**BANKING OMBUDSMAN**

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**ABSTRACT:**

The company's business network covers the entire country. Bank customers have faced many problems in recent years due to technological advances, especially online trading. The company receives a large number of customer complaints every second. Therefore, there is a need for a financial ombudsman to protect the interests of consumers. The main purpose of the Banking Ombudsman Program is to resolve customer complaints regarding deficiencies in banking and credit services and advances. In addition to this, RBI may also raise some complaints from time to time. Financial Ombudsman is also responsible for handling complaints against private companies and the government. Therefore, this article aims to review the effectiveness of the banking ombudsman scheme and explore the role of banking ombudsmen in handling customer complaints.

**BANKING OMBUDSMAN:**

**Chapter 1:**

**Introduction and Evolution of the Scheme in India:**

**Meaning and Origin:**

In most of the countries there is little in public administrations. People very often raise their voices against various shortcomings and limitations of public administration. As a remedy to these grievances against public administration alertness at various levels has been found and the creation of Ombudsman is a bold step towards it.

The meaning of Ombudsman is-an official appointed to investigate individuals’ complaints against maladministration, especially that of public authority. The precise mean­ing of the term Ombudsman is grievance officer. An Ombudsman is a public officer whose function is to investigate the grievances, raised by citizens regarding maladministration of the authority. In other words, if there are gross lapses in the functioning of the public administration the citizens have power to lodge complaint against the concerned authority.

The concept of Ombudsman at first originated in Sweden, a Scandinavian state, in 1809 more than two centuries ago. From the beginning of the twentieth century the system began to draw attention of several other European states.

For example, Finland created the institution of Ombudsman in 1919, Denmark in 1955 and Norway in 1961. The institution of Ombudsman drew the attention of several European states, and they did borrow the term. Some countries used the term in Parliamentary commission and New Zealand is one of them.

Dr. Massey, has analysed that the primary objective that the Ombudsman aims to achieve is to improvise the functioning of the government apparatus by modifying its very perception.

...Its main catch is its apparent effectiveness despite minimal coercive capabilities. It has its own role to play by bringing renaissance' and humanism' in the working of modern

government which have tended to develop an attitude to look to the paper rather than the person behind it.

The Ombudsman functions as a substitute for the central system for dispute resolution between citizens and the administrative agency. However, it is imperative to note, that as per the hierarchical structure, a Court of law is undoubtedly at a higher ranking and a decision made by it will supersede a decision by the Ombudsman.

**Research Objective:**

The number one objective of the look at is to investigate the overall performance of the Banking Ombudsman Scheme. The secondary statistics were collected from articles, RBI announcements.

Evolution of the Scheme in India:

During the 1960s, the banking sector was subject to a lot of criticism by the press, public and by the Public and Estimate committees of Parliament due to the inadequate system of grievance redressal by banks. The Reserve Bank of India (RBI) was repeatedly questioned and faced a lot of critique.

They forwarded those complaints to all concerned banks and asked them to come up with a strategy to combat the issue. This led to the formation of advisory bodies and committees who had the prerogative to draft policy for tackling the dissatisfaction prevalent in the banking sector. Since 1972, the banking commission saw a shift in leadership from Sri. R.G. Saraiya to R.K. Talwar and then Goipora. All of them pressured the RBI to look into improving the quality of service provided by banks.

Though many recommendations were taken into account, along with banks implementing new strategies, there still was no significant change in the standard of services. The Narasimham Committee drafted a report on Banking and Financial Sector Reforms which was an eye-opener in this situation. That report emphasized upon various checks and balances measures and introduced Banking Ombudsman Scheme 1995. This scheme was imperative, considering the changes in customer preferences were linked with the economic policy shift in favour of liberalization and privatization.

**Why we need Banking Ombudsman Scheme?**

The Banking Ombudsman (BO) is an essential part of the financial system, serving as an impartial, accessible, and efficient dispute resolution mechanism for customers. Here are the key reasons why a Banking Ombudsman is needed:

1. Protection of Consumer Rights: Many customers may not be aware of their rights or may lack the resources to pursue complaints against large financial institutions. The BO protects customer interests by addressing issues like unfair charges, poor service, delays in transactions, and wrongful denial of services.

2. Easy and Cost-effective Dispute Resolution: The BO offers a simple and cost-free process for resolving disputes, especially useful for people who might not have the means to file legal cases or hire lawyers.

3. Specialized Knowledge and Experience: The BO is staffed by professionals knowledgeable in banking laws and practices. This helps in understanding complex issues, offering fair solutions, and avoiding escalation to the courts.

4. Promotes Transparency and Accountability: Banks are more accountable and responsive to customer complaints when they know there’s a regulator monitoring their behaviour. The BO helps ensure that banks comply with guidelines and provide transparent services.

5. Reduces Burden on Courts: Without the BO, many customers would have no choice but to approach the courts for redress. By providing an alternative resolution forum, the BO reduces the burden on the legal system.

6. Improves Trust in the Banking System: A transparent and fair resolution mechanism builds trust in the banking system. Customers are more confident dealing with banks knowing that there’s a system in place to address grievances impartially.

In short, the Banking Ombudsman is crucial for maintaining balance, fairness, and trust in the banking sector, benefitting both customers and the financial system at large.

