



Utkarsh Small Finance Bank

CUSTOMER COMPENSATION POLICY

Version 11

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1. INTRODUCTION

Utkarsh Small Finance Bank Limited is a subsidiary promoted by Utkarsh Core Invest Limited. It aims to provide affordable & accessible banking services which are process centric, technology enabled and people oriented resulting in reliable, scalable and sustainable institution facilitating socioeconomic change. The purpose is to provide banking products to the unserved and underserved sections of the country, which includes small and marginal farmers, micro and small industries, and other organized sector entities, at an affordable cost. The Bank's vision is to be the most trusted, digitized Bank that is financially and socially inclusive, and creates values across social strata through insightful and viable solutions.

Utkarsh SFB is committed to provide enhanced Customer experience. The Compensation policy of the Bank is therefore, designed to cover areas relating to unauthorized debiting of account, payment of interest to customers for delayed collection of cheques/instruments, payment of cheques after acknowledgement of stop payment instructions, remittances within India, lending, responsibility owed for any loss or damage to the contents of locker due to negligence / inaction / delayed action of the Bank, etc. The policy is based on principles of transparency and maintaining fairness towards the treatment of customers.

The policy is developed referring to RBI's "Master Circular on Customer Service in Banks" dated July 01, 2015, RBI's circular on Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems dated September 20, 2019 and RBI Circular on Framework for compensation to customers for delayed updation/rectification of credit information dated October 26, 2023.

2. OBJECTIVE

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.

The policy covers areas the following aspects:

1. Unauthorised / Erroneous Debit

2. ECS direct debits/other debits/ Standing Instructions to accounts and Funds transfer using NEFT / RTGS
3. Payment of Cheques after Stop Payment Instructions
4. Payment of Interest for delayed Collection of Outstation Cheques
5. Compensation for loss of instrument in Transit
6. Issue of Duplicate Draft and Compensation for delays
7. Violation of the Code by Bank's agent
8. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks *
9. Lenders liability; Commitments to borrowers
10. Liability of Bank for any damage and/or loss of contents of locker arising from natural calamities or Acts of God or negligence of the customer
11. Liability of Bank arising from events like fire, theft, burglary, dacoity, robbery, building collapse, or in case of fraud committed by employees of the Bank
12. Force Majeure
13. Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems
14. Compensation to customer for Delayed Updation/Rectification of Credit Information.

2.1. Unauthorised / Erroneous Debit

In cases where 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, by the customer and after verifying the position. In cases wherein 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 charges applied by the Bank.

The customer should approach the Bank within a period of six months from the date of the erroneous debit.

The Bank reserves its right to debit the customer's account for reversing the amounts in case a wrong credit is posted to the account without payment of any compensation.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, the Bank will endeavour 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 line with RBI guidelines, customer claims pertaining to unauthorised Electronic Banking transactions will be governed Consumer Protection policy duly uploaded on the website.

2.2. ECS/NACH direct debits/other debits/ Standing Instructions to accounts and Funds transfer using NEFT / RTGS

The Bank will undertake to carry out direct debit/ ECS /NACH debit instructions/standing instructions of customers in time.

For Standing Instructions- the Bank shall compensate the customer to the extent of the financial loss not exceeding Rs. 100 per occasion (Maximum of Rs. 1000/-) subject to providing proper supporting documents for having incurred the loss. In addition, the service charges, if any, recovered for execution of the Standing Instruction shall also be refunded

For Funds transfer using NEFT / RTGS- In case of delay in crediting the beneficiary customer's account or in returning the uncredited amount to the remitter in case of NEFT, the Bank would compensate the customer. Under the extant guidelines, the Bank would pay penal interest at the current RBI LAF Repo Rate plus two percent for the period of delay / till the date of refund as the case may be to the affected customer's Suo moto, without waiting for claim from customers.

2.3. Payment of Cheques after Stop Payment Instructions

In case any 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. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank. In such cases, the Bank shall compensate the customer to the extent of direct financial loss, if any, by way of loss of savings account interest on account of reduction in the daily closing balance applicable for payment of interest on savings bank deposit or payment of additional interest to in a loan account or any charges levied for reason of balance falling below minimum balance requirement or any charges levied for return of cheques due to shortfall in balance.

