

JAMMU AND KASHMIR GRAMEEN BANK

CUSTOMER LIABILITY & COMPENSATION POLICY

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Department Name: Digital & Alternate Channels Policy
HO Narwal, Jammu (J&K)
Contact: 9103995267/8899006459
Email address: helpdesk@jkgb.in

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1. Introduction

The Banking industry has witnessed a huge transformation from paper based payment system to electronic payment system and usage of debit cards through major delivery channels viz. ATM, POS and online (E-com), which has increased manifold in recent times. Moreover, with the introduction of new payment channels like E-banking, Mobile Banking, UPI, IMPS the variety of choices has increased for customers to perform the transactions in an electronic mode.

With the increased thrust on financial inclusion, customer protection and considering the surge in customer grievances relating to unauthorized transactions resulting in debits to the customers' accounts, the criteria for determining the customer liability in these circumstances had been reviewed by RBI and a new advisory with revised directions vide [circular DBR.No. Leg.BC.78/09.07.005/2017-18 dated 06-July-2017](#) has been issued to Banks.

Adhering to RBI guidelines on customer protection, we are committed to provide a secured environment to our customers for using electronic / digital mode of payments with measures for fraud prevention / mitigation taken in this regard.

2. Objective

The policy has been framed in line with RBI guidelines to cover the following aspects:

1. Customer's liability in cases of unauthorized electronic Banking transactions occurring due to third party breach / customer negligence/ Deficiencies on part of the Bank.
2. Customer compensation due to unauthorized electronic Banking transaction(s) within defined timelines.

3. Scope

1. To cover the risks arising out of unauthorized debits to customer accounts owing to customer negligence / bank negligence / banking system frauds / third party breaches, banks need to clearly define the rights and obligations of customers in case of unauthorized transactions in specified scenarios.
2. To cover aspects of customer protection, including the mechanism of creating customer awareness on the risks and responsibilities involved in electronic banking transactions and customer liability in such cases of unauthorized electronic banking transactions.
3. To be transparent, non-discriminatory and shall stipulate the mechanism of compensating the customers for the unauthorized electronic banking transactions and also prescribe the timelines for effecting such compensation.

4. Strengthening of Systems and Procedures

The electronic / digital transactions are broadly divided into two categories (as per RBI Circular DBR. No. Leg. BC.78/09.07.005/2017-18 dated 06-July-2017).

1. Remote/online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. mobile banking, UPI, IMPS and card not present(CNP) transactions etc., and

2. Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

The systems and procedures in the bank shall be designed to make customers feel safe about carrying out electronic banking transactions. To achieve this, Bank shall put in place:

- Appropriate systems and procedures to ensure safety and security of electronic banking transactions carried out by customers;
- Robust and Dynamic Fraud detection and prevention mechanism;
- Mechanism to assess the risks (for example, gaps in the bank's existing systems) resulting from unauthorized transactions and measure the liabilities arising out of such events;

A system of continually and repeatedly advising customers on how to protect themselves from electronic banking and payments related fraud.

In this regard to promote safe digital transactions among the general public, bank shall reiterate below appended instructions through Print / Electronic / Social media:

- a.) Register your mobile number and email with the bank to get instant alerts;
- b.) Not to share with anyone Card (Debit / Credit / Prepaid) details;
- c.) Not to share password, PIN, OTP, CVV, UPI-PIN etc.

- d.) To avoid undertaking banking or other financial transactions through public, open or free Wi-Fi-networks;
- e.) Not to store important banking data on mobile, e-mail, electronic wallet or purse
- f.) Customer may remember that bank never ask for details such as password, PIN, OTP, CVV number;
- g.) Change your PIN, block your Debit Card immediately, if it is lost or stolen.

5. Liability of a customer

Customer Liability in case of unauthorized electronic banking transactions shall be determined as under:

a.) Zero Liability of a customer

A customer's entitlement to zero liability shall arise where the unauthorized transaction occurs due to following:

- i.) Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
- ii.) Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the bank regarding the unauthorized transaction.

b.) Limited Liability of a Customer

A customer shall be liable for the loss occurring due to unauthorized transactions in following cases: -

- i.) Where the loss is due to negligence by a customer, such as where he has shared the payment credentials viz user IDs, Password / 3D Secure Code, PIN, OTP (one-time password), Card Number, Expiry Date, CVV number, Date of Birth etc. The customer will bear the entire loss until he reports the unauthorized transaction to the bank. Any loss occurring after the reporting of the unauthorized transaction shall be borne by the bank.
- ii.) A customer will be liable for the loss occurring due to unauthorized transactions in cases where the responsibility for the authorized electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of four to seven working days after receiving the

communication from the bank) on the part of the customer in notifying the bank of such a transaction. The per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table-A, whichever is lower;