**But, what was Narasimham Committee?**

Banks are considered the backbone of any economy. In the late 1980s, Indian economy was going through a series of economic crises, including the Balance of Payment crisis. From near depletion in foreign reserves in mid-1991 to becoming the 3rd largest economy in the world in 2011, India has come a long a way. One of the major contributions in that journey has come from banks.
India has both public and private sector banks. As India liberalised its economy in 1991, it was felt that banks were not performing efficiently. During the economic crises, it was recognised that banks have a crucial role to play in the economy and, hence, the banking sector had to be more competitive and effective. For that, Ministry of Finance under then finance minister Dr. Manmohan Singh set up Narasimham Committee to analyse India’s banking sector and recommend reforms.

The Committee was set up under the chairmanship of Mr Maidavolu Narasimham. He was the 13th governor of the Reserve Bank of India (RBI) from 2 May 1977 to 30 November 1977. There was another Committee, this time under P Chidambaram as the finance minister, headed by Narasimham, which was formed in 1998. The first Committee was set up in 1991 and is referred to as the Narasimham Committee- I, and the 1998 Committee is known as the Narasimham Committee – II.

#### **Major recommendations**

##### **Narasimham committee- i**

The first Narasimhan Committee made the following recommendations for the growth of the banking sector:

 1.  A 4-tier hierarchy for the Indian banking system with 3 or 4 major public-sector banks at the top and rural development banks for agricultural activities at the bottom

2. A quasi-autonomous body under RBI for supervising banks and financial institutions

3. Reduction in statutory liquidity ratio

4. Reaching of 8% capital adequacy ratio

5. Deregulation of Interest rates

6. Full discloser banks’ accounts and proper classification of assets

7. Setting up Asset Reconstruction fund

 **Narasimham Committee- II**

This Committee is also known as the Banking Sector Committee. The task of the Committee was to review the progress of the implementation of reforms and to suggest a design for further strengthening of the sector.

**The major recommendations submitted by the Committee were:**

 **1.  Stronger banking system**

The Committee recommended the merger of major public-sector banks to boost international trade. However, the Committee warned against merging stronger banks with weaker banks.

 **2. Narrow Banking**

Some of the public-sector banks at that time had the problem of high non-performing assets (NPAs). For successful rehabilitation of such banks, the Committee recommended Narrow Banking Concept where the banks were allowed to put their funds in short-term and risk-free assets.

 **3. Reform in the role of RBI**

The Committee also recommended reforms in the role of the RBI in the banking sector. The Committee felt that RBI being the regulator, it should not have ownership in any bank.

 **4. Government ownership**

It also recommended that government ownership of banks should be reviewed as it hampers the autonomy of banks resulting in mismanagement.

 **5. NPAs**

The Committee wanted the banks to reduce their NPAs to 3% by 2002. It also recommended the formation of Asset Reconstruction Funds or Asset Reconstruction Companies. The recommendations led to the introduction of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

**6. Capital Adequacy Ratio**

It also proposed that the government should raise the Capital Adequacy Ratio norms.

**7. Foreign banks**

It also proposed to raise the minimum start-up capital to $25 million for foreign banks from $10 million.

Then the Governor of RBI, Dr. Rangarajan, declared the new The Banking Ombudsman Scheme' on 14th June 1995. The Ombudsman scheme was instituted through Section 35A of the Banking Regulation Act 1949. The scheme was first revised in 2002 to broaden the scope of the complaints entertained, and the kind of services offered. There have been further amendments since then in 2002, 2006, and 2021.

The revised Banking Ombudsman scheme came into power since 1st January 2006 with the ambit of authority and power given to the ombudsman being widened to include newer areas. The ombudsman currently has twenty offices and they are mostly located in state capitals. The Ombudsman scheme governs overall commercial, regional - rural, scheduled primary co-operative banks.

The RBI increased the ambit of the Scheme to combat the limitations stemming from sale of Insurance, Mutual fund and other third party involved endeavors by Banks. For instance, if the Jammu and Kashmir Bank is conducting sale of the mutual funds by Reliance, and Reliance is unwilling or unable to deliver the services claimed, then the Jammu and Kashmir bank will be held accountable for the damages.

Due to this revised scheme, a client may register a complaint against the Bank for the bank's non-compliance to RBI guidelines with respect to Mobile Banking or Electronic Banking services. The procedure for registering and engaging with complaints has also been revised upon. The appeal is now permitted for the complaints initially closed under Clause 13 (c) of the existing Scheme regarding the rejection which was unavailable previously.

**Procedure and Grounds for Complaint:**

A complainant cannot approach the Ombudsman directly without first registering a complaint with the bank itself. If the bank does not respond for the duration of a month or the complainant is unsatisfied with the bank's response, he can then approach the Ombudsman.

Each branch of a bank is mandated by law to display the address of the office of the banking ombudsman that has authority over this branch. To register a complaint simply by stating all relevant information about the kind of loss, the degree of it, and the amount of compensation sought.

**Chapter 2:**

**Characteristics of Banking Ombudsman:**

The Banking Ombudsman is a quasi-judicial authority. It has power to summon both the parties- bank and its customer, to facilitate resolution of complaint through mediation. All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.

The Banking Ombudsman has power to consider complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank related matters.

Powers and Functions of Banking Ombudsman

An important function of Ombudsman is to protect the rights and freedoms of citizens and needless. The ombudsman shall have the power to supervise the general civil administration. On this point the duty of ombudsman is closely connected with the public administration. Because the protection of freedom, execution of policies and other fall within the jurisdiction of public administration and whether these are properly performed or not that requires to be examined-and ombudsman does this job.

A common experience is that people’s rights and freedoms are not properly protected, and public administration does not always take care of it. In this regard the Ombudsman has a lot of duties to perform. In many states the problems of common men are neglected, and the general administration does not always rise to the occasion.

