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AN ANALYTICAL STUDY OF BANKING SERVICE UNDER CONSUMER PROTECTION

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LLM -II (2022-23)

SUBJECT - BANKING LAW

MODERN LAW COLLEGE

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Abstract

According to the constitution of India justice is an important part in which a consumer justice and protection is one subpart. There are number of legislations were passed by the Indian Parliament but they fail to protect the interest of small consumers. In the Consumer Protection Act, 1986 was passed, to protect the interest of the consumers. In this article, I try to deal with the deficiency in service of banks in with what are rights and remedies as a consumer. I try to discuss some cases related to the topic in my article.

Introduction

Consumer protection is the need of the hour. Parliament of India had enacted various legislations in the interests of consumers for transparency, for fair competition, and for preventing the businesses to indulge in unfair practices or fraud. In 1986, the Consumer Protection Act was passed. There have been many reforms in the banking sector like dilution of government stakes, deregulation etc that resulted in greater competition. Today banking has moved from class to mass and this has resulted in numerous problems. But more attention also needs to be given to consumer protection in regard with the banking sector. Competition helps consumer because it promotes choice, helps brings quality services or products at low rates by reducing inefficiencies. There is reduction in the cost of banking services and consumers need to make use of the facilities available in the changing environment to avail the reduced cost, like use of ATMs, internet or telephone banking.

India has a law specifically focused on consumer protection (Consumer Protection Act 1986) but that is not explicitly for consumers of the financial sector. Matrix for financial consumer protection: 1) Banking Codes the standards Bureau, India, (BCSBI) or the fair practices code followed by respective banks; 2) The in- house complaint redressal mechanism set by banks; 3) Ombudsman office; 4) Courts of law. The various functions and the roles of different institutions may be overlapping at times. Where the customer chooses to complain depends on customer's ease, location.

Aims and Objectives

- To know the relationship between consumer and banking sector.
- To provide facilities for easy banking to the consumer.
- To initiate the consumers in services of banking.
- To analyse the performance of the Banking Ombudsman Scheme.
- To investigate the customer awareness & perception about this scheme through an empirical study.

Need of the Study

The need and importance of the Consumer Protection is expanding at a rate of knots especially in the Indian banking sector. We have encountered many incidents in the banking sector where the

consumers are misled due to the failure of bank's operational capacities leading to the financial insecurity amongst the innocent customers. The recent example is the Punjab and Maharashtra Co-operative bank issue, wherein, the Reserve Bank of India ("RBI") under **Section 35(A)** of Banking Regulation Act, 1949 imposed the regulatory restrictions and withdrawal restrictions upon the said bank due to its irregularities disclosed to the RBI, which in turn has affected the faultless customers. Being the caretaker of the Indian banking sector, RBI has the due responsibility in establishing its strong and effective control over all the banks in India in order to provide the citizens of this land with a transparent banking system. To achieve this, the banks have to effectively coordinate with the RBI through initiatives, customer service departments, customer education departments, customer protection departments, banking ombudsman, etc.

Consumer law and Banking

In the context of the subject matter of the present article, it is important to note some important definitions provided in the Act.

Service: The term Service [Section 2(1)(o)] has been defined in the Act to mean service of any description and includes the provision of facilities in connection with banking, financing, insurance, transport, processing, supply of electrical or other energy etc. but does not include the rendering of any service free of charge or under a contract of personal service.

Deficiency: The term deficiency [Section 2(1)(g)], means any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance required to be maintained under any law or in pursuance of a contract or otherwise.

Consumer: The term consumer section 2(1)(d) of the Act, A consumer is a person belonging to the following category – a) One who buys the goods for a consideration which has been paid or promised or partly paid and partly promised under any system of deferred payment. b) One who hires or avails of any service or services including any beneficiary thereof or a consideration which has been paid or promised or partly paid and partly promised or under any system of deferred payment : It includes a user or beneficiary of goods or services other than the person who actually buys Goods or hires/avails services where such use is made with the approval of purchase or hire.

