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RIGHTS AND DUTIES OF A BANKER AND CUSTOMER RIGHTS



CH – 18 MODULE A Part 2 PPB BY Ashish Sir

TERMINATION OF BANK-CUSTOMER RELATIONSHIP


✓ The **bank-customer relationship** is a **contractual relationship** and can be **terminated** in the following ways:

1. Voluntary Termination

✓ A customer **can close their account** at any time due to:




- ◆ Change of **residence** 
- ◆ **Dissatisfaction** with banking services 
- ◆ Any **other personal reason**

✓ A bank **can also close an account** if:

- ◆ The **account conduct** is **unsatisfactory** 
- ◆ The **customer** is found **undesirable** for legal or regulatory reasons

✓ **Important Condition:**

Banks must give reasonable notice before closing an account.








 **Real-Life Example:** A customer shifts to a **new city** and **closes their savings account** at a local branch. The bank **processes the request** without delay.  



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2. Termination by Law

✓ The bank-customer relationship can be legally terminated in specific cases.

Situations Leading to Legal Termination

 Reason	 Bank's Action	 Legal Basis
 Death of Customer	Debit transactions stop immediately; balance given to nominee/ legal heir after documentation.	Succession Laws
 Bankruptcy/ Liquidation	No further withdrawals allowed; balance given to Receiver/ Liquidator .	Bankruptcy Act
 Garnishee Order	Account frozen or closed based on court orders .	Income Tax Act, Court Orders
 Mental Incapacity	Account closed after confirmation of the customer's unsound mind.	Indian Contract Act, 1872




 **Real-Life Example:** A business owner **declares bankruptcy**. The bank **freezes the account** and transfers the balance to a **court-appointed liquidator**. ✓ 

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CUSTOMER AWARENESS


✓ Many customers **do not fully understand** their **banking rights & responsibilities**.

✓ **Banks must educate customers about:**

- ◆ **Account terms & conditions** 
- ◆ **Rights in case of fraud or errors** 
- ◆ **Proper banking practices** 

Customer Awareness Methods

 Mode of Awareness	<input checked="" type="checkbox"/> Examples
 Brochures & Pamphlets	Information on loans, deposits, fraud prevention .
 Financial Literacy Camps	Sessions on safe banking & digital transactions .
 Digital Screens & Kiosks	Display banking guidelines & customer rights at branches.
 Bank Website & Mobile App	FAQs, grievance redressal policies, customer education blogs.







 **Real-Life Example:** A bank organizes a **financial awareness session** for rural customers, explaining **how to use ATMs safely & avoid fraud**.



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Summary: Bank-Customer Relationship & Customer Awareness

 Aspect	 Key Guidelines	 Real-Life Example
 Voluntary Termination	Customers can close accounts anytime , banks must give notice before closure .	A customer closes an account after moving to another country.
 Legal Termination	Accounts can be closed due to death, bankruptcy, or court orders .	A businessman's account is frozen due to bankruptcy .
 Customer Awareness	Banks must educate customers on their rights & banking terms .	A bank hosts an online webinar on safe digital banking .

BANKING CODES AND STANDARDS BOARD OF INDIA (BCSBI)

✓ In **November 2003**, RBI set up the **Committee on Procedures and Performance Audit of Public Services (CPPAPS)** under **Shri S.S. Tarapore** (Former Deputy Governor).




✓ **The goal was to:**

- ◆ Identify **gaps in banking services** 
- ◆ **Improve customer service** in banks 
- ◆ **Protect consumers** from unfair banking practices 

✓ The committee **recommended** the establishment of **BCSBI**, modeled after the **Banking Codes and Standards Board of the UK**.

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 **Real-Life Example:** Many customers faced issues with banking transparency. To resolve this, **BCSBI was set up to ensure banks adhere to fair practices.**  

History of BCSBI

- ✓ **BCSBI was registered** as a separate society under the **Societies Registration Act, 1860** on **February 18, 2006.**
- ✓ It functioned as an **independent watchdog** to ensure **banks kept their promises to customers.**






Main Objectives of BCSBI:



 Objective	 Purpose
 Develop Banking Codes	Set clear guidelines for fair banking practices.
 Protect Consumers	Ensure customers receive the promised services.
 Monitor Banking Practices	Oversee whether banks follow set standards.

