



Tamilnad Mercantile Bank Ltd.

Customer Oriented & Committed to Excellence

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Customer Service Cell

Compensation Policy (Amended upto March 2011)

Introduction:

This compensation policy of the bank is designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques/ instruments, payments of cheques after acknowledgement of stop payment instructions, remittances within India, foreign exchange services, lending, etc. The policy is based on principles of transparency and fairness in the treatment of customers.

The objective of this policy is to establish a system whereby the bank compensates the customer for any financial loss he/she might incur due to deficiency in service on the part of the bank or any act of omission or commission directly attributable to the bank. By ensuring that the customer is compensated without having to ask for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

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.

1. Unauthorized / 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 shall arrange 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, 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.

In case a customer protests any bill for wrong billing with regard to credit card, the bank will provide explanation, if necessary, documentary evidence to the customer within a maximum period of sixty days.

2. ECS direct debits/other debits to accounts

The bank will undertake to carry out direct debit/ ECS debit instructions of 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.

The bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the bank. 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.

Where it is established that the bank had issued and activated a credit card without written consent of the recipient, the bank would not only reverse the charges immediately but also pay a penalty without demur to the recipient amounting to twice the value of the charges reversed.

3. 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 1 above. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank

4. "Issue of Duplicate Demand Draft:

As a part of the compensation policy of the Bank, the bank will pay interest at Savings Bank Rate for the delayed period, if the Duplicate Demand Draft is not issued within 10 days on receipt of application."

5. Foreign Exchange Services:

Cheques drawn on foreign countries are accepted for collection on the 'best of efforts' basis. Bank may enter into specific collection arrangement with its correspondent bank for speedy collection of such instruments. Bank would give credit to the party on credit of proceeds to the bank's Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned. The bank has entered into the correspondent bank arrangement with the banks mentioned in the following table for collection of foreign cheques. The maximum time taken to credit the customer's account is also mentioned

Currency	Correspondent Bank	Maximum days for A/c credit
USD	HSBC Newyork	13
SGD	HSBC Singapore	22
GBP	HSBC London	22
Euro	Banca Nazionale Del Lavarò	45
Euro	Bank of India Paris	45
CAD	HSBC Canada	27
AUD	National Bank Australia	27

The above time norms are applicable irrespective of whether cheques/instruments are drawn on the bank's own branches or branches of other banks. If the in-ordinate delay is due to the paying bank, then the bank will seek compensation from the paying banker.

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. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account/ due date after taking into account normal cooling period stipulated. The compensation in such cases will be worked out as follows:

a) Interest for the delay in crediting proceeds as indicated below:

Compensation @ 2% above the savings Bank rate, for amount up to Rs. 10 lakhs, for delay beyond 10 days from the date of receipt of remittance advice. In case of amount exceeding Rs. 10 lakhs for delay beyond 3 days (including Saturday) from the date of receipt of credit advice in sending remittance advice to the beneficiary.

b) Compensation for any possible loss on account of adverse movement in foreign exchange rate.

6. Remittances in India:

The compensation on account of delays in collection of instruments would be as indicated in the bank's collection policy which is reproduced below for information:

“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 mentioned above. 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 an other banks for the purpose of payment of interest on delayed collection.

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

- Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques
- Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.
- 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 was 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.

It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.”

7. Compensation for loss of Instruments in Transit:

The bank's compensation policy for financial loss suffered by the customer 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:

“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 paying bank's branch, the bank shall immediately on coming to know the loss, bring the same to the notice of the account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonored due to non-credit of the amount of the lost cheque / 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 that bank will compensate the account holder 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.
- d) If the cheque is lost by the bank (TMB), charges, if any, for recording Stop Order will also be borne by the bank.
- e) If the cheque lost is a discounted cheque, the customer would be requested to pay the discounted amount, immediately on knowing the same. And the rest of the procedures will follow as above.

8. Violation of the Code by the banks agent

In the event of receipt of any complaint from the customer that the bank's representative / courier 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, bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.

9. Reversal of Erroneous Debits arising on Fraudulent or Other Transactions

- a) In case of any fraud, if the branch is convinced that an irregularity / fraud have been committed by its staff towards any constituent, branch should at once acknowledge its liability and not only reverse the erroneous debit but also pay just claim.
- b) In cases where the branch is at fault, they may compensate the customer without demur.
- c) In cases where neither the branch nor the customer is at fault, but the false lies elsewhere in the system, branches should compensate the customer up to Rs.25000/-

10. Compensation for loss/additional expenses incurred by customers on account of delay in collection of instruments.

The loss / reasonable actual additional expenses, if any, incurred by customers on account of delay in collection of instruments shall also be reimbursed by the bank.

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

The RBI 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 remitter has already paid for the instruments. Whenever, we enter arrangements with co-operative banks for the utilization of our branch network, we will intimate the same in our Website. We will honour the instruments issued by the co-operative banks even though the co-operative has not made arrangement for the funds, if the instrument is other-wise in order. The bank will separately take up the matter of non-availability of funds with such co-operative banks.

12. Lenders' Commitments to borrowers:

The bank has adopted the principles of lenders liability. In terms of the guidelines for lenders liability, and the Code of Bank's Commitment to Customers adopted by the bank, the bank would return to the borrowers / mortgagors all the securities / documents / title deeds obtained relating to mortgaged property within 15 days of repayment of all direct / indirect liabilities agreed to or contracted. The bank will compensate the borrower or their group concern with Rs.100/- per day, for the delay beyond 15 days. This will not apply to cases where there is legal dispute / litigation. In the event of loss of title deeds to mortgage property at the hands of the banks the compensation will cover "out of pocket expenses" for obtaining duplicate documents plus incidental expenses to a maximum of .10000/-.

13. ATM Failure:

It is mandatory for bank to reimburse the customer, the amount wrongfully debited on account of failed ATM transactions within a maximum period of 12 working days from the date of receipt of the complaint. For any failure to re-credit the customer's account within 12 working days from the date of receipt of the complaint, bank shall pay compensation of Rs.100/- per day to the aggrieved customer. This compensation shall be credited to the customer's account automatically without any claim from the customer, on the same day when bank affords the credit for the failed ATM transactions. In case of ATM transaction through other bank ATM, the charges if any debited by the other bank may also be returned to the customer at the time of credit of failed transactions.

14. 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, 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, beyond the control of the bank prevents it from performing its obligations within the specified service delivery parameters.