Bank Customer under the Consumer Protection Act, 1986

A customer of a bank is a consumer because he enjoys the banking services only on payment of consideration. In terms of section 2(d) of the Consumer Protection Act, 1986 “consumer” means any person who hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised or under any system of deferred payment and includes any beneficiary of such services other than the person who hires the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person. The consideration on availing services need not be only in monetary terms. It can be also out of transactions of transfer of services or, barter or exchange of services. The term ‘services’ includes ‘banking services’ in terms of section 2(1)(o) of the Consumer Protection Act, 1986. In simple words, a person hiring banking services for consideration is a consumer and to enable him to bring an action against bank, it is necessary for him to avail the banking services for a consideration. Because no complaint can be entertained in any consumer forum on deficiency of service when such services are rendered without consideration. For example, a depositor of a Fixed Deposit Receipt in a Bank applied for a premature encashment and the same was delayed then he as a consumer is entitled to file a complaint against the bank. In terms of section 2(1)(g) of the Consumer Protection Act, 1986, ‘Deficiency’ means any fault, imperfection, shortcoming or inadequacy in the quality, nature and manner of performance which is required to be maintained by or under any law for the time being in force, or has been undertaken to be performed by a person in pursuance of a contract or otherwise in relation to any service.

Role of Banks in Consumer Protection

Banks not only need to make sufficient disclosures on all aspects of their functioning and operations but also have to play a proactive role in educating customers on the products offered, the operational techniques, risks involved, safeguards and redressal options available. Banks need to maintain transparency in pricing, service charges, fees, and penalties. Every bank has to ensure the following in order to build a secure environment for the customers:

- Limiting the liability of customers in unauthorised electronic banking transactions.
- Enforcing ethical behaviour by financial service providers under the regulatory purview of the RBI.

- Emphasis on "Consumer Education" - Advertisement campaign on fictitious offers/fund transfers, coordination with the cyber-crime department, etc.
- Spreading awareness about Banking Ombudsman in rural and semi-urban areas.
- Improving the internal grievances redress mechanism of banks for effectiveness and timely response.
- Sensitising frontline staff of banks on the importance of customer service.
- Bringing about continuous systemic improvement by root cause analysis of complaints.
- Review of the BO Scheme in the light of emerging changes in the environment.
- Conducting thematic surveys and studies on specific areas.
- Monitoring implementation of the Charter of Customer Rights.

Consumer Protection Act 1986¹

In today's era, services hired or availed of by the consumers have assumed the most important place for the people globally. The Act applies to all goods and services as expressly provided in any service sector where there is a buyer-seller relationship, such as the hospitality, entertainment, maintenance, railways, banks, electricity, construction, legal aid, telex, courier, insurance, education, transportation, aviation, hospitality etc. Deficiency of service can have minor to grave consequences, ranging from negligence, inconvenience or harassment to mental or physical injury to death, thereby leading to legal consequences. The services for consideration offered whether by a private person, firms, companies or by the government or the corporate bodies, act as the factor for growth and development of the country and any deficiency in these services would lead to action under the Act. The sole purpose of the Consumer Protection Act, 2019, is to protect and safeguard the interests of consumers. It not only covers within its ambit physical platforms for a buyer-seller relationship but also recognizes services provided by e-commerce platforms.² According to this act following three-tier system has been provided under the Act to deal with consumer complaints;

- **District Forum**- It operates at the district level and deals with consumer complaints pertaining to the value of goods or services and compensation not exceeding Rs. 20 lac.

¹ Asia Pacific Journal of Marketing & Management Review ISSN 2319-2836 Vol.1 (4), December (2012)

² ://www.google.com

- **State Commission-** It operates at the state level and deals with complaints of the value exceeding Rs. 20 lac but not exceeding Rs. 100 lac. It also hears appeals against the orders of the District Forum.
- **National Commission-** It functions at the national level for the complaints of the value exceeding Rs. 100 lac and hears appeals against the orders of the State Commission. Complaints in relation to any goods or services may be preferred before the above mentioned forum by the consumer himself or by any recognized consumer association where the Consumer is a member or where there are a number of consumers having the same interest, one or more consumers on behalf or for the benefit of all the consumers so interested. Complaints may also be preferred by the Central or the State Government.

