

CONFIDENTIAL DOCUMENT

Compensation Policy

Version Control			
Version	Author / Dept.	Date	Changes / Approved in Mgt. Committee
1.1	BSD	30.05.2022	No change



**SHINHAN BANK
INDIA**

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1. Introduction

Compensation policy of the bank is 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 fairness in the treatment of customers.

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. By ensuring that the customer is compensated without having to ask for it, the bank expects instances when the customer has to approach Banking Ombudsman or any other Forum for redressal to come down significantly.

This 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 fairness in the treatment of customers.

It is reiterated that the policy covers only compensation for financial losses which customers might incur due to deficiency in the services offered by the bank which can be measured directly and as such the commitments under this policy are without prejudice to any right the bank will have in defending its position before any forum duly constituted to adjudicate banker-customer disputes.

2. Unauthorized / Erroneous Debits

If 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, after verifying the position. In the event 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 such financial losses.

In case verification of the entry reported to be erroneous by the customer does not involve a third party, the bank shall arrange 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.

3. Compensation to Depositors – Fraud / Erroneous Debits

In the event of reversal of erroneous debits arising on fraudulent or other transactions, the bank shall compensate the depositors, as detailed below:

- a) In case of any fraud, if the branch is convinced that an irregularity / fraud has been committed by its staff towards any constituent, branch will at once acknowledge its liability and pay the just claim.
- b) In case where the branch is at fault, they may compensate the customer without demur.
- c) In cases where neither the branch nor the customer is at fault, but the fault lies elsewhere in the system, bank will compensate the customers upto a limit of Rs. 100000/- (Rupees One Lakh Only) or depend on the claims settled by the insurance company.

4. ECS direct debits/other debits to accounts

The bank undertakes to carry out direct debit/ ECS debit instructions of customers in time subject to (a) Customer having already provided valid and complete mandate to accept any debit received from ECS (b) Direct debit / ECS received is complete and correct. Failure to carry out the instruction subject to clause (a) and (b) as above and for reasons directly attributable to the bank, the customer shall be compensated for the period between the due date of direct / ECS debit and the date of actual debit carried out by the bank.

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. Any consequential interest loss to the customer will also be compensated.

5. Payment of cheques after stop payment instructions

In case a 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. Any consequential financial loss to the customer will be compensated to the extent of such financial losses. Such debits will be reversed within 2 working days of the customer intimating the transaction to the bank.

6. Foreign Exchange Services

The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries as the bank would not be able to ensure timely credit from overseas banks. It is the bank's experience that time for collection of instruments drawn on banks in foreign countries differ from country to country and even within a country, from place to place. The time norms for return of instruments cleared provisionally also vary from country to country. Bank however, would consider upfront credit against such instrument by purchasing the cheque/instrument, provided the conduct of the account has been satisfactory in the past. However, the bank will compensate the customer for undue delays in affording credit once proceeds are credited to the Nostro Account of the bank with its correspondent. Such compensation will be given for delays beyond one week from the date of credit to Nostro Account/ due date after taking into account normal cooling period stipulated. Any consequential financial loss on account of adverse movement in foreign exchange rate will be compensated to the customer.

The compensation in such cases will be worked out as follows:

- a. Interest for the delay in crediting proceeds as indicated in the "Collection of Cheques / Instrument policy" of the bank.
- b. Compensation for delays in affording credit on foreign inward remittances will be as recommended in FEDAI Rule 4.A.3 any possible loss on account of adverse movement in foreign exchange rate.

7. Remittances in India

In order to comply with the KYC / AML norms, bank on case to case basis demand the purpose of the remittance before offering credit to the customer's account. In this process, if there is any delay in credit to customer's account, bank will not be liable to compensate any financial loss to the customer. The compensation on account of delays in crediting the proceeds of the foreign currency cheques to the customer's account would be as indicated in the bank's collection policy which is reproduced below for information:

A. Outstation Cheques

The cheques drawn on the centers of National Clearing services offered by the Reserve Bank of India will be credited to the accounts of the customers on the day the bank get clear funds from Reserve Bank of India. The cheques drawn on the centers other than on National Clearing Services the credit to the accounts of the customers with clear funds will be given within maximum period of 14 days.

B. 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 mentioned above. Such interest shall be paid without any demand from customers in all types of accounts.

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

- a) No interest for the period of delay within 14 days.
- b) Where the delay is beyond 14 days interest will be paid at the rate applicable to for term deposit for the respective period.

The bank will give interest for delayed collection proceeds only for instruments sent for collection within India.

The bank's compensation policy for financial loss suffered by the customers due to loss of instrument after it has been handed over to the bank for collection by the customer would also be as indicated in our collection policy. The same is extracted below for information:

C. Cheques lost in transit / in clearing process or at paying bank's branch

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 account holder so that the account holder can inform the drawer to record stop payment and also take care that cheques, if any, issued by him are not dishonored due to the non-credit of the amount of lost cheque. The bank will provide assistance to the customer to obtain a duplicate instrument from the drawer of the cheque.

In line with the compensation policy of the bank the bank will compensate the account holder 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 i.e 14 days, the interest will be paid at the rate applicable for term deposit as on that day.
- b) In addition, 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 a bank/ institution who would charge a fee for issue of duplicate instrument.

8. Issue of Duplicate Draft and Compensation for delays

Duplicate draft will be issued to the purchaser on the basis of adequate indemnity. The Bank will issue duplicate draft (drawn on the Bank) to the customer within a fortnight from the receipt of such request. For delay beyond this stipulated period, the Bank will compensate customer at the rate of fixed deposits, applicable on the due date of expiry of the stipulated period. Such compensation shall be paid at the rate applicable for fixed deposits for the number of days over and above the stipulated period. This would be applicable only in cases where the request for duplicate draft drawn on the Bank is made by the purchaser and would not be applicable in the case of third party endorsements.

9. Delay in release of securities/ Documents/ Title deeds

The original security documents of title should be returned to the borrower within 15 working days of repayment of all dues by the borrower, 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 reasonable amount for any financial loss. However, in case of Force Majeure events, the Bank at its own cost would endeavor to retrieve/ recreate the title documents and no compensation would be paid in such cases.

10. Payment of compensation without demand from the customer

The bank would provide for automatic payment of compensation for financial losses which customers might incur due to deficiency in the services offered by the bank which can be measured directly without waiting for demand from the customers.

11. Disclaimer

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 labor disturbances, accident, fires, natural disasters or other “Acts of God”, war, delay in submitting required information by the customer, 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 which prevents it from performing its obligations within the specified service delivery parameters.

12. Compensation details (for specific services, in line with RBI)

(Beneficiary are within India are covered under this framework)

Sl. no	Description of the incident	Framework for auto-reversal and 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.	INR 100/- per day of delay beyond T + 5 days, to the credit of the account holder
2	Card Transaction		
a	Card to card transfer	Transaction to be reversed (R) latest within T + 1 day, if credit is not effected to the beneficiary account.	INR 100/- per day of delay beyond T + 1 day.
	Point of Sale (PoS) (Card Present) including Cash at PoS		
b	Point of Sale (PoS) (Card Present) including Cash at PoS Account debited but confirmation not received at merchant location i.e., charge-slip not generated.	Auto-reversal within T + 5 days.	INR 100/- per day of delay beyond T + 5 days
c	Card Not Present (CNP) (ecommerce)		
	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 Beneficiary bank latest on T + 1 day.	INR 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.	Beneficiary bank to reverse the uncredited transaction within T + 1 day.	INR 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.	