In many states Ombudsman supervises the general administration. It is also called general surveillance of the functioning of the government. In some countries the Ombudsman enjoys enormous power. For examples in Sweden the Ombudsman has been empowered to investigate the cases of corruption (in any form) not only against the government officers but also against the judges of the highest court. But the supervising power of Ombudsman over the judges does not erode the independence of the judiciary. The judges are prosecuted or fined for corruption, negligence of duties, or delay in delivering judgment.

An important function of Ombudsman is the exercise of discretionary powers. The discretionary powers are really vast and how to use these powers depend upon the person concerned. Discretionary powers include corruption, negligence, inefficiency, misconduct etc. To receive complaints relating to the provision of banking services to consider such complaints and facilitate their satisfaction or settlement by agreement, by making a recommendation, or award in accordance with this scheme.

The banking ombudsman's authority will include:-all complaints concerning deficiency in service such as:- non-payment/inordinate delay in the payment or collection of cheques, drafts/bills etc.; non-acceptance, without sufficient cause, of small denomination notes tendered for any purpose, and for charging of commission in respect thereof; non-issue of drafts to customers and others; non-adherence to prescribed working hours by branches; failure to honour guarantee/letter of credit commitments by banks.

Duties of Banking Ombudsman

The Ombudsman shall enquire into and investigate in accordance with the provisions of the Act, and take action or steps as may be prescribed by the Act. All instances or matters of alleged or suspected corruption and them is appropriation of public money or other public property by officials.

That the provisions of any law or under the authority of the State or by any person in its employment, or that any practice is so followed, in a manner which is not public interest. The Ombudsman shall not be required to investigate any instance or matter referred to in the provisions which has been laid before him or her under the provisions when the grounds on account of which the inquiry is desired is in the opinion of the Ombudsman.

Appointment and Tenure

The Reserve Bank may appoint one or more of its officers as Ombudsman and Deputy Ombudsman, to carry out the functions entrusted to them under the Scheme. The appointment of Ombudsman or the Deputy Ombudsman, as the case may be, shall be made for a period not exceeding three years at a time.

 Working

The Banking Ombudsman Scheme has been operationalized by Reserve Bank of India by establishing Banking Ombudsman Offices at 22 centres all over the country. RBI has the responsibility for framing the guidelines for operationalizing the Scheme. It also supervises the running of the Scheme and administrative arrangements, budget and expenditure of the Banking Ombudsman Offices. The names, addresses and area of operation of the Banking Ombudsmen.

**Complaints Considered and Non-Considered by Banking Ombudsman:**

An unhappy customer can lodge a complaint with the Banking Ombudsman with respect to the following banking services:

* Non-payment or unreasonable delay in the payment /collection/ issue of cheques, drafts, bills etc.;
* Non-acceptance, without sufficient cause, of small denomination notes and coins tendered for any purpose, and for charging of commission in respect thereof;
* Non-payment or delay in payment of inward remittances;
* Delay/failure to provide any banking facility (other than loans and advances) which has been promised in writing by the bank;
* Complaints from NRIs having accounts in India in relation to their remittances from abroad, deposits and other bank related matters;
* Refusal to open deposit accounts without any valid reason for this refusal;
* Levying charges without adequate prior notice to the customer;
* Non-adherence to RBI instructions on ATM / Debit Card /Prepaid Card / Credit Card operations in India by the bank or its subsidiaries
* Non-adherence to RBI instruction with regard to Mobile Banking / Electronic Banking service in India.
* Refusal to close or delay in closing accounts;
* Any other matter relating to the violation of RBI directives.

Regarding loans and advances, complaints with respect to the following areas can be lodged:

* Delays in sanction, disbursement or non-observance of prescribed time schedule for disposal of loan applications;
* Not accepting application for loans without furnishing valid reasons to the applicant; and
* Non-observance of any other direction or instruction given by the Reserve Bank as may be specified by the RBI for this purpose from time to time.

Can my complaint be rejected by Banking Ombudsman Officer?

Yes, my complaint can be rejected on the following grounds.

* No complaint has been made within one year from the date of receipt of the reply of the bank or if no reply is received, and, the complaint to Banking Ombudsman is made after the time period of one year and one month from the date of complaint to the bank.
* The subject matter of the complaint is pending for disposal / has already been dealt with at another forum
* Frivolous complaints.
* If the complaint has the same subject matter that was settled in the past through the office of the Banking Ombudsman in any proceedings.

Performance of the Offices:

The performance of the Offices of the Banking Ombudsman was analysed on the aspects such as the quantum of complaints handled by them, the timeless in handling the issues, and appropriateness of the decisions given against the complaints.

The Report for the year 2020-21 has been prepared for the nine month period, i.e., July 1, 2020 to March 31, 2021, in alignment with the change in the Financial Year of the Reserve Bank from ‘July – June’ to ‘April – March' with effect from July 1, 2020. Due to this transition, the number of complaints received during July 1, 2020 to March 31, 2021 under the Ombudsman Schemes of RBI stood at 3,03,107 complaints and fell short of the total number of complaints received during July 1, 2019 to June 30, 2020 (3,30,543) by 27,436 complaints (8.30%). On an annualized basis, the volume of complaints received under the Ombudsman Schemes has gone up by 22.27%. The overall disposal rate under the three Schemes has also improved to 96.59% as compared to 92.52% in the previous reporting period.