Under this Act, Section 2(1) (o) defines what service is and “deficiency” is defined under Section 2(1) g. Banking service is also covered under the various services mentioned under this Act. Banking Service” here can include receiving of deposits, payment of premium, money lending, locker facilities etc. Deficiency in respect of such services provided by bank can be brought before Consumer forums. As per section 2(1) (d), Consumer includes a person who avails or hires a service for consideration. Hence any person who owns an account in bank or takes a service from bank can file complaints under this act for “deficiency” or regarding unfair practices by the banks. Consumer courts not only compensate for the defect but also for the mental agony suffered or harassment faced. Listed are the few deficiencies in banking services as laid down by consumer commissions and courts of law:

- Refusing or holding back the amount that was due on fixed deposit after maturity
- Delay in the payment of amount on term deposits after maturity
- Dishonor of cheques because of mistake or negligence by bank.
- Dishonoring of demand drafts because of omission by bank officials.
- Refusing grant of loans without any bonafide reason
- Causing undue delay in discharging installments of loan
- Charging interest at higher rate than what has been specified in loan agreement.
- Failure in returning securities even after the loan is repaid.
- Bank’s failure to honour guarantee, if demand was as per guarantee.
- Liability is on bank if articles in locker are lost
- loss to customers due to unavailability of securities in bank premises

- Closing bank account without any instructions in that regard from the account holder
- Refusing cheque book facility to customer just because of the fact that the minimum balance has not been maintained
- Failure of bank cashier to account for money deposited at the counter with him(vicarious liability)
- Rude behavior of bank officials resulting in discomfort or mental agony to customers
- Without even demanding repayment giving notice to “face the auction or make payment”
- Failure at returning the dishonored cheque

Provisions of the Constitution

In the constitution of India, social and economic justice is an important part in which a consumer justice and protection is also a part. There are number of legislations were passed by the Indian Parliament such as Drugs (Control) Act, 1950; Prevention of Food Adulteration Act, 1954; Essential Commodities Act, 1955; Essential Services Maintenance Act, 1968; Trade and Merchandise Marks Act, 1958; MRTP Act, 1969, etc. But all these a Act are failed to protect the interest of small consumers. The procedures under these acts are typical and litigations, also time consuming and costly. At the same time there are so many facilities of these act but due to procedure and lengthy time, common man (consumer) will avoid it.

The United Nations General Assembly passed a resolution No. 39/248 on 8/4/1985 adopting guidelines relating to consumer protection. Which further provide a framework for the Governments of the developing countries, for formulation of consumer protection policies and legislation.³

The Principles laid down by the various decisions of the Consumer Commissions and the Supreme Court can be summarized as under⁴

- **Failure /Delay in Repaying Deposits :** Withholding of the amount due on a fixed deposit after its maturity, amounts to deficiency in service. Delayed payment of term deposits on

³ <https://papers.ssrn.com>

⁴<https://m.rbi.org.in>

maturity also amounts to deficiency in service. The principle applies to cases of inordinate delay in payment of proceeds of premature encashment of deposits as well.

- **Payment and Collection of Cheques/Drafts :** Wrongful dishonour of cheques due to the negligence or mistake on the part of the bank has been held to amount deficiency in service. Dishonour of DDs due to the lapse or omission on the part of the officials of the bank like non-affixation of signatures, failure to mention code number etc. is amounting to deficiency in service.
- **Loans and Advances :** Matters concerning the eligibility of parties to any credit assistance, viability of the project and continuation of the credit facilities or the operation of the account by any party, are within the discretion of the financial institution or bank depending upon various factors like financial discipline and past of borrower and his ability to pay the loan, if such discretion is exercised bonafied. Even though the bank has the right to refuse or grant loan, causing undue delay in releasing the installments of the sanctioned loan might be held to amount to deficiency in service.
- **Interest :** Charging interest at a rate higher than the rate stipulated in the loan agreement would amount to deficiency in service.
- **Security for Loans :** Bank are liable for deficiency in service in cases were they fail to return the security documents even after repayment of the whole loan.
- **Bank Guarantee :** The failure of a bank to honour bank guarantee is a deficiency in service. However, in cases where a demand was made not in accordance with the conditions of the guarantee and therefore the guarantee was not honoured, it would not amount to deficiency in service.
- **Locker :** A bank is liable for loss of articles kept in the locker with the bank.
- **Security in Bank's Premises:** The safety of the money to be deposited and/or withdrawn inside the bank premises is implicitly a part of the service rendered by a bank to a customer.
- **Limitation :** A bank may exercise lien under Section 171 of Contract Act even where the debt is barred by limitation. A consumer can initiate proceeding against a banker from non-release of securities even after the expiry of the period of limitation. This is based on the principle that the banker holds any goods as security is not intended to be transferred to him, nor can he acquire any title to it, except on the basis of legal proceedings.

