form based on any of the grounds mentioned under clause 8.
- The complaint must be filed with the Banking Ombudsman Office having jurisdiction over the bank and its issue.
- Proper examination is made by the banking ombudsman to make the settlement using mediation between the customer and the bank.
- In the case of dissatisfaction of the order by ombudsman, the customer may move to the consumer court with his complaint.

2. Judicial Acumen of Banking Complaints and Redressal

Judiciary as a pillar has also contributed its part in developing the scheme in the form it is interpreted today. In the case of *State Bank of India, Pondicherry v. Ganeshan*⁷, it was held that delay on the part of bank amounted to deficiency in services and interest would be charged in certain cases for the deficiency⁸. If reasonable action and in good faith⁹ is taken to curb the damage, it would not amount to deficiency¹⁰. There can also be joint liability for deficiency in services as held in *Anthony Vaz v. M/s Himachal Futuristic Communication Ltd*¹¹ and certain charges by bank are held valid for the purpose of this scheme by the Supreme Court¹². In the landmark case of *India Export Corporation v. Syndicate Bank and Ors*¹³, It was held that complaints of deficiency would not be maintainable if are connected with commercial purposes.

3. Case Study- Axis Bank

Axis bank holds a multi-layered grievance redressal mechanism internally which solves most of the complaints even before it could reach to the banking ombudsman¹⁴. First the customer has to file the complaint with the complaint management team of Axis Bank. Of within 8 days he is not satisfied of the reply he may consult the Nodal Officer who would try to resolve the issue with another 8 working days. Even after 30 days of filing and solution provided by nodal

⁷ (1981) ILLJ 64 Mad

⁸ *Anand Lubricating Systems Ltd v. State Bank of India*, 2003 (2) CPR 53

⁹ *Ratan Chand Morarkar v. Bank of Maharashtra*, (2004) CPJ 25 NC

¹⁰ *Corporation Bank v. Navin*, 2000 (2) CPR 13 (SC)

¹¹ 2000 (1) CPJ 316

¹² *Brijesh Kumar v. Canara Bank*, 2003 (1) CPR 296 (SC)

¹³ 2003 (3) CPR 321

¹⁴ Annual Report 2019-2020, Axis Bank, (24th October 2020, 2:00 pm), <http://www.axisbank.com/annualreport>

officer, if the customer is not satisfied he may approach the Banking Ombudsman appointed by the RBI¹⁵.

As per the Reserve Bank of India reports of 2019, out of 8151 complaints received by Axis Bank 4089 cases were disposed off within prescribed time thus bring its position under top 5 banks in India to dispose off highest number of maintainable cases within prescribed time¹⁶.

4. Criticism of the Scheme

- It has not proved to provide speedy disposal of grievances which was its major aim at the time of introduction
- The misbalance of power in the process of grievance redressal with huge arbitrariness of the Banking Ombudsman with affects the fairness of the entire process.
- The refusal to deal with matter and the customers' incapability to actively participate in the process makes the scheme more rigid and unfavourable for the customers
- The lack of awareness about this scheme has also led to improper utilisation of this scheme.
- There is lack of proper checks and balances in the mechanism which leads to unfairness
- The non-binding of the awards by the Banking Ombudsman makes the system more complicated by leading it to civil courts when not performed by the banks and thus leading to a troublesome legal proceeding.

B. BANKING CODES AND STANDARDS BOARD OF INDIA (BCSBI)

The Banking Codes and Standards Board of India is an independent an autonomous body to which aims to protect the interests of the banking services' customer in India introduced in 2006¹⁷. The BCSBI develops certain codes and standards to be followed by the banks in facilitating services to its customers. It is not consumer complaints redressal forum but is a Society registered under Societies Registration Act, 1860. The BCSBI's guidelines help to improve the quality of services in the banking sector thus trying to minimize the number of complaints per banks. This is a preventive measure to protect the customers in long run.

