

UTKARSH SMALL FINANCE BANK LIMITED

COMPENSATION POLICY

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CONTENTS

1. INTRODUCTION	3
2. OBJECTIVE	3
2.1. Unauthorised / Erroneous Debit.....	3
2.2. ECS direct debits/other debits / Standing Instructions to accounts and Funds transfer using NEFT / RTGS.....	4
2.3. Payment of Cheques after Stop Payment Instructions.....	4
2.4. Foreign Exchange Services.....	5
2.5. Payment of Interest for delayed Collection of Outstation Cheques.....	5
2.6. Compensation for loss of instrument in Transit.....	5
2.7. Issue of Duplicate Draft and Compensation for delays.....	6
2.8. Violation of the Code by Banks agent.....	6
2.9. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks *6	6
2.10. Lenders liability; Commitments to borrowers.....	6
2.11. Force Majeure.....	7
2.12. Wrongful Debit on account of Failed ATM transactions.....	7
CUSTOMER'S RESPONSIBILITY.....	7
3. REVIEW OF THE POLICY	7
4. CONFIDENTIALITY	7

1. INTRODUCTION

Utkarsh Small Finance Bank Limited is a wholly owned subsidiary promoted by Utkarsh Micro Finance 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 trusted financial service provider to over 10 million customers by 2021.

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, foreign exchange services, lending, etc. The policy is based on principles of transparency and maintaining fairness towards the treatment of customers.

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. Foreign Exchange Services
5. Payment of Interest for delayed Collection of Outstation Cheques
6. Compensation for loss of instrument in Transit
7. Issue of Duplicate Draft and Compensation for delays
8. Violation of the Code by banks agent
9. Transaction of "at par instruments" of Co-operative Banks by Commercial Banks *
10. Lenders liability; Commitments to borrowers
11. Force Majeure
12. ATM Failure

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 minimum 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.

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

The Bank will undertake to carry out direct debit/ ECS debit instructions of customers in time. In the event the Bank fails to meet such commitments customer will be compensated to the extent of any direct financial loss the customer would incur on account of delay in carrying out the instruction/failure to carry out the instructions.

The Bank would debit the customer's account with any applicable service charge as per the schedule of charges notified by the Bank. In the event the Bank levies any charge in violation of the arrangement, the Bank will reverse the charges when pointed out by the customer subject to scrutiny of agreed terms and conditions.

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. Foreign Exchange Services

Cheques drawn on foreign countries will be accepted for collection on the "best of efforts" basis. Bank may enter into specific collection arrangement with its correspondent bank for speedy collection of such instrument. The Bank would give credit to the party on credit of proceeds to the Bank's Nostro Account with the correspondent bank after taking into account cooling periods as applicable to the countries concerned.

2.5. Payment of Interest for delayed Collection of Outstation Cheques

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.

2.6. 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.
- 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.

2.7. Issue of Duplicate Draft and Compensation for delays

Duplicate draft will be issued within a fortnight from the receipt of such request from the purchaser thereof on the basis of adequate indemnity. For delay beyond the above stipulated period, interest at the rate applicable for Fixed Deposit of Corresponding period will be paid as compensation to the customer for such delay.

2.8. Violation of the Code by Banks agent

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.

2.9. 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.

2.10. Lenders liability; Commitments to borrowers

The Bank would return to the borrowers all the securities/documents/title deeds to mortgaged property within 15 days of repayment of all dues agreed to or contracted including principal amount, interest, EMI, costs, service charges and all other amounts due. This is subject to there being no outstanding under any other loan / overdraft / other financial facility availed by the borrower from the Bank.

In case of delay on the part of the Bank in returning such documents, the Bank will compensate the customer at the rate of Rs. 100/- per week, subject to a maximum payment of Rs. 500/-. However, in case of Force Majeure events, the Bank at its own costs would endeavour to retrieve / recreate the title documents and no compensation would be paid in such cases.

2.11. 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.

2.12. Wrongful Debit on account of Failed ATM transactions

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 @ 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.

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.

3. 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.

4. 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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