Other Banking Services - Closing of account without the instructions of the account holder would amount to deficiency in service. The refusal to provide cheque book facility to a customer on the ground of not maintaining the minimum balance in his account may not amount to deficiency in service.

- **Vicarious Liability** - A bank is bound by the act of negligence of its staff during the course of employment. Thus where the bank cashier fails to account for the money deposited with him at the counter, the bank would be liable.
- **Rude Behaviour** - A bank may be held liable for deficiency in service owing to rude behavior of its officials and be ordered to pay compensation for the mental agony and discomfort caused.
- **Notice before Auction** - A notice to pay or face auction without making any earlier demand for repayment of loan and without giving date of auction was held to constitute deficiency in service.
- **Non-return of Dishonoured Cheque** - The failure to return a dishonoured cheque is deficiency in service where the complainant is unable to take action against the drawer.
- **Strike** - A bank may not be liable to pay compensation for suspension of business due to illegal strike by the employees and when no loss is caused due to the negligence of the bank. However, in a case when the strike by award staff was not such as to paralyse work and when the officers and other employees were willing to work and still the salary accounts were not credited, it was held that the bank was liable for deficiency in service.
- **Service Charges** - An increase in charges levied by a bank for its services do not fall within the provisions of the Consumer Protection Act. A bank may levy charges for issuance of MICR cheques, so long as it is not against the directives of the Reserve Bank. This cannot be termed 'unilateral' and taking the consent of each customer does not arise.
- **Forgery of Power of Attorney** - Once a registered power of attorney is produced before the bank, the bank does not have to make any further verification of signature. As the bank is not expected to verify signature, it cannot be held responsible for negligence in verification of signature.
- **Consumer Forum- Jurisdiction and Procedure** - A consumer complaint may not be entertained by the Consumer Forums when the matter is sub-judice before a competent Civil

Court. A person who acts as surety for another and does not hire/avail service from the bank, is not a consumer of the bank and therefore, his complaint may not be entertained.

- **Voluminous Evidence- Complicated Questions of Law and Fact** - In cases involving complex questions of facts and interpretation of laws and rights and obligations of parties under various Statutes, the complainants have to seek redressal of their grievances before Civil Courts not the Consumer Forum. Similar is the case when elaborate evidence is required to be taken.
- **Complaints** - The First Step for any complaint is to contact the Customer Care division of your bank. It is best to keep a record of your complaints , so written copy, even email is better. State your case clearly and attach scanned or Xeroxed copies of any supporting document. Usually a system generated mail is received for emails , saying in how many days the complaint will be attended to. In phone conversation also you will be given some sort of number which should be noted and quoted subsequently. If you are not satisfied, mostly you can still contact higher people in the bank. If all fails, you can contact The Banking Ombudsman.

The Banking Ombudsman Scheme, 2006⁵

The Banking Ombudsman Scheme, 2006 enables resolution of complaints of bank customers relating to certain services rendered by banks. The Banking Ombudsman is person appointed by the Reserve Bank of India to redress customer complaints against certain deficiency in banking services. The Banking Ombudsman is a quasi judicial authority. It has power to summon both the parties – bank and its customer, to facilitate resolution of complaint through mediation. As on date, 15 Banking Ombudsmen have been appointed with their offices located mostly in the State Capitals. The addresses of the Banking Ombudsman offices have been provided in the RBI website. All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

As an alternate mechanism for dispute resolution, this scheme launched in 1995 had been modified by RBI to bring under its ambit the growing number of grievances. Banking Ombudsman is basically

⁵ <https://m.rbi.org.in>

a senior person appointed by RBI. Since then it is being used as a primary forum for dispute resolution. It is not bound by any precedent and in some cases is also not bound by procedural laws and hence the decisions are as per the specific cases. Also banking ombudsman offices create awareness camps, exhibitions, advertisements etc. But there also exists the fact that the scheme is limited to just 27 grounds (including internet banking) and hence it's needed to expand its scope. The scheme is fully managed by RBI. At present there are 15 offices in the country where complaint can be launched on account of deficiency. Now customer can lodge complaint under BOS if banks do not adhere to the lenders fair practices code or to the code issued by **BCSBI** that is Code of bank commitment to customers. **BCSBI** brought out 2 sets of codes, Code of bank's commitment to the customers and other to the Micro or small enterprises. But in spite of the fact that these codes have now been adopted by banks and have been in existence for such a considerable amount of time, the quality of service provided still requires a lot. This is something very apparent from the numerous complaints received in the country under Banking Ombudsman scheme.