2.4. Payment of Interest for delayed Collection of Cheques and other Negotiable Instruments

2.4.1. Local Cheques and other Negotiable Instruments

All cheques and other negotiable instruments payable locally would be presented through the Clearing System prevailing at the centre. Bank would give credit to the customer account the day the clearing settlement takes place.

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

- a) If the proceeds of the cheque under collection were to be credited to Saving or Current account of the customer, interest at the rate of Saving Bank rate for the period of delay.
- b) If the proceeds of cheque under collection were to be credited to an overdraft/loan account of the customer, interest will be paid at the rate applicable to the overdraft/loan account.

2.4.2. Outstation Cheques and other Negotiable Instruments

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 specified in the Banks cheque collection policy. 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 on other banks for the purpose of payment of interest on delayed collection.

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

- a) Savings Bank rate for the period of delay beyond 7/10/14 days as the case may be in collection of outstation cheques.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable for term deposit for the corresponding respective period or Saving Bank rate, whichever is higher.
- c) 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.

2.5. Compensation for loss of instrument in Transit

In the event a cheque or an instrument accepted for collection is lost in transit or in the clearing process or at the paying bank's branch, the Bank shall immediately on coming to know of the loss, bring the same to the notice of the accountholder so that the accountholder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him / her are not dishonoured due to non-credit of the amount of the lost cheques / 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 will compensate the accountholder 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 in point no 2.5.

- b) In addition, the 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 the Bank/ institution who would charge a fee for issue of duplicate instrument.

2.6. Issue of Duplicate Draft and Compensation for delays

The Bank will issue duplicate demand draft upto and including Rs 5000/- in lieu of lost demand draft, on basis of adequate indemnity and request from the purchaser or beneficiary.

The issuance of such duplicate draft will be within a fortnight of the receipt of the necessary documents at the branch.

For any delay caused in issuing duplicate draft beyond the above stipulated period, the Bank will pay interest at the rate applicable for fixed deposit of corresponding maturity in order to compensate the customer for such a delay.

2.7. Violation of the Code by Bank's agents/representatives/employees

In cases 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, the Bank would investigate the complaint and endeavour to communicate the findings to the customer within 7 working days from the date of receipt of complaint and wherever justified, compensate the customer for financial loss, if any. The compensation would be limited to Rs. 500 per occasion under this policy, provided that the customer provides proper acceptable supporting document for having incurred the loss. This clause is also applicable to the cases of alleged mis-selling by the staff of the Bank while distributing the Third-Party Products to its customers.

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

The RBI has 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. In this connection it is clarified that the Bank will not honour cheques drawn on current accounts maintained by other banks with it unless arrangements are made for funding cheques issued. As per the arrangement with the co-operative banks, the funding will be arranged prior to issuance of “at par” instruments through internal processes. The responsibility to compensate the cheque holder for non-payment / delayed payment of cheques in the absence of adequate funding arrangement shall be of the co-operative bank from whose account the cheques have been issued.

2.9. Lender's liability; Commitments to borrowers

In case of delay in releasing of original movable / immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the bank shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Bank, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.

In case of loss/damage to original movable / immovable property documents, either in part or in full, the Bank shall assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at paragraph above. However, in such cases, an additional time of 30 days will be available to the Bank to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

The Bank have an approved Standard Operating Procedure (SOP) to ensure compliance with the above provisions.

2.10. Liability of Bank for any damage and/or loss of contents of locker arising from natural calamities or Acts of God or negligence of the customer

The Bank shall not be liable for any damage and/or loss of contents of locker arising from natural calamities or Acts of God like earthquake, floods, lightning and thunderstorm or any act that is attributable to the sole fault or negligence of the customer. Bank shall, however, take adequate measures to protect their premises from such catastrophes.

2.11 Liability of Bank arising from events like fire, theft, burglary, dacoity, robbery, building collapse, or in case of fraud committed by employees of the Bank

The Bank shall take all possible steps for the safety and security of the premises in which the safe deposit vaults are housed. In instances where loss of contents of locker are due to incidents mentioned above or attributable to fraud committed by its employee(s), the Bank's liability shall be for an amount equivalent to one hundred times the prevailing annual rent of the safe deposit locker.

2.12. 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, lockout, strike or other labour disturbances, 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, etc. beyond the control of the Bank prevents it from performing its obligations within the specified service delivery parameters.

2.13. Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions using authorised Payment Systems

The Bank shall refund the customer the amount wrongfully debited on account of failed transactions within the maximum period as mentioned below from the day of transaction. Any delay in credit as mentioned below will be reversed within stipulated time or customer will be compensated as mentioned in table below.

Compensation will be paid in case of delay after number of calendar days as mentioned below @ Rs. 100 / per day.

Sl. no.	Description of the incident	Framework for compensation	
		Timeline for auto-reversal	Compensation payable
I	II	III	IV
1. Automated Teller Machines (ATMs) including Micro-ATMs			

a	Customer's account debited but cash not dispensed.	Pro-active reversal (R) of failed transaction within a maximum of T + 5 days.	₹ 100/- per day of delay beyond T + 5 days, to the credit of the account holder.
2. Card Transaction			
a	<u>Card to card transfer</u> Card account debited but the beneficiary card account not credited.	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account.	₹ 100/- per day of delay beyond T + 1 day.
b	<u>Point of Sale (PoS) (Card Present) including Cash at PoS</u> Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	₹ 100/- per day of delay beyond T + 5 days.
C	Card Not Present (CNP) (e-commerce) Account debited but confirmation not received at merchant's system.		
3. Immediate Payment System (IMPS)			
a	Account debited but the beneficiary account is not credited.	If unable to credit to beneficiary account, auto reversal (R) by the bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
4. National Automated Clearing House (NACH)			
A	Delay in crediting beneficiary's account or reversal of amount.	Bank to reverse the uncredited transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day.

B	Account debited despite revocation of debit mandate with the bank by the customer.	Customer's bank will be responsible for such debit. Resolution to be completed within T + 1 day.	
5. Unified Payments Interface (UPI)			
a	Account debited but the beneficiary account is not credited (transfer of funds)	If unable to credit the beneficiary account, auto reversal (R) by the Beneficiary bank latest on T + 1 day.	₹100/- per day if delay is beyond T + 1 day.
b	Account debited but transaction confirmation not received at merchant location (payment to merchant).	Auto-reversal within T + 5 days.	₹100/- per day if delay is beyond T + 5 days.
6. Aadhaar Enabled Payment System (including Aadhaar Pay)			
a	Account debited but transaction confirmation not received at merchant location	Acquirer to initiate "Credit Adjustment" within T + 5 days	100/- per day if delay is beyond T + 5 days
b	Account debited but beneficiary account not credited		
7. Aadhaar Payment Bridge System (APBS)			
a	Delay in crediting beneficiary's account	Beneficiary bank to reverse the transaction within T + 1 day.	₹100/- per day if delay is beyond T + 1 day

Wherever financial compensation is involved, the same shall be effected to the customer's account *suo moto*, without waiting for a complaint or claim from the customer.

However, in cases of ATM transactions, wherein the reports available with Bank (as shared by external stakeholders like NPCI), indicate a transaction as successful and later on customer disputes such transaction, Bank will not be able to take *suo moto* action and below clause will be applicable:

“The Bank shall refund the customer, the amount wrongfully debited on account of failed ATM transactions within the maximum period of 7 working days from the day of receipt of the complaint. Compensation will be paid in case of delay after 7 working days at Rs. 100 / per day. Customer is entitled to receive such compensation for delay, only if a claim is lodged with the issuing bank within 30 days of the date of the transaction”

Domestic transactions i.e., those where both the originator and beneficiary are within India are covered under this framework.

2.14. Compensation to Customers for Delayed Updation/Rectification of Credit Information.

The customer may request the CIC or the Bank to update their credit information by making an appropriate correction, addition or otherwise, and on such request the Bank OR CIC would take steps to update credit information, complainants shall be entitled to a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of thirty (30) calendar days from the date of the initial filing of the complaint by the complainant with a Bank/ CIC. The Bank shall forward the corrected particulars of the credit information to the CIC or complainant within a period of twenty-one (21) days from the date when the Bank was informed of the inaccuracy in the credit information. The Bank and CIC, collectively, have an overall limit of 30 days to resolve/dispose of the complaint. It implies that the Bank will resolve the complaints within 21 days, and CICs will get the remaining 9 days for compliant resolution. The complainant shall be advised by the Bank/ CIC of the action taken on the complaint in all cases, including the cases where the complaint has been rejected. In cases of rejection, the reasons for rejection shall also be provided by the Bank and the CIC. The compensation amount shall be

credited to the bank account of the complainant within five (5) working days of the resolution of the complaint.