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✓ Codes Issued by BCSBI:

 Code Name	 Issued/Updated	 Purpose
 Code of Bank's Commitment to Customers	2006 (Revised 2018)	Ensures fair treatment of customers in banking services.
 Code of Bank's Commitment to Micro & Small Enterprises (MSEs)	2008 (Revised 2012 & 2015)	Protects MSE businesses from unfair banking practices.

 **Real-Life Example:** Before BCSBI, many small businesses **struggled with unfair loan processing delays**. The **MSE Code ensured faster & transparent loan approvals** for small enterprises. ✓ 

Present Status of BCSBI

✓ In February 2019, RBI decided that **BCSBI's functions would be handled departmentally**.



✓ As a result, **BCSBI was dissolved on April 1, 2019**.

✓ What replaced BCSBI?

 New Entity	 Function
 Consumer Education & Protection Department (CEPD)	Educates customers about banking rights .

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 Ombudsman Mechanism	Strengthened grievance redressal for banking complaints.
 Charter of Customer Rights (CoCR)	Established rules to protect customers.







✓ Even after BCSBI's dissolution, the codes issued by it are still applicable and banks are evaluated based on them.

Nature of BCSBI Codes

✓ The **two BCSBI codes set minimum banking standards** for:




- ◆ **Individual customers** 
- ◆ **Micro & Small Enterprises (MSEs)** 

✓ **Objectives of BCSBI Codes:**









 Objective	 Key Benefits
 Promote Good Banking Practices	Ensures fair treatment of all customers.
 Set Minimum Service Standards	Every bank must follow defined standards.
 Increase Transparency	Customers get full clarity on banking charges & processes.
 Improve Customer Confidence	Ensures a trustworthy banking system.

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 **Real-Life Example:** A bank denied a customer access to basic account information. Under BCSBI codes, the customer has the right to demand transparency & fair service.  

Summary Table: BCSBI & Its Impact

 Aspect	 Key Points	 Real-Life Impact
 Establishment of BCSBI	Formed in 2006 to ensure fair banking .	Customers get clear service guidelines from banks.
 Purpose	Protects customers & small businesses from unfair banking.	Small businesses receive fairer loan approvals .
 BCSBI Codes	1 Code for Customers 2 Code for MSEs .	Banks must follow clear service rules for individuals & businesses.
 Dissolution in 2019	BCSBI functions taken over by RBI & CEPD.	Ombudsman & CEPD handle banking grievances now .
 Codes Still Applicable	RBI still evaluates banks based on BCSBI norms .	Customer rights remain protected under RBI rules.











Code of Bank's Commitment to Customers

 Introduced on **July 1, 2006** and revised in **2009 & 2014** to improve transparency & customer protection.

 Covers banking services, including:

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 Service Covered	 Key Features
 Deposit Accounts	Ensuring fair terms & conditions for account holders.
 Safe Deposit Lockers	Secure locker facilities for customers.
 Settlement of Deceased Accounts	Quick & hassle-free settlement of a deceased person's account.
 Foreign Exchange Services	Fair practices in currency exchange.
 Remittances (Within India)	Transparent & fast domestic money transfers.
 Loans & Advances	Clear loan terms, fair interest rates, and no hidden charges.
 Credit Cards	Transparent charges, grievance redressal for credit card issues.
 Internet Banking	Secure and efficient digital banking experience.

 **Real-Life Example:** A bank **wrongly charges hidden fees on a loan.**

Under this **Code**, the bank **must refund the amount & disclose all charges upfront.**  




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Code of Bank's Commitment to Micro & Small Enterprises (MSEs)




✓ Launched in **May 2008**, revised in **2012 & 2015**, this code ensures fair banking practices for MSEs.

✓ Provides protection to MSEs in:

- ◆ Business account operations 
- ◆ Financial difficulty situations 
- ◆ Loan & credit transactions 

✓ Additional Areas Covered:

 Aspect	 Key Features
 Interest Rates & Tariffs	Transparent & fair pricing for loans.
 Terms & Conditions	Clear agreements for banking services.
 Compensation for Errors	Banks must compensate businesses for financial losses caused by their mistakes.
 Customer Privacy	Protection of business account details .
 Marketing & Advertisements	No misleading promotions or unfair practices.










