

## Customer protection code to be mandatory for banks: RBI

To protect consumer interest, the Reserve Bank of India (RBI) is formulating guidelines to discourage lenders from mis-selling and hold them responsible for the products they offer.

While presenting the annual monetary policy for 2014-15 in April, RBI Governor Raghuram Rajan had indicated the need for a statutory framework for customer protection in the banking and financial sector.

For regulations governing the sale of financial products and services, the central bank plans to shift from the current 'caveat emptor' (buyer beware) principle to 'caveat venditor' (seller beware). "We are going to have the principle of caveat venditor and will formulate the codes for it," RBI Executive Director Deepali Pant Joshi said, while addressing a conference of the Banking Codes and Standards Board of India (BCSBI) on Tuesday.

### GOOD DAYS ARE AHEAD?

Key outcomes of BSCBI bank branch survey 2013

Branches reluctant to open savings bank accounts

Walk in customers have tough time in remitting money

Customer services panel hardly holds monthly meeting

Poor dissemination of SME code to customers

Exchanging soiled notes still a very painful experience

The principle of caveat venditor forces sellers to take responsibility for the product and discourages them from providing products of inferior quality. The responsibility of proving deficiency in service vests with the seller.

The bank customer protection regulations would be mandatory, Joshi said, adding a draft code on this was expected to be ready in six weeks. The framework would state the customers' rights and spell out banks' implicit duties, she added.

Banks that internalised BCSBI's code of commitment to customers and small & medium enterprises wouldn't find it difficult to adapt to the new statutory framework, she said.

Complaints received by the Banking ombudsman across the country, as well as interaction with customers, show banks have to raise the benchmark for customer services. There is widespread violation of the code of commitment and shortcomings in its implementation. Joshi said this was crucial, as 10 per cent of member banks rated by BCSBI in 2012-13 had good ratings; 52 per cent were rated 'above average' and 38 per cent were rated 'below average'.

Most complaints pertained to credit and debit card services, followed by flouting of the fair practices code, Joshi said.

*(Business Standard)*