¹⁵ Vijaykumar Sharma, Consumer Protection and Banking Sector, Asia Pacific Journal of Market and Management Review (2012)

¹⁶ Pragya Mishra, Analysis of the Banking Ombudsman Scheme in India, International Journal of Research Studies in Management (2012)

¹⁷ Supra 17

1. Criticism of the Scheme

Even after proving to be a boon for Indian Banking sector, the BCSBI has certain shortcomings. It failed to incorporate the fault theory instead just focused on creating charges. This has been misused by the banks in the cases of money stealing, cloning of ATM and Credit Cards to prove the case as negligence of the customers instead of finding a solution to it. A liability clause could also be added in the codes of bank in case of cyber frauds which will be exemplary in the field of contemporary banking sector. Along with this there is a need to create more awareness about this scheme in the normal public who are not able to avail the benefits due to unawareness.

C. COMPARATIVE ANALYSIS OF BANKING OMBUDSMAN SCHEME AND BANKING CODE AND STANDARDS BOARD OF INDIA

The BOS and BCSBI are two mechanisms incorporated in the banking sector of India to enhance the protection of consumer by different means. The two mechanisms are often misunderstood; the differences between the two concepts can be understood by the following table-

Basis	Banking Ombudsman Scheme	Banking Code and Standards Board of India
Meaning	It is a grievance redressal mechanism for deficiency of services by banks	It is a set of guidelines which empowers the banks to provide quality services to its customers to avoid unnecessary conflicts
Objective	It aims at resolving customer's grievances regarding deficiency in banking services	It aims to protect and provide fair treatment to its customers
Nature of Body	It is the direct subsidiary of Reserve Bank of India and is a quasi judicial authority	It is an independent and autonomous Society
Membership	The banking Ombudsman is appointed by the RBI	Membership is on voluntary basis

Applicability	All the Regional Rural Banks, Scheduled Commercial Banks and Scheduled Co-operative banks are covered under this Scheme	It is applicable to Scheduled Banks exclusively
International Scenario	There are other countries like UK which have similar type of mechanism like the Indian banking Ombudsman Scheme	BCSBI is unique even on a global platform, there is no such organization to provide codes and guidelines

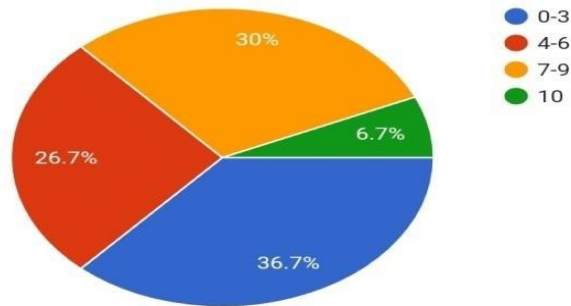
In light of the point of differences, it can be interpreted that Banking Codes and Standards Board of India's Guidelines are more of precautionary in nature and are philosophical for the banking sector jurisprudence where as the Banking Ombudsman Scheme is like the forum for resolving the issue if the precautionary means are not taken care of properly or other deficiencies. They both complement each other for the functioning of banking sector.

D. PRIMARY DATA ANALYSIS

A research survey was conducted on a sample size of 30 Banking Services Provider and Holder. The major outcome of the survey showed the ambiguity in the current state of model and specifically highlighted the lack of awareness about the two mechanisms of consumer grievances redressal in the banking sector. From the research survey, almost 60% people knew about the banking Ombudsman Scheme and only 30% understood about the BCSBI guidelines when all of them were account holders in some or the other banks and most of them faced some or the other service deficiencies with the banks. This clearly shows the unawareness of the people about these schemes. The unawareness was more prominent in the older generations above 35 years. It can be interpreted from the research survey that to enhance the customer services in banking sector, awareness must be created along with mandating the implementation of schemes against penalties. When asked for rating the implementation of the scheme and guidelines, the response indicated the need to propose ways to improve the conditions of the current model with proper implementation. The response of the population in this question is as shown in the diagram-

On a scale of 0-10 how much will you rate the implementation of banking ombudsman scheme and BCSBI Guidelines?

30 responses



VII. CONCLUSION AND RECOMMENDATIONS

The phrases of the customer being the ultimate king and his satisfaction being the major concern for the service providers have vanished in actual practice. A huge proportion of the customers are dissatisfied with the banking services for their grievance redressal. With the nationalization and huge growth in the number of banks, quality customer care service is the only way to retain the customers and even after the implementation of Banking Ombudsman Scheme, 2006 for functional grievance redressal mechanism, the issues of the customers are not resolved within due course of time and efforts. There is a need to further amend the scheme to make it more beneficial for the customers. One of the major issues was the unprofessional conducts of the banks, to solve this Banking Codes and Standards Board of India was setup to provide codes and guidelines to the banks for fair treatment to the customers. But sadly, this scheme is more unknown and misunderstood for Ombudsman scheme to the people as well as the banking staffs, thus there is a dire need to spread awareness about these mechanisms to the customer for complete utilization of the scheme.