Complaint under the Banking Ombudsman Scheme

The Banking Ombudsman can receive and consider any complaint relating to the following deficiency in banking services:

- non-payment or inordinate delay in the payment or collection of cheques, drafts, bills, etc.;
- non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission for this service;
- non-acceptance, without sufficient cause, of coins tendered and for charging of commission for this service;
- non-payment or delay in payment of inward remittances ;
- failure to issue or delay in issue, of drafts, pay orders or bankers' cheques;
- non-adherence to prescribed working hours;
- failure to honour guarantee or letter of credit commitments ;

- failure to provide or delay in providing a banking facility (other than loans and Advances) promised in writing by a bank or its direct selling agents;

- delays, non-credit of proceeds to parties' accounts, non-payment of deposit or non-observance of the Reserve Bank directives, if any, applicable to rate of interest on deposits in any savings, current or other account maintained with a Bank ;

- delays in receipt of export proceeds, handling of export bills, collection of bills etc., for exporters provided the said complaints pertain to the bank's operations in India;

- refusal to open deposit accounts without any valid reason for refusal;

- levying of charges without adequate prior notice to the customer;

- non-adherence by the bank or its subsidiaries to the instructions of Reserve Bank on ATM/debit card operations or credit card operations;

- non-disbursement or delay in disbursement of pension to the extent the grievance can be attributed to the action on the part of the bank concerned, (but not with regard to its employees);

- refusal to accept or delay in accepting payment towards taxes, as required by Reserve Bank/Government;

- refusal to issue or delay in issuing, or failure to service or delay in servicing or redemption of Government securities;

- forced closure of deposit accounts without due notice or without sufficient reason;

- refusal to close or delay in closing the accounts;

- non-adherence to the fair practices code as adopted by the bank; and

- any other matter relating to the violation of the directives issued by the Reserve Bank in relation to banking or other services.

Is the New Banking Ombudsman Scheme 2006 differs from its previous schemes?

The vision behind the emergence of Banking Institution is to evolve into a strong, sound and globally competitive financial system, providing integrated services to customers from all segments, leveraging on technology and human resources, adopting the best accounting and ethical practices and fulfilling corporate and social responsibilities towards all stakeholders. As a part of this vision, the RBI lodged various Ombudsman schemes till today which forms a part of our discussion. Yes, the new scheme 2006 differs from its previous schemes. The extent and scope of the scheme, 2006 is much wider than its earlier schemes of 1995 and 2002. Because the new scheme introduces for the first time includes complaints relating to credit cards, deficiencies in providing the promised services by banks and its marketing agents, levying of service charges without prior notice to the customers and non-compliance of fair practice codes by the banks; facilitates the submission of complaints through online; establishes an appellate authority to facilitate appeals against the awards rendered by the Banking Ombudsmen instead of filing with the Review Authority for review of such awards.

In the system of Banking Ombudsman, results are delivered very soon, the procedures are fair together with cost, and proportionate to the nature of the issues involved. The system deals with cases at reasonable speed, is understandable to those who use it, is responsive to the needs of those who use it, and provides as much certainty as the nature of particular cases allows. This is true because over the past five years nearly 36000 complaints are being resolved by the Banking Ombudsman under this Banking Ombudsman Scheme. Though the Banking Ombudsman is eligible enough to deliver the bank customer complaints at the earliest yet the Consumer Redressal Forum/Commission is being taken resort of by most of the bank customers for their redressal of grievances with the bank. The reason is they are well popular among the common public which is lacking with the banking ombudsman and its working.