TABLE A

Type of Account	Maximum Liability of Customer (Rs.)
Basic Saving Bank Deposit (BSBD) Accounts	5,000
All other SB Accounts Pre-paid Payment Instruments and Gift Cards/Current Accounts/ Cash Credit/Overdraft Accounts of Individuals with annual average balance (During 365 days preceding the incidence of fraud)/limit up to Rs.25 Lacs Credit cards limit up to Rs.5 Lacs.	10,000
All other Current/ Cash Credit/ Overdraft Accounts Credit cards with limit above Rs.5 lacs	25,000

c.) Complete Liability of a Customer

In cases where the responsibility of unauthorized electronic banking transaction lies neither with the Bank nor with the customer, but lies elsewhere in the system and when there is a delay on part of customer in reporting to the Bank beyond seven working days, the customer would be completely liable for all such transactions in line with current Policy guidelines and as per directions of RBI vide circular no. DBR. No. Leg.BC.78/09.07.005/2017-18 dated 06-July-2017.

For determining the customer liability, the number of working days shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

6. Reversal Guidelines and Timeline for Zero Liability / Limited

Liability of customer

- a.) On being notified by the customer, the bank shall give shadow credit (meaning customer will not be able to use the funds by way of shadow credit till the dispute is resolved in favor of the customer), the amount involved in the unauthorized electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any or otherwise). The credit shall be value dated to be as of the date of the unauthorized transaction.
- b.) The bank shall ensure that complaint is resolved and liability of the customer, if any, is established not exceeding 90 days from the date of receipt of the complaint and the customer is compensated wherever warranted as per relevant provisions of this document. Further, on case to case basis Bank may at their discretion decide to waive off any customer liability in case of unauthorized electronic banking transactions even in cases of customer negligence.
- c.) Where the Bank is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed shall be paid to the customer, with value dated interest/charges recalculations also.
- d.) The Bank after settling the reported fraud case and before releasing the shadow credit in favor of the customer, shall ask for indemnity bond (Annexure-A) from the customer. The indemnity bond shall require the Card Holder to UNDERTAKE AND AGREE to INDEMNIFY the Bank and keep it indemnified against all claims, demands, proceedings, losses, damages, charges and expenses which bank may suffer or in consequence of BANK having agreed to pay/or paying CARD HOLDER, the said sum, as reported fraud, in case the investigations of the Law Enforcement Agency came to the Conclusion /establish that the transactions were not fraudulent , or were made on account of any lapse/negligence/Convenience on part of the Card Holder.

7. Reporting and Monitoring

D&AC Cell and AI&VD shall report such cases on monthly basis to General Manger of the Bank, while quarterly reporting shall be made to the Chairman of the bank so that the appropriate measures for curbing/controlling the Frauds can be timely taken.

In case the amount during any point in a financial year breaches Rs 5 lac limit, honorable board of the bank will be apprised of the situation to review and suggest appropriate measures for improving systems and procedures.

8. Other Roles and Responsibilities of the Bank

- Bank shall ask their customers to mandatorily register for SMS alerts.
- The burden / responsibility of proving customer liability in case of unauthorized electronic banking transactions shall lie on the bank.
- The customers must be advised to notify the bank of any unauthorized electronic banking transaction at the earliest after the occurrence of such transaction and informed that the longer the time taken to notify the bank, the higher will be the risk of loss.
- To facilitate this, bank shall provide customers through with 24x7 access through JKGB M-bank channel for reporting unauthorized transactions that have taken place and / or loss or theft of payment instrument such as card, etc.
- Bank shall not offer facility of electronic transactions, or ATM cash withdrawals, to customers who do not provide mobile numbers to the bank.
- On receipt of report of an unauthorized transaction from the customer, bank shall immediately hot mark / block transactions in the account through electronic channels or will totally debit freeze the account as per the nature of fraud with the consent of customer. The transaction through ATM shall be allowed only after new/ fresh debit card is issued to the customer.
- Bank shall provide the details of their policy in regard to customers' liability formulated in pursuance of these directions at the time of opening the accounts.
- Banks shall also display their approved policy in public domain for wider dissemination. The existing customers shall also be individually informed about the bank's policy.
- On receipt of report of an unauthorized transaction from the customer, bank shall take immediate steps to prevent further unauthorized transactions in the account.

9. Obligations of Customer

- Customer shall mandatory register his/her valid mobile number with the Bank for availing SMS alert service and shall update his / her contact details as a when same are changed. Further, customer shall inform bank with new number in case existing mobile number on which SMS alert service has been subscribed is not having national roaming.
- For the purpose of investigation, customer shall immediately surrender the card at Issuing or any other nearest branch of the Bank in case of fraud on card present transaction and also provide the customer dispute form in the prescribed format.
- Customer shall also lodge FIR with police authorities and forward the copy of same to the Bank.