The interpretations of the legal jurisprudence, statutory provisions and judicial reasoning have paved the way for various controversies and therefore there is a need to enhance the clarity of the legal situation. Some of the recommendations to improve the existing model can be-

- The most important need of the situation is the spread awareness and to enhance the accessibility of this scheme to the consumer base through banners, pamphlets, social media and other awareness campaigns and even call customer meetings to welcome suggestions.
- Improving the speed of the process by implementing technological measures to conduct the process virtually and making mandatory compliances of the rules against certain penalties.
- The Banking Ombudsman must be well trained to deal with the matter and win the confidence of the parties concerned by showing impartiality and avoid arbitrariness.
- The procedure should be provided certain legal backing but proper codification and giving power to the ombudsman to pass binding orders to improve the efficiency of implementation.
- Subsuming all the mechanisms along with Internal Banking Ombudsman Scheme of 2018 into one codified mechanism to minimize the confusion associated with it.
- Instead of single banking ombudsman officer, there should be a board of officers to help resolve the conflict and ensure the proper check and balances between the officers in charge.

REFERENCES

JOURNALS AND ARTICLES

- S Gousia, Importance of Banking Ombudsman Scheme, SIT Journal of Management, Vol.3 (2013)
- P Vishwanadhan, Banking Ombudsman Scheme- A Review, Journal of Delhi Institute of Management (2005)
- C Vijai, Research on Indian Banking Ombudsman Scheme, Journal of Engineering and Management, Vol. 81 (2019)
- A K Jain, Customer Service in Banking Sector, Journal of Business Studies (2006)
- Dr. Dinakar Girivasuki, Analysis of Banking Ombudsman Scheme, International Journal of Engineering and Management, Vol. 5 Issue 8, (2015)
- Sachin Chawan, Prajkta Kamble, Study of Banking Ombudsman Scheme, International Journal of Management Review, Vol. 7 Issue 1 (2019)
- Dr. Bhola Sarang, Awareness of banking codes and standards board of India, International Journal of Multidisciplinary Research Review, Vol.3 Issue 11,(2018)

- Vijaykumar Sharma, Consumer Protection and Banking Sector, Asia Pacific Journal of Market and Management Review (2012)
- Pragya Mishra, Analysis of the Banking Ombudsman Scheme in India, International Journal of Research Studies in Management (2012)
- Malyadri, Success of banking Ombudsman Scheme: Myth or a Reality, International Journal of Studies in Management (2012)
- P Suganya, Banking and Banking Ombudsman, International Journal of Multidisciplinary Research and Development (2015)
- M Patil, Study on awareness of Ombudsman Scheme, International Referred Research Journal (2015)
- Goyal, K S Thakur, Study of Customer Satisfaction in Banks of India, Journal of Business Studies (2008)
- R K Uppal, Customer Complaints in Banks, Journal of Economics and International Finance (2010)

CASE LAWS

- State Bank of India, Pondicherry v. Ganeshan, (1981) ILLJ 64 Mad
- Anand Lubricating Systems Ltd v. State Bank of India, 2003 (2) CPR 53
- Ratan Chand Morarkar v. Bank of Maharashtra, (2004) CPJ 25 NC
- Corporation Bank v. Navin, 2000 (2) CPR 13 (SC)
- Anthony Vaz v. M/s Himachal Futuristic Communication Ltd, 2000 (1) CPJ 316
- Brijesh Kumar v. Canara Bank, 2003 (1) CPR 296 (SC)
- India Export Corporation v. Syndicate Bank and Ors , 2003 (3) CPR 321

REPORTS AND OFFICIAL WEBSITES

- Banking Ombudsman Scheme, 2006, Annual Report 2019-2020
- Banking Codes and Standards Board of India, Annual Report 2019-2020
- www.rbi.org.in

- www.axisbank.com

LEGISLATIONS

- Banking Regulation Act, 1949
- Banking Ombudsman Scheme, 2006
- Reserve Bank of India Act, 1934
- Societies Registration Act, 1860