Current Approaches to Consumer Protection in India

While India does not have any specific consumer legislative protection mechanism, the consumers are largely relying on consumer courts under consumer protection act,1986. In addition, consumers

of financial products and services may also resort to mechanisms set up by product and services specific regulators. India has six primary regulators that are:

SEBI, RBI, IRDA, PFRDA, EPFO, FMC

In addition, NABARD, SIDBI, NHB are also involved in regulation and supervision. Also six ministries of Central and State governments have an implicit or direct role.

Case Laws⁶

The Consumer Disputes Redressal Commission of Central Mumbai District has held the Standard Chartered Bank guilty of deficiency in service and unfair trade practice, while providing banking services to two complainants.

A person who avails any banking service falls within the scope of the definition of 'consumer' under the Consumer Protection Act, and can take recourse to legal remedies provided in the Act, the Supreme Court has reaffirmed [*Arun Bhatiya vs HDFC Bank and ors*].

The Commission directed the bank to pay Rs 4 lakh as compensation to *Pankaj Goyal* and *Sachin Goyal* towards mental agony suffered due to the negligence of the bank. The Commission also directed the bank not to process any report of the credit of the complainants to CIBIL (Credit Information Bureau (India) Ltd and to withdraw any negative reports, if they have already been furnished.

The bank, according to the Commission, had acted in an arbitrary and one-sided manner. It stated that even if the complainant had consented to the bank's terms and conditions, the bank could not amend them arbitrarily, without considering applicable banking regulations and guidelines. The complainants had availed a home loan of around Rs 36 lakh in 2004.

In their complaint filed in 2016, the home buyers, who were represented by advocate *Dharmendra Damani*, alleged that the bank, contrary to the undertaking in the loan agreement, that the rate of interest would be reviewed every six months, informed that interest rates would be reviewed every three months, even before the completion of the first review cycle. The bank also kept changing

⁶ <https://www.google.com>

interest rates for the loan and removed the reference of Home Loan Regular Rate to a term called Mortgage Variable Reference Rate (MVRR).

The complainants alleged that the MVRR underwent changes from 10.50% to a peak of 20.25%, besides, the loan tenure increased from 192 months, as well as the EMI from Rs 31,627 to Rs 38,341. The bank, according to complainants, did not give any maturity date for the loan.

The bank, however, claimed that the loan sanction letter mentioned that in case of any unforeseen or extraordinary circumstances or sudden changes in market conditions, the bank may at its sole discretion change the rate of interest. It also stated that the complainants had opted for the variable mode of interest rate. The Commission rejected the bank's claim that the complaint was barred by limitation. The Commission said that the bank had failed to substantiate reasons for not giving a maturity date for the loan, on account of the nature of interest of the loan, by citing any RBI guideline or regulations related to banking in India. If the bank was entitled to act at their discretion, then the bank had to substantiate under which rule or guideline of RBI, they took the steps, the Commission said.

Due to the wrongful dishonour of the demand draft the complainant was stranded at a very far off place from his home and it resulted in loss, mental agony and hardship to him. The primary duty of a Bank is to safeguard and protect the interest of their customer. It was held that if there has been a lapse or an omission committed by the officials of the Bank and if some inconvenience were caused to a customer due to the omission, negligence or default of the Bank, it amounts to a defective service according to the Consumer Protection Act.⁷

Role of RBI so far, in the creation of a vital Consumer Protection environment in Indian Banking Sector

From past few decades, the RBI has involved itself in strengthening the fiduciary relationship between the banks and the customers as it holds the responsibility of maintaining the financial health in the Indian banking sector. At the same time RBI has a major duty in building up a strong consumer confidence amongst general public by ensuring the stability and the safety in the Indian Banking System.

⁷ N.Raveendran Vs. Branch Manager, State Bank of India 1991(2) CPR 473 (SCDRC-Kerala)

When previous works of RBI are traced, we can note its efforts in introducing **Banking Ombudsman ("BO") Scheme 2006**. BO is an 'Alternative Dispute Resolution Mechanism' for resolving the disputes between a bank and its customers. As of today, there are 20 BO offices in our country. However, the Indian Banking Sector is simultaneously exposed to innumerable known and unknown risks and uncertainties such as cybersecurity breaches, phishing/ vishing frauds, data thefts, misuse of data, data privacy breaches, malware attacks, etc. While it is known that these risks exist, the garb in which they manifest, when and at what severity, is unknown. In this background, the role of the Ombudsman has become challenging as there is an increase in the number of complaints, their complexity, as well as the ability to deal with the dynamic financial environment.