1. Banking Ombudsman Scheme (BOS):

The BOS was notified by RBI in 1995 under Section 35A of the Banking Regulation Act, 1949. As on date, Scheduled Commercial Banks (SCBs), Scheduled Primary Urban Co-operative Banks (UCBs), Regional Rural Banks (RRBs), Small Finance Banks (SFBs) and Payment Banks (PBs) are covered under the Scheme. It is administered by RBI through 22 Offices of Banking Ombudsman (OBOs) covering all states and union territories.

A brief analysis of the complaints handled under BOS during July 1, 2020 to March 31, 2021 is as follows:

During the transition year July 1, 2020 to March 31, 2021, the OBOs received 2,73,204 complaints, as compared to 3,08,630 complaints during the previous year (July 1, 2019 to June 30, 2020). Of these, 89.28% were received electronically i.e., through the online portal Complaint Management System (CMS) and through email, as against 85.64% in the previous year.

The disposal rate improved significantly from 92.36% during July 1, 2019 to June 30, 2020 to 96.67% during July 1, 2020 to March 31, 2021, a five-year high, despite the volume of complaints handled being higher than the previous year on an annualized basis, and the human resources remaining the same, which can be attributed to end to end digitization of complaint processing in CMS.

Complaints related to (a) ATM/debit cards and (b) mobile/electronic banking (c) credit cards (d) failure to meet commitments and (e) non-observance of Fair Practices Code (FPC) were the top five grounds of complaints received at the OBOs. The share of ATM/debit card complaints, mobile/electronic banking and credit card complaints to total complaints received during July 1, 2020 to March 31, 2021 stood at 17.40%, 12.98% and 12.36% respectively. The corresponding percentage of complaints against these grounds during July 1, 2019 to June 30, 2020 were 21.97%, 13.38% and 9.30%, respectively.

Of the total maintainable complaints, the share of complaints resolved by mutual agreement i.e. through intervention of OBOs, conciliation/mediation, increased marginally from 72.34% during July 1, 2019 to June 30, 2020 to 72.73% during July 1, 2020 to March 31, 2021.

1. Ombudsman Scheme for Non-Banking Financial Companies,2018:

The OSNBFC was notified by RBI under Section 45L of the RBI Act, 1934 on [February 23, 2018.](https://rbi.org.in/Scripts/NotificationUser.aspx?Id=11220&Mode=0) The Scheme is applicable to (a) Non-Banking Financial Companies (NBFCs) which are authorised to accept deposits (NBFCs-D); and (b) Non-deposit taking NBFCs (NBFCs-ND) having customer interface, with an asset size of ₹100 crore and above, as on the date of the audited balance sheet of the previous financial year. The Scheme is administered through the Offices of the NBFC Ombudsman (ONBFCOs) in four metro centers viz. Chennai, Kolkata, Mumbai, and New Delhi for handling complaints received in the respective zones.

A brief analysis of the complaints handled by ONBFCOs during July 1, 2020 to March 31, 2021 is as follows:

The receipt of complaints at ONBFCOs stood at 26,957 during July 1, 2020 to March 31, 2021 increasing from 19,432 complaints received during July 1, 2019 to June 30, 2020. Thus, an increase of 38.72% was witnessed, despite the current period being short by a quarter. Of the complaints received during July 1, 2020 to March 31, 2021, 93.66% were received electronically, i.e. through CMS or email.

The disposal rate stood at 95.51% during July 1, 2020 to March 31, 2021 as compared to 95.34% July 1, 2019 to June 30, 2020.

Of the total maintainable complaints, 73.69% were resolved through mutual settlement/ agreement i.e. through intervention of the ONBFCOs, conciliation/ mediation.

1. Ombudsman Scheme for Digital Transactions, 2019:

The OSDT was notified by RBI under Section 18 of the Payment and Settlement Systems Act, 2007 on January 31, 2019. The Scheme is applicable to Non-bank System Participants (issuers of Pre-paid Payment Instruments (PPIs)) regulated by the RBI. The Offices of Ombudsman for Digital Transactions (OODTs) function from all the existing 22 OBOs, and handle complaints of customers in their respective territorial jurisdictions.

A brief analysis of complaints handled by OODTs during July 1, 2020 to March 31, 2021 is as follows:

The number of complaints received at OODTs rose from 2,481 during July 1, 2019 to June 30, 2020 to 2,946 during July 1, 2020 to March 31, 2021 of which 99.90% were received through electronic means.

Fund transfers/Unified Payments Interface (UPI)/BBPS/Bharat QR Code, mobile/electronic fund transfer and non-reversal of debit due to wrong beneficiary transfer by System Participant were the top three grounds of complaint under OSDT, 2019 with share in total complaints at 51.15%, 22.57%, and 8.18%, respectively.

The disposal rate of complaints stood at 99.13% during July 1, 2020 to March 31, 2021. Of the maintainable complaints, 57.54% were disposed through mutual settlement/ agreement through intervention of the OODTs.

Complaints received by Ombudsmen during July 1, 2020 to March 31, 2021

The Alternate Dispute Resolution (ADR) mechanism in RBI comprises of the Ombudsman framework with 22 OBOs, 4 ONBFCOs and 22 OODTs and 30 Consumer Education and Protection Cells (CEPCs). The complaints that are not covered under the three Ombudsman Schemes are presently being handled by the CEPCs.

The total volume of complaints received under all the three Ombudsman Schemes stood at 3,03,107 during the nine-month period (July 1, 2020 to March 31, 2021) as compared to 3,30,543 complaints received during July 1, 2019 to June 30, 2020. The office-wise number of complaints during the transition period is given in table below.