- Customer shall provide any other relevant documents which would help Bank's investigation Team for the completion of investigation process and shall also provide all assistance to the Bank Team as and when required.
- Customer shall ensure confidentiality of sensitive card / account details viz user IDs, Passwords, Card Number, Card Expiry Date, PIN, CVV, OTP/3D Secure Code and shall never share the same with any known or unknown persons / entities, including bank staff.
- Customer shall take all other necessary preventive measures, communicated from the Bank through SMS Alerts, emails, Print / electronic Media, social media and through other public awareness campaigns for safeguarding various electronic devices/Cards from the intrusion of external hands/hackers.

10. Delegation of Powers

i.) The delegation of powers for reimbursement of unauthorized transaction amount to customer's account shall be as under:

Approving Authority	Approving Limit
Incharge, D&AC Cell	Upto Rs.50,000, per month
General Manager	Rs.50,001 to Rs.1.5 lacs, per month
Chairman	Above Rs.1.5 lacs, per month

ii.) The following steps shall be taken by D&AC Cell, while reversing the unauthorized transaction to customer's account:

- a.) The transaction shall be reversed (shadow reversal) by debiting the Suspense Account within 10 days from the date of notification by the customer (without waiting for settlement of insurance claim, or otherwise if any). The credit shall be value dated to be as of the date of the unauthorized transaction.

b.) The transactions falling under Cyber Policy shall be addressed as per the terms and conditions of the said policy.

c.) The transactions entitled for the compensation in terms with this document shall be accommodated after debiting the Suspense Fund Account, especially created for the purpose.

d.) The suspense raised if any, shall be washed off at the end of the financial year, and the same shall be booked by the CAID department, as per bank's statute.

11. Disclosure

The policy shall be available on Bank's Intranet Homepage under policies section as well as on Bank's Website for the information of Customers in compliance to RBI's Master Circular on Customer Services.

12. Ownership & Review of the Policy

The ownership of the policy shall lie with Digital & Alternate Channels Cell, and shall be subject to review.

Review of the policy will be put up to the Board for approval after 3 years. Approved Policy & Guidelines shall remain in force till next review.

In case of exigencies and to be in line with regulatory / statutory guidelines the GM & Chairman of the Bank is empowered to approve changes / modifications / amendments / relaxations / exemptions, if any, required to be made in the policy and same will be placed before the Board for ratification.

Annexure-A

The Jammu And Kashmir Grameen Bank
General Manager
Jammu And Kashmir Grameen Bank
Head Office, Narwal, Jammu.

Place:
Date:

Sir,

WHEREAS, The Jammu & Kashmir Grameen Bank having its registered office at Head Office, Narwal, Jammu and a branch office among others at, herein after referred to as the "BANK".

Whereas I.....S/D/o..... R/O..... is maintaining an Account with Branch..... of the Bank. (Herein after referred to as Jammu And Kashmir Grameen Bank Account Holder) Whereas, The Bank on request of the Jammu And Kashmir Grameen Bank Account Holder issued/ enrolled the digital service in favor of the Card Holder

Whereas, on(Mention the Date), some fraudulent transaction(s) were carried out through the digital medium in the said account of Jammu And Kashmir Grameen Bank Account holder by use of above said digital service, and an amount of Rs (Herein after referred to as Disputed Amount) has been debited on account of Fraudulent / unauthorized Transactions etc.

Whereas the Jammu And Kashmir Grameen Bank Account Holder represented to the BANK that he / she has not in any manner carried out the said fraudulent transaction(s) and the cash was fraudulently withdrawn/ transferred/ remitted from the said account in spite of the fact that the card was in the possession of cardholder/ OTP or personal details were not shared and has requested the Bank for the reimbursement of the Disputed amount.

Whereas on the Strength of the said representation the bank has agreed to reimburse the Jammu And Kashmir Grameen Bank Account Holder for the disputed amount.

IN CONSIDERATION of The Bank paying or agreeing to pay Jammu And Kashmir Grameen Bank Account Holder..... (Mention the Name of the Account Holder) the sum of Rs.....(Rupees) debited in the account of Jammu And Kashmir Grameen Bank Account holder as fraudulent transaction(s) , the Jammu And Kashmir Grameen Bank Account Holder do hereby UNDERTAKE AND AGREE to INDEMNIFY the Bank and keep it indemnified against all claims, demands, proceedings, losses, damages, charges and expenses which bank may suffer or in consequence of BANK having agreed to pay/or paying Jammu And Kashