CUSTOMER SERVICE IN BANKS

Introduction

- Customer Service: Key differentiator
- Role of Directors
- BCSBI & the Codes

Customer Service: Key differentiator

- Technology – a leveler
- Products Commoditised
- Service & Customer Experience – Key differentiator
- Banks committed to high class customer Service

Customer Service – Still Short of Expectations

- Over 77,000 complaints in 2011-12 under B O Scheme
- Despite elaborate complaint redressal machinery in banks
- Only a fraction of complaints received by banks

Customer Complaints

- Failure / Delay in providing services promised
- Complaints relating to Deposit Accounts
- Levying of charges without prior notice
- Non-adherence to regulatory instructions on Card transactions
- Issues relating to pension payments
- Non-adherence to Fair Practice Code or BCSBI Codes
- Matters relating to Credit Facilities

Customer Complaints

- Credit cards
  - Unsolicited cards & Insurance schemes
  - Misleading information by DSAs/RAs
  - Delay in collection of payment cheques
  - Non/delayed receipt of statements
  - Fraudulent online transactions
  - Claims on cancelled/compromised / non-existent cards

Customer Complaints

- Reporting to CIBIL
  - Harassment due to erroneous/incomplete updation
  - follow-up of outstanding dues of assigned portfolios
- Housing Loans
- Collection of Cheques

Role of Directors

- Several Committees appointed by RBI from time to time on Customer Service
  - Review existing system of Customer Service in banks
  - Review grievance redressal mechanism in banks
  - Usage of technology & safeguards for users
  - Review role of Board of Directors

Role of Directors......

- Board's responsibility – Quality Customer Service; specially to common persons
- Board review of Customer Service once in 6 months – Initiate corrective action
- Bank to have a Board approved Policy on "**general management of the branches**" providing for better customer service

Role of Directors……

- Policy to include provision of minimum services at the branch level
  - Infrastructure,
  - Separate enquiry counter,
  - Display boards
  - Senior officials' visits
  - Incentivise providing better customer service
  - Customer service audit
  - Customer Relation Programmes, etc.

Role of Directors.....

- Bank should also have Board approved Policies on:
  - ***Comprehensive Deposit Policy***
  - ***Cheque Collection Policy***
  - ***Customer Compensation Policy***
  - ***Customer Grievance Redressal Policy***

Role of Directors.....

- Constitution of "**Customer Service Committee of the Board**"
- Committee to
  - formulate policies & assess compliance
  - strengthen corporate governance
  - bring about ongoing improvements in the quality of customer service
- Committee can include experts and representatives of customers as invitees

Role of Directors.....

- Banks to place before the Committee
  - Awards given by Banking Ombudsman (BO)
  - Detailed Memorandum on Customer Service including analysis of customer complaints
- The Committee to play pro-active role as regards BO awards:
  - Root cause analysis of complaints
  - Why to BO: bank has an elaborate GR mechanism
  - Shortcomings of GR mechanism
- Banks also to have a "**Standing Committee on Customer Service**" chaired by CMD or ED.

Role of Directors.....

- Ensure **Branch Level Customer Service Committees (BLCSC)** at all branches
- Senior Citizen representation
- **BLCSC** to meet once a month to :
  - study complaints / suggestions /difficulties
  - evolve ways and means to improve customer service
- Ensure mechanism for **BLCSCs** to submit quarterly reports to 'Standing Committee'
- Ensure existence of Nodal Department / Official at HO and each Controlling Office

Role of Directors.....

- Bank to have a policy on customer care containing needs of special sections like senior citizens, physically challenged, etc.
- Bank to have a policy which clearly defines & distiguishes features of products and services and indicate target customer group
- Bank's approach to Financial Education of customer is clearly documented
- Bank's approach to develop "Client First Attitude" is documented

Role of Directors.....

- Bank to annually codify its policies/operational guidelines
- Bank's internal inspection/audit adequately focus on customer service
- Customer service – Part of officials' performance appraisal
- Reward, recognition and motivation programme for front-line officers

Banking Codes and Standards Board of India (BCSBI)

- What is BCSBI?
- Why was BCSBI set up?
- What are BCSBI’s objectives?
- Why BCSBI when there is RBI?
- What are BCSBI Codes?
- How do the Codes empower customers?
- How is BCSBI different from Banking Ombudsman?
- What if banks fail to adhere to Codes?

BCSBI

- Set up in 2006 as a Trust
- Collaborative effort of RBI, IBA and banks
- Managed by Governing Council
- Membership Voluntary
- On becoming member, bank bound by Codes

BCSBI - Role

- Combines the best of both self-regulation and statutory regulation.
- Evolve comprehensive codes and standards for fair treatment of customers.
- Act as a watchdog to ensure that banks deliver services in accordance with promises made in the codes.
- Promote self regulation among banks.
- Collaborative approach.

Why Code?

- Code complementary to regulations
- Is a positive and voluntary commitment.
- Promotes good and fair banking practices
- Increases transparency
- Promotes a fair and cordial relationship
- Code does not replace regulatory or supervisory instructions
- Code may set higher standards

Codes evolved so far

- Code of Bank's Commitment to customers introduced in 2006 – Revised and updated in August 2009(presently under revision)
- Code of Bank's Commitment to Micro and Small Enterprises - Revised and updated in August 2012

Key Commitments

- To act fairly and reasonably in dealings with the customers
- To help customers through direct interaction, advertisement, literature
- Giving information on various products, how to get them, their financial implications
- Applicable to branches/subsidiaries, Agents

Transparency

- Provide upfront information on interest rates, service charges, fees, etc.
- Give a month's notice to customers before making changes in terms and conditions.
- Get customer's written consent before selling any product, including insurance.
- Provide transaction details in passbook/statement.
- Inform three months before classifying account as dormant/inopeartive.

Code - Monitoring

- Implementation monitored through:
  - Annual Statement of Compliance
  - Visits to Branches
- Meetings with Top Mangement of banks
- Thematic Studies

Awareness of the Codes

- Six years & still not enough buy-in
- Lack of awareness among staff, not to speak of customers
- Though BCSBI not a complaint-redressal body, we do get a number of complaints
- These reveal customers not treated fairly, transparently and ethically; they are misled wittingly or unwittingly

Role of Directors

- Codes are banking customers' rights – Directors have a key role:
  - As BCSBI member, Banks' Boards have adopted Codes. Directors need to oversee adherence.
  - Seek structured reports on code implementation
  - Implementation of appropriate systems & procedures
  - Examine ASC of Bank vis-a-vis BCSBI response
  - Ensure policy in place for ongoing training of staff – awareness
  - Policy incentivising staff education
  - Policy for enhancing customer awareness

BANKING CODES AND STANDARDS BOARD OF INDIA

Thank You !