Table – Office-wise distribution of complaints received by ORBIOs during

July 1, 2020 to March 31, 2021

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Ombudsman Office  | BOS  | OSDT  | OSNBFC  | Total complaints 2020-21 (Jul-Mar)  | Annualized 2020-21 (12 months)  |
|  |  | East Zone  |  |  |
| Bhubaneshwar  | 5,678  | 114  |   | 5,792  |  7,723  |
| Guwahati  | 2,678  | 43  |   | 2,721  |  3,628  |
| Kolkata  | 11,817  | 176  | 2,047  | 14,040  |  18,720  |
| Patna  | 12,560  | 162  |   | 12,722  |  16,963  |
| Ranchi  | 3,797  | 30  |   | 3,827  |  5,103  |
| Total  | 36,530  | 525  | 2,047  | 39,102  |  52,136  |
| % share to All India  | 13.37%  | 17.82%  | 7.59%  | 12.90%  |   |
|  |  | North Zone  |  |  |
| Chandigarh  | 28,019  | 93  |   | 28,112  |  37,483  |
| Dehradun  | 6,324  | 33  |   | 6,357  |  8,476  |
| Jaipur  | 17,636  | 207  |   | 17,843  |  23,791  |
| Jammu  | 1,368  | 21  |   | 1,389  |  1,852  |
| Kanpur  | 21,169  | 173  |   | 21,342  |  28,456  |
| New Delhi-I  | 18,767  | 245  |   | 19,012  |  25,349  |
| New Delhi-II  | 16,057  | 104  | 10,712  | 26,873  |  35,831  |
| New Delhi-III  | 8,416  | 62  |   | 8,478  |  11,304  |
| Total  | 1,17,756  | 938  | 10,712  | 1,29,406  |  1,72,541  |
| % share to All India  | 43.10%  | 31.84%  | 39.74%  | 42.69%  |   |
|  |  | South Zone  |  |  |
| Bengaluru  | 13,535  |  242  |   | 13,777  |  18,369  |
| Chennai  | 16,098  | 124  | 5,845  | 22,067  |  29,423  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Ombudsman Office  | BOS  | OSDT  | OSNBFC  | Total complaints 2020-21 (Jul-Mar)  | Annualized 2020-21 (12 months)  |
| Hyderabad  | 17,088  | 225  |   | 17,313  |  23,084  |
| Thiruvananthapuram  | 5,678  | 12  |   | 5,690  |  7,587  |
| Total  | 52,399  | 603  | 5,845  | 58,847  |  78,463  |
| % share to All India  | 19.18%  | 20.47%  | 21.68%  | 19.41%  |   |
|  |  | West Zone  |  |  |
| Ahmedabad  | 17,223  | 112  |   | 17,335  |  23,113  |
| Bhopal  | 12,377  | 259  |   | 12,636  |  16,848  |
| Mumbai-I  | 18,629  | 173  |   | 18,802  |  25,069  |
| Mumbai-II  | 15,215  | 292  | 8,353  | 23,860  |  31,813  |
| Raipur  | 3,075  | 44  |   | 3,119  |  4,159  |
| Total  | 66,519  | 880  | 8,353  | 75,752  |  1,01,003  |
| % share to All India  | 24.35%  | 28.97%  | 30.99%  | 24.99%  |   |
| All India Total  | 2,73,204  | 2,946  | 26,957  | 3,03,107  |  4,04,143  |

**Ombudsman of Other Authorities:**

**Insurance Ombudsman:**

The Insurance Ombudsman scheme was created by the Government of India for individual policyholders to have their complaints settled out of the courts system in a cost-effective, efficient and impartial way.

There are at present 17 Insurance Ombudsman in different locations and any person who has a grievance against an insurer, may himself or through his legal heirs, nominee or assignee, make a complaint in writing to the Insurance ombudsman within whose territorial jurisdiction the branch or office of the insurer complained against or the residential address or place of residence of the complainant is located.

You can approach the Insurance Ombudsman with complaint if:

* You have first approached your insurance company with the complaint and
	+ They have rejected it;
	+ Not resolved it to your satisfaction or;
	+ Not responded to it at all for 30 days.
* Your complaint pertains to any policy you have taken in your capacity as an individual and;
* The value of the claim including expenses claimed is not above Rs. 30 lakhs.

**Income Tax Ombudsman:**

In our own Country, the Income Tax Ombudsman is appointed by the Central Government. He is usually a person with vast experience in tax administration, but functions independently of it. At present, the Government has appointed Ombudsman at New Delhi, Mumbai, Chennai, Chandigarh, Kolkata, Hyderabad, Bangalore, Ahmedabad, Pune, Lucknow, Bhopal, and Kochi. Appointments at other places are under consideration.

**What Grievances can you take to the Ombudsman?**

You can complain to the Ombudsman about your grievances relating to delays in disposal or settlement of claims connected with:

* Issue of refunds;
* Interest waiver petitions;
* Appeal effects;
* Rectification applications;
* Release of seized books of accounts and assests;
* Allotment of PAN issue of PAN Cards.

**SEBI:**

In terms of section 11 of the SEBI Act it is one of the duties of SEBI to protect the interests of investors in securities market by taking necessary steps as it deems fit. SEBI had been receiving complaints from the investors against listed companies particularly with respect to non- receipt of refund orders, non-receipt of shares certificates / unit certificates, non-receipt of dividend and many more matters. The complaints against intermediaries regarding deficiency of service have been in a large number.

