

Is banking ombudsman consumer-friendly?

Only 133 of the 164,000 complaints got awarded in favour of consumers

By Neil Borate and
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In February 2016, Ashutosh Gupta, 37, an executive at a Delhi-based financial services company, came across a promotional campaign of a bank. The bank had announced a waiver of processing fee on home loans taken from the bank till 31 March 2016. Gupta approached the bank for a home loan in February itself. However, he later discovered that the documents he received for his loan had a disbursement date of 2 April 2016. Subsequently, the bank had also deducted the processing fee and the legal fee from his linked bank account without any specific intimation. "They had the power to do this only because my account was with them. I had complained to the ombudsman but my complaint was summarily rejected," Gupta said.

He received a letter from the office of the banking ombudsman in October 2016, which stated that the ombudsman had "carefully examined the facts and submissions made by both the parties". "As there appeared to be no deficiency of service on the part of the bank, the case has been closed under clause 13(a) of the Banking Ombudsman Scheme, 2006," the letter said. Clause 13 of the ombudsman scheme details the various reasons under which the complaint of a complainant can be rejected.

REJECTION IS A NORM
The Reserve Bank of India released the annual report of the banking ombudsman for 2017-18 (1 July 2017 to 30 June 2018). The report and the data therein gives an impression that Gupta's case might not be an exception. The ombudsman rejected nearly half the 164,000 complaints it received, terming them as 'non-maintainable'. 'Maintainable'

complaints are those that fall within the specified grounds for a complaint under the Ombudsman Scheme 2006.

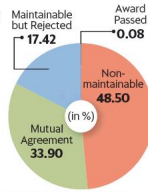
In previous years, too, almost half the complaints got rejected as 'non-maintainable'. The 'non-maintainable' complaints were 52.3% of the total complaints received in 2016-17 and 50% in 2015-16.

One reason for this high level of rejection, according to the annual report of the banking ombudsman for 2015-16, is that people send a complaint to the bank marking a copy to the ombudsman office. "The general feeling among the informed public is that send-

UNINSPIRING PERFORMANCE

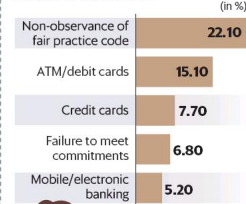
Poor success rate

Out of the 163,590 complaints received by the RBI's banking ombudsman a mere 133 complaints saw an award being passed. The vast majority were dismissed or settled.



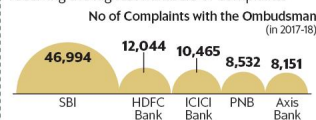
Types of complaints

Non-observance of the fair practice code was the largest source of complaints followed by ATM/debit cards and credit cards.



Complaints with ombudsman

The largest number of complaints were received against SBI. This was almost four times the complaints received against the next bank on the list—HDFC Bank. However, the magnitude of complaints is also affected by the size of the bank with the largest banks like SBI and HDFC Bank receiving the highest numbers of complaints



Source: Banking Ombudsman 2017-18

VIPUL SHARMA/MINT

ing a complaint to the bank with a copy marked to banking ombudsman helps in quick resolution. This contributes to the receipt of a large number of First Resort Complaints," the report said. As these complaints reach the ombudsman first and not the bank, these get rejected.

WHO GOT AWARDED?

Of the complaints that the office of the ombudsman considers 'maintainable', many complaints get resolved through mutual settlement between the bank and the complaining consumer.

In 2017-18, out of the total number of maintainable complaints, 65.82% of complaints

Only 0.4% of the total complaints received by the ombudsman in 2017-18 were regarding mis-selling

were disposed by mutual settlement, up from 42.43% in 2016-17 and 35.93% in 2015-16. In the same period, the share of 'maintainable' complaints where the final order of the ombudsman went against the consumer also declined. In 2017-18, 33.82% of the 'maintainable' complaints got rejected compared to 63.65% in 2015-16.

"Due to pressure from clients as well as tightening of rules by the RBI, banks are mutually settling more disputes related to fraudulent transactions. So yes, there has been some improvement from banks' side," said Prakash Praharaj, a banker turned financial adviser and founder, Max Secure Financial Planners.

What has remained constant is the very small percentage of complaining consumers

getting the award in their favour. The small percent of remaining 'maintainable' complaints are the ones where the final order goes in favour of the consumers. This share stood at 0.16% in 2017-18 versus 0.05% and 0.04% in 2016-17 and 2015-16. In absolute terms, the awards that have gone in favour of the consumers have been 18, 31 and 133 in 2015-16, 2016-17 and 2017-18, respectively.

This low rate of resolution in favour of the consumer is due to a combination of both structural issues in the system as well as lack of awareness among consumers, Praharaj said. "The regulators also should own up the issue and get some clarity on the resolution and who is responsible for what. Then there is a lack of awareness among consumers regarding how simple the process is. Also, consumers do not trust the ombudsman and prefer going to the consumer court instead as the consumer court has more authority," he said.

MIS-SELLING

Anecdotal, instances of mis-selling of financial products involving banks are plenty. However, going by the latest report, only 0.4% of the total complaints received by the ombudsman in 2017-18 were regarding mis-selling.

One of the possible reasons for this low instance of reporting of mis-selling could be the lack of awareness that mis-selling can also be reported to

the banking ombudsman. In 2017-18, the scheme was amended to enable customers to complain against mis-selling of products and also to permit complaints in relation to mobile and internet banking.

WHAT ONE SHOULD DO

Consumer rights activists and experts *Mint* spoke to highlighted that the lack of representation on the ombudsman from the consumer's point of view results in the large-scale rejection.

Babu Sivaprakasam, partner, Economic Laws Practice, a law firm, said that the functioning of the ombudsman also needs to be reviewed. "The banking ombudsman

proved to be ineffective. Consumers had received better results through the consumer forum, albeit with extended timelines. The ombudsman needs to be empowered and it's high time that a committee is appointed to review its functioning for it to be effective," he said.

The RBI's banking ombudsman is a fast, tech-friendly redressal mechanism. However, a lot of the complaints made to it are rejected or dismissed, often on technical grounds. Consumers should go through the legal provisions of the Ombudsman Scheme before approaching this body or consult a legal professional. In some cases, traditional remedies like consumer court may be a better alternative.

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