

RBI says it will charge banks if they do not improve customer grievance

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The Reserve Bank of India (RBI) asked banks to step up disclosures on customer complaints and cost of redressal, cautioning lenders that fail to improve their redress mechanism quickly will be charged.

At the end of March 2020, the total number of complaints across various offices of RBI stood at 3,08,630. This is a steep rise from 1,95,901 complaints outstanding at the ombudsman offices, as per data from the Trends and Progress Report of the RBI.

If a lender has higher unresolved complaints than average, it will be charged. Bank customers, however, will continue to enjoy free cost of redressal.

The central bank said on Wednesday night this was necessitated because of increasing customer grievances lodged with the banking ombudsman, which merited greater attention by banks.

Disclosures, according to the central bank, "serve as an important tool for market discipline as well as for consumer awareness and protection."

"Appropriate disclosures relating to the number and nature of customer complaints and their redress facilitate customers and interested market participants to better differentiate among banks to take an informed decision in availing their products and services."

To operationalize the cost-recovery framework for banks, peer groups based on the asset size of banks as on March 31 of the previous year will be identified. The central bank will consider three parameters – average number of maintainable complaints per branch, average number of maintainable complaints per 1,000 accounts held by the bank; and average number of maintainable digital complaints per 1,000 digital transactions executed through the bank by its customers.

If there is an excess of one parameter, 30 per cent of the cost will be recovered from banks. In case of excess in two parameters, 60 per cent of the cost will be recovered, and if the bank is found lacking in all three parameters, 100 per cent of the cost would be recovered from the bank.