For redressal of the investor grievance SEBI has been advising the companies or the intermediaries to redress the same. The investors have also been claiming damages / compensation / interest etc. The other course of action against the listed company is prosecution or imposition of monetary penalty of the erring companies. The available action against intermediaries is the suspension and cancellation of registration or imposition of monetary penalty. The above does not redress the grievance of investors or give any compensation to the investors. Therefore, issue of an alternative redressal mechanism which is cheap, fast, informal and efficient has been engaging the attention of SEBI. SEBI is exploring various avenues such as scheme of Ombudsman.

**Which are the complaints dealt by SEBI?**

Complaints arising out of issues that are covered under SEBI Act, Securities Contract Regulation Act, Depositories Act and rules and regulation made there under and provisions that are covered under section 24 of Companies Act, 2013. The detailed list of nature of complaints handled by SEBI.

Which are the matters that are not considered as complaints in SCORES?

* Complaint not by investor.
* Complaint not pertaining to investment in securities market.
* Anonymous Complaints (except whistle blower complaints) Incomplete or un-specific complaints Allegations without supporting documents.
* Suggestions or seeking guidance/explanation.
* Seeking explanation for non-trading of shares or illiquidity of shares.
* Not satisfied with trading price of the shares of the companies.

Which are the complaints not dealt by SEBI?

* Complaints that are in the purview of some other regulators/ agencies such as complaints against unlisted/delisted/wound up/liquidated/sick companies etc.
* Complaints that are sub-judice (relating to cases which are under consideration by court of law, quasi-judicial proceedings etc.)
* Complaints falling under the purview of other regulatory bodies viz. RBI, IRDAI, PFRDA, CCI, etc., or under the purview of other ministries viz., MCA, etc.

Market regulator Securities and Exchange Board of India (SEBI) says its SEBI Complaints Redress System (SCORES) platform has more than 4,100 complaints pending, with as many as 29 complaints pending for more than three months (90 days). This is against the average resolution time of 36.8 days taken for resolving complaints on the SCORES platform. The highest number of complaints pending since the past three months are against investment advisers at eight, followed by seven complaints against refund, allotment, dividend, transfer, bonus, rights, redemption and interest. Three complaints each are pending against non-demat or remat, registrars to an issue and share transfer agents and stockbrokers.

In a release, SEBI says, as of 31 October 2021, SCORES has 4,159 actionable complaints pending. It excludes complaints against which regulatory actions are initiated or which are under sub-judice. At the beginning of the month, the platform had 4,095 complaints pending. During October, it received 3,536 new complaints, out of which 3,676 were disposed.

 Two complaints are pending against venture capital funds. One complaint each is pending against a depository participant (Religare Securities Ltd), a mutual fund (Franklin Templeton Mutual Fund) and a research analyst (Grovalue Financial Services Pvt Ltd), the data shared by SEBI shows.

 How are complaint handled by SCORES?

SEBI examines your complaint and decides whether the subject matter falls under the purview of SEBI and whether it needs to be referred to concerned entity. After examination, SEBI forwards the complaint to the concerned entity with an advice to send a written reply to you and file an action taken report in SCORES.

**Banking Ombudsman Scheme other than India**

**France:**

If you have a problem with your bank, then clearly you should approach the branch in the first instance to try and resolve it. The next stage is to make contact with their Service Relations Clientèle with a letter of complaint, which should be sent by recorded delivery, called recommandé avec avis de reception (registered with acknowledgment of receipt).

If the matter is still not resolved to your satisfaction, the banks have in place an ombudsman complaints system where the dispute can be referred. The main banks have their own independent ombudsman, called a Médiateur (Mediator).The Médiateur is granted 90 days to review the case and provide a report. You should ask at your branch for the contact details of the bank Médiateur or find their contact details on the bank web site. A full list can also be found at [Annuaire des médiateurs bancaires](https://cerclemediateursbancaires.fr/annuaire/)(Directory of banking mediators). The recommendations of the Médiateur are not binding on either yourself or the bank, but their reports are generally respected by both sides. Alternatively, the **Fédération Bancaire Française (**French Banking Federation) also have a Médiateur in place, whom you can contact a [Saisir la Médiatrice](https://lemediateur.fbf.fr/) (Enter the Mediator). Ultimately, you have recourse to a court of law if the Médiateur cannot deal with your case or you are dissatisfied with the outcome. In the case of cross-border problems between two banks then you should contact the European extra judicial complaints service called [FIN-NET](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/consumer-finance-and-payments/retail-financial-services/financial-dispute-resolution-network-fin-net/make-complaint-about-financial-service-provider-another-eea-country_en).

**Singapore:**

The Monetary Authority of Singapore (MAS) is the [central bank](https://en.wikipedia.org/wiki/Central_bank) and [financial regulatory](https://en.wikipedia.org/wiki/Financial_regulation) authority of [Singapore](https://en.wikipedia.org/wiki/Singapore). It administers the various statutes pertaining to money, banking, insurance, securities and the financial sector in general, as well as [currency issuance](https://en.wikipedia.org/wiki/Singapore_dollar). It was established in 1971 to act as the [Government of Singapore](https://en.wikipedia.org/wiki/Government_of_Singapore)'s banker.

Role of MAS:

* Legacy financial institutions worldwide have often been accused of failing to adapt to modern consumers’ and businesses’ needs.
* However, in recent years, innovative Fin tech organizations have done much to alter the playing field. MAS, SG is one of the few that continues to adapt in our fast-moving world. The distinct roles of MAS can be boiled down to:
* Supervision of Financial Services
* MAS regulates the financial sector within Singapore. It adapts and supervises all financial goings-on while ensuring high levels of transparency and disclosure.
* Controls the Government’s Financial Reserves
* MAS serves as the government’s banker. The government can make deposits through MAS and transact globally.
* Issues Government Securities
* Any securities issued by the government are ultimately controlled by MAS.