When we come across the recent initiatives of RBI in consumer education and protection, we find the formulation of the '**Charter of Customer Rights**' which includes 5 basic rights of bank customers. They are: Right to Fair Treatment, Right to Transparency, Fair and Honest Dealing, Right to Suitability, Right to Privacy, Right to Grievance Redress and Compensation

Also, RBI has done a prominent job by setting up the **Customer Service Department** in 2006 to act as the nodal department in the RBI for grievance redressal of complaints received from the public. The department is renamed as **Consumer Education and Protection Department (CEPD)** and continues to focus on providing a level playing field between suppliers and consumers of financial services, by easing the imbalances arising from information irregularities, inadequate disclosures, and unfair treatment.

An important milestone in strengthening the grievance redressal mechanism available to bank customers was the institutionalisation of the Internal Ombudsman ("**IO**") mechanism in 2015 in all public sector banks, selected private sector and foreign banks. Now, the coverage of the "IO" Scheme is extended to all scheduled commercial banks (other than Regional Rural Banks) having 10 or more banking outlets in India. The objective of setting up the "IO" is to ensure that an undivided attention is given to the resolution of customer complaints in banks and the customers of banks get an independent and auto-review of their grievances which are partially or wholly unaddressed before they approach the BO.

On the other hand, recently on 24 June, 2019 RBI launched a software application called Complaint Management System ("**CMS**")¹ in order to effectively support the Ombudsman framework 2006.

Now, the citizens can access the CMS portal at RBI's website to lodge their complaints against any of the entities regulated by RBI. With the launch of CMS, the processing of complaints received in the offices of Banking Ombudsman ("BO") and Consumer Education and Protection Cells ("CEPCs") of RBI has been digitalized.

Recent Development in Banking Sector which has escalated the Consumer Protection

It can be said that Article 21 of the Indian Constitution is the main theme behind the evolution of consumer protection laws in our country. The Right to Privacy is the stepping stone of the consumer protection laws in our country because every customer has the right with respect to their personal choice. At the same time, the service providers have the inbound duty to protect the 'Right to Privacy' of their valuable customers. Highlighting the same, the High Court of Kerala referring to the case of District Registrar and the Collector v. Canara Bank³, has held that, 'Demanding information about bank accounts without statutory backings violates Right to Privacy.

The Kerala High Court upheld the same by stating that the demand of details pertaining to the bank account of a person shall amount to infringement of Right to Privacy. So, this has created a positive hope amongst the banking customers about banks which are now duly responsible in maintaining the privacy of its customers and uphold the validity of Right privacy enshrined in the Indian Constitution.

Suggestions

Recently(9TH August,2019),president gave assent to the Consumer Protection Act,2019.The new act, which would replace the consumer protection act,1986 is not an amendment to the 1986 law, but a new consumer protection law with many changes for instance, section 107 is now repealed. This new act proposes law of measures and tightens the existing rules to further safeguard consumer rights. It aims to address consumer vulnerabilities to new forms of unfair trade practices and unethical business practices in the fast-changing new-age economy.

Conclusion

Analysis of the various judgments of the Consumer Courts reveals that they have not only been awarding the value of the goods or services for the defect and deficiency in service but also the compensation for the mental agony and harassment. It is seen that in these cases against the injustice consumers are in problem against the bank. But the justice seems to have prevailed under the aegis of the Consumer Protection Act. It has been found that there is a positive justice to the consumers against the faulty banking services.

RBI's efforts in upholding the Consumer Protection in the Banking sector can be yielded only if the citizens are made aware of entire grievance redressal structures and their functions thereupon. People have to be educated about the procedures for lodging complaints especially the grounds of complaints under the various Ombudsmen Schemes. Therefore, creation of public awareness from grass root level about entire grievance redressal structures is inevitable. For which both RBI and the Central Government of India have to coordinate with each other to infuse certain policy measures into the Indian banking sector. Since the banks are under the obligation to maintain the secrecy of information unless disclosure of the same is required by law, it must be well understood that the Right to Privacy is not lost as a result of confidential information being parted by customers to the custody of the bank. Hence, the development of the overall banking sector in our country depends on how effectively the banks maintain the fiduciary relationship with its customers.

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