2.15 Compensation to customer for Delay in Credit Card Closure

If the Bank does not close the customer's Credit Card Account within 7 working days from the date the request is received, Bank is liable to pay Rs. 500 per day for each day of delay beyond the 7 working days subject to receiving a complete request and there being no outstanding dues pending from the customer. In case of any outstanding balance due or any transaction / charges related dispute, the request date shall be taken from the date of clearance of the dues or closure of the dispute as the case maybe.

2.16 Delay in Settlement of Claims of Deceased Customers

If any claim is not settled within the stipulated timeframe (as per Board approved "Policy for Settlement of Claims with Respect to Deceased/Missing Customers" of the Bank), the Bank shall communicate the reasons for such delay to the claimant(s). In cases where the delay is attributable to the Bank, bank shall:

- For deposit-related claims, compensation shall be paid in the form of interest at a rate not less than the prevailing Bank Rate + 4% per annum on the settlement amount due for the period of delay. The reference date for calculating the amount due and the prevailing Bank Rate shall be the date of receipt of all required documents from the claimant(s).
- For claims related to safe deposit lockers, compensation shall be paid at the rate of ₹5,000 per day for each day of delay beyond the prescribed timeline.

2.17 Compensation on Pledged Gold Collateral

The Bank shall release or return the pledged eligible collateral to the borrower(s) or legal heir(s) within a maximum period of seven working days from the date of full repayment or settlement of the loan. In case of delay beyond this timeline, where the delay is attributable to the Bank, compensation shall be paid at the rate of ₹5,000 per day for each day of delay. If the delay is not attributable to the Bank, the Bank shall communicate the reasons for such delay to the borrower(s) or legal heir(s). Additionally, the Bank shall bear the cost of repair for any damage to the pledged collateral during the tenor of the loan and suitably compensate for any loss or

deterioration in quantity or purity observed during internal audit, return, or auction. All compensation under this policy shall be without prejudice to the borrower's right to seek any other remedy under applicable law.

2.18 Issuance of Unsolicited Cards / Upgradation

The Bank will not issue any Credit Card without receiving the customer's explicit consent. Similarly, no Credit Card will be activated without the customer's explicit authorization.

In the event that an unsolicited card is issued, or an existing card is upgraded and activated without the customer's explicit consent, and the customer is consequently billed, the Bank will immediately reverse all associated charges upon verification of the customer's claim.

Additionally, the will shall compensate the customer with an amount equivalent to twice the charges levied in such instances.

3. MONITORING

The Bank shall maintain a PPMC (Product and Process Management Committee) approved Standard Operating Procedure (SOP) detailing the monitoring framework for tracking timelines related to service delivery commitments outlined in this Policy. Any delays arising from internal lapses shall be assessed under the established exception tracking mechanism, and staff accountability shall be fixed in accordance with the Bank's disciplinary guidelines. Instances of repeated or avoidable delays shall be escalated to senior management for appropriate corrective action.

4. CUSTOMER'S RESPONSIBILITY

In case the customer acts fraudulently and / or without reasonable care in keeping the cheque book, passbook, cards, pin, passwords or other security information for transacting with the Bank, the Bank would not be responsible for the loss arising out of misuse of such lost PIN, compromise of password and / or security information allowing the transaction resulting in loss to the customer. In the interest of the customer, Bank should be notified within reasonable any such event to prevent further loss to the customer's account.

5. REVIEW OF THE POLICY

This policy would be reviewed annually taking into account the various amendments to guidelines and regulations (if any), Business models and would be placed to Board for their approval.

6. CONFIDENTIALITY

The information in this policy is strictly confidential to the company and should not be disclosed to any other person. It may not be reproduced in whole, or in part, nor may any of the information contained therein be disclosed without the prior consent of the Compliance Department.

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