**Australia:**

The Australian Financial Complaints Authority or AFCA is an [external dispute resolution](https://en.wikipedia.org/wiki/External_dispute_resolution) (EDR) scheme for consumers who are unable to resolve complaints with member financial services organisations.[[1]](https://en.wikipedia.org/wiki/Australian_Financial_Complaints_Authority#cite_note-1) It is operated as a not-for-profit company limited by guarantee and was authorised in 2018 by the then Minister for Revenue and Financial Services, [Kelly O'Dwyer](https://en.wikipedia.org/wiki/Kelly_O%27Dwyer), in accordance with the Corporations Act 2001.

AFCA replaced the three pre-existing EDR schemes of the [Financial Ombudsman Service](https://en.wikipedia.org/wiki/Financial_Ombudsman_Service_%28Australia%29) (FOS), the [Credit and Investments Ombudsman](https://en.wikipedia.org/wiki/Credit_and_Investments_Ombudsman) (CIO) and [Superannuation Complaints Tribunal](https://en.wikipedia.org/wiki/Superannuation_Complaints_Tribunal) (SCT). Membership of AFCA is a requirement under law or license condition of all financial firms and financial service providers.

The Australian Financial Complaints Authority was established on 1 November 2018, replacing the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO) and the Superannuation Complaints Tribunal (SCT).The Australian Government announced on 9 May 2017 that AFCA would be established in response to the review of external dispute resolution and complaints arrangements in the financial system.

### Rules

The Rules of AFCA outline the types of complaints that AFCA can consider, as well as their procedures, remedies and reporting obligations. The rules were approved by the [Australian Securities & Investments Commission](https://en.wikipedia.org/wiki/Australian_Securities_%26_Investments_Commission) (ASIC) on 12 September 2018.

Complaints can be considered by AFCA:

* You must be eligible to complain
* The complaint needs to be about a financial firm that is an AFCA member.
* The complaint must meet our threshold requirements (such as being lodged within time) and be within our monetary jurisdiction.
* Your complaint cannot be excluded by our Rules.
* [Credit, loans and finance](https://www.afca.org.au/make-a-complaint/credit-finance-and-loan-complaints/)
* [Insurance](https://www.afca.org.au/make-a-complaint/insurance/)
* [Banking payments and transactions](https://www.afca.org.au/make-a-complaint/banking/)
* [Investments and financial advice](https://www.afca.org.au/make-a-complaint/investments-and-financial-advice/)

Complaints which cannot be considered by AFCA:

* We cannot generally consider a complaint about a service or product that is not financial in nature.
* We cannot generally consider a complaint about a decision by a financial firm about how to allocate the benefit of a financial service between potential beneficiaries.
* We cannot generally consider a complaint that raises the same events and facts and is brought by the same person as a complaint previously dealt with by AFCA.
* We cannot generally consider a complaint that has already been dealt with by a court, legislative dispute resolution tribunal or a predecessor scheme. There are, however, some exceptions to this. If you are not sure, you should contact us or lodge your complaint so we can check whether we can consider it.

Resolution process

The AFCA only considers a complaint after the consumer has first attempted to resolve the dispute directly with their financial service provider. If the dispute is unable to be resolved or the outcome is unsatisfactory, AFCA can then consider it.

Complaints can be filed with AFCA through an online form on their website. An AFCA representative will then contact the consumer and relevant financial service provider to settle the dispute. In the case a settlement cannot be reached, an AFCA case analyst will develop a balanced solution. The consumer can then either accept the proposed settlement from AFCA or take their dispute to court.

**FSLRC (FINANCIAL SECTOR LEGISLATIVE REFORMS COMMITTEE):**

The Ministry of Finance, Government of India, convened a meeting on 24 March 2011 "with the aim of rewriting the financial laws and making them relevant to contemporary needs". The resolution states the terms of reference and terms of use (TOR) of the group. The Ministry of Treasury, announced in March 2013, has made several recommendations to the Ministry of Treasury for the protection of consumers from misselling and fraud. It also promotes the development of financial markets in India. This includes: Review of the general research recommendations of the Expert Group in the discussions on specific issues in the five Working Groups (WGs) of the Commission. A team of consultants, researchers and other staff helps the Commission in carrying out its work. It examines the needs of the business, the conditions necessary for the structure of the financial sector to evolve. In its investigation, the committee also tried to understand the reasons for the financial crisis of 2008 and the lessons that India can learn in the future, as Indian institutions need to be strong and grow enough to prevent future financial problems. The Finance Minister announced the establishment of the FSLRC in the Financial Statement 20112012 to write and coordinate financial market policies, rules and regulations. The government issued an order in March 2011 notifying the FSLRC. Sri Krishna, the committee has many members from the fields of finance, business, public administration, law etc. for over a century. Many of the laws of the financial sector date back to years when the financial sector was very different from what it is today. For example, the SEBI (Securities and Exchange Board of India) Act does not give the regulator the power to arrest anyone but directs it to impose heavy penalties for all market violations. The Reserve Bank of India (RBI) Act and the Insurance Act came into force in 1934 and 1938 respectively. Similar activities.