 **Real-Life Example:** A small business applies for a loan and is charged extra processing fees. Under this code, the bank must **refund unfair charges & ensure transparency.**  




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Key Commitments Under The Codes

✓ **Banks must follow these principles** while dealing with customers & businesses:

 Commitment	 What It Means for Customers
 Fair & Reasonable Dealings	Banks must not mislead or misguide customers.
 Financial Education	Customers must be clearly informed about banking products & services.
 Ease of Banking	Banks must help customers use their accounts & services effectively.
 Quick Issue Resolution	Banks must act promptly & fairly in case of disputes.
 Privacy & Security	Customer data must be kept confidential.
 Public Awareness	The code must be visible & accessible to all customers.
 Non-Discrimination	Banks cannot deny services based on gender, religion, caste, etc.






 **Real-Life Example:** A bank **denies a credit card to a customer based on discrimination.** Under this code, the bank can face strict penalties & must offer fair services.  




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Information Transparency Under The Codes

✓ **Banks must disclose clear information on:**

- ◆ Interest rates 
- ◆ Tariff schedules 
- ◆ Service terms & conditions 
- ◆ 'Do Not Call' registration for marketing calls  

 **Real-Life Example:** A customer is charged an unexpected penalty for early loan closure. The bank must display such terms clearly on its website & notify customers upfront.  

Grievance Redressal System


✓ **Every bank must have:**

- ✓ **Help desk** at every branch for customer queries.
- ✓ **Code compliance officer** at each **controlling office**.

✓ **Display at branches:**

- ◆ Name & contact details of the **Code Compliance Officer**.
- ◆ Contact details of the **Banking Ombudsman**.

✓ **Complaint Resolution Process:**




 Step	<input checked="" type="checkbox"/> Where to Report?
1 First Level	Report to branch help desk .

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2 Second Level Escalate to **Code Compliance Officer**.








3 Final Level If unresolved, **file complaint with the Ombudsman**.

 **Real-Life Example:** A customer faces **unauthorized debit card charges**. If the bank **fails to resolve it**, they can **approach the Ombudsman** for a fair resolution.  

OBLIGATIONS OF CUSTOMERS






✓ While banks follow ethical standards, **customers also have responsibilities** to ensure safe & smooth banking.

Customer Responsibilities in Banking Transactions








 Obligation	 Best Practice
 KYC Compliance	Submit valid identity & address proof for banking services.
 Secure Banking Documents	Keep passbook, cheque book & debit card safely.
 Keep Login Details Confidential	Never share banking credentials or OTPs.
 Report Unauthorized Transactions	Immediately inform the bank about suspicious activity.
 No Third-Party Account Usage	Do not allow others to use your account.

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 Avoid Clicking Unverified Links	Do not open fraudulent emails/SMS links.
 Signature Consistency	Sign cheques as per registered specimen signature .
 Register Mobile & Email	Enable instant alerts for transactions.
 Use Secure Websites	Perform online transactions only on trusted platforms .
 Regular Password Updates	Change net banking password & ATM PIN regularly.

Summary: BCSBI Codes & Customer Responsibilities

 Aspect	 Key Guidelines	 Real-Life Example
 Code of Commitment to Customers	Transparency in loans, deposits, remittances, & digital banking .	A bank must clearly display loan interest rates & charges .
 Code for MSEs	Fair treatment for small businesses & entrepreneurs .	A startup receives a hassle-free business loan under clear terms .
 Customer Rights	Non-discrimination, privacy & quick issue resolution .	A customer wins a case for being overcharged in fees.
 Transparency Rules	Interest rates, terms, & hidden charges must be disclosed .	A bank publishes all charges upfront on its website .

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 Grievance Redressal	Three-step complaint process ending at Ombudsman.	A credit card dispute is resolved within a month.
 Customer Responsibilities	Secure banking documents, passwords & transactions.	A customer reports a fraud instantly & gets a refund.

LEARNING SESSIONS

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