Table: FSLRC Recommendations

|  |  |  |
| --- | --- | --- |
| Functions | Current accountabilities | Proposed accountabilities |
| Monetary policy; regulation and supervision of banks; regulation and supervision of payments system. | RBI | RBI |
| Regulation and supervision of all non-bank and payments related markets. | SEBI, FMC, IRDA and PFRDA | UFA |
| Hear appeals against RBI, the UFA and FRA. | SAT | FSAT |
| Resolution work across the entire financial system. | DICGC | Resolution Corporation |
| Statutory agency for systemic risk and development. | FSDC | FSDC |
| An independent debt management agency. | New Entities | Debt Management Agency |
| Consumer complaints. | New Entities | FRA |

Source: FSLRC Report, PRS.

The Commission was formed to review and recast these old laws in tune with the modern requirements of the financial sector. FSLRC plans to eliminate 25 of the current 61 laws that currently govern the financial sector and amend many others.

Working Process

The Commission decided to multi-task its approach by a parallel process of Working Groups. Five areas were identified for detailed analysis: (i) Banking, (ii) Securities, (iii) Public Debt Management, (iv) Payment Systems, and (v) Insurance, Pensions & Small Savings. Each Working Group was chaired by a Member of the Commission. Other Members were free to join any of the Working Groups as per their preference and attend any of meetings.

Financial inclusion and literacy

Financial inclusion is a major policy objective that India has been trying to achieve over the years. The Commission has noted that inclusion, even in terms of basic banking accounts, has reached only about half the population; in terms of financial instruments such as insurance and securities, inclusion is far limited. Though the level of inclusion should depend on the type of financial products, financial services, such as basic banking and pure insurance products, should reach almost all; other products, enabling risk management and income generation, should reach a sizeable population so that the benefits of modern finance are available to a large part of the population.

The Commission debated issues emanating from mandated development and financial inclusion as a regulatory responsibility. While expert opinion is divided on the subject, the underlying line of thinking has been that regulatory mandating has to be avoided because the regulatory approach should be to provide an enabling framework wherein service providers would be able to use innovative approaches, including usage of modern technologies, in achieving the desired macro objectives. Moreover, micro-level targeting and licencing approaches may be too slow in achieving this objective.

FSLRC moots single regulator

The FSLRC submitted its report in March 2013. It came up with its recommendation spread over two volumes and 439 pages. The Commission has proposed an Indian Financial Code Bill 2013 to create a Unified Financial Authority (UFA) and bring about reforms in financial sector regulations. The panel suggested that SEBI, IRDA, PFRDA (Pension Fund Regulatory and Development Authority) and the Forward Markets Commission (FMC) be merged under one regulator-UFA.

However, RBI (Reserve Bank of India) will continue to be the banking regulator. The new UFA would subsume watchdogs for insurance, capital markets, pension and commodities while letting the RBI continue its supervisory role over the banking industry.

Consumer protection

According to FSLRC, all financial laws and regulators are intended to protect the interest of consumers. Hence, a dedicated forum for relief to consumers and detailed provisions for protection of unwary customers against mis-selling and defrauding by smaller print etc. has been recommended.

The FSLRC report proposes certain basic rights for all financial consumers. For lay investors, the report proposes additional set of protections. The Commission has recommended some amendments to existing laws and new legislations. These changes will have to be carefully brought about accordingly.

Some basic protections consumers would expect include that financial service providers must act with due diligence. It is essential to protect investors against unfair contract terms, unjust conduct and protection of personal information.

Micro-prudential regulation

One element of protecting consumers is to constrain financial firms to take lower risk, so as to improve the extent to which promises by a financial firm to a consumer are upheld. This is the task of micro-prudential regulation. In addition to being motivated by consumer protection, high quality micro-prudential regulation also reduces systemic risk. This calls for a comprehensive micro-prudential framework.

Resolution

The best efforts of micro-prudential regulation will reduce, but not eliminate, the failure of financial firms. When such episodes arise, a specialised resolution capability is required to ensure graceful winding up of a financial firm that has become unviable, and transition the customers of the erstwhile firm. Under a formal arrangement such as this, a key difference that will be induced by a resolution corporation will be reduced burden on tax payer resources by failing financial firms. When a financial firm is healthy, it would face micro-prudential regulation, while the resolution corporation would lie in the background. When the firm approaches failure, it would increasingly face the resolution corporation. This requires the legal framework to create a resolution corporation and set it in motion.

Capital controls

India now has an open current account, but many capital account restrictions remain. The Commission agreed that the timing and sequencing of capital account liberalisation should be chosen by policy makers in the future. The drafting of law needs to establish a sound legal foundation for capital controls, with a focus on objectives and accountability in regulation making, and an emphasis on the rule of law. The regulations governing inward flows should be framed by the Central Government, in consultation with the RBI. The regulations governing outward flows should be framed by the RBI, in consultation with the Central Government.

Monetary policy

The conduct of monetary policy is covered by a law that establishes the central bank and defines the triad of objectives, powers and accountability mechanisms.

Financial Regulatory Architecture Act

The proposed regulatory structure will be governed by the Financial Regulatory Architecture Act that will ensure a uniform legal process for the financial regulators. The finance ministry will unify the regulatory structure before tweaking the legislative structure. It may take two years for the report to be implemented in a phased manner.

**Judicial review:**

The panel has recommended judicial review of regulations. The report has suggested a sunset clause of 10 years. In other words, the laws would be reviewed every 10 years. The committee also recommended giving required attention to debt management and setting up a financial redressal agency and a financial stability and development council.

## **Conclusion:**

The banking ombudsman scheme is a tool in the hands of the customers of the banking industry that can be used by them whenever there is a deficiency in service on the part of the bank or when the customers are not satisfied with the services provided by the banking industry. The scheme has been a major benefit to the customers as it has given them the power to keep the banks in a check for the services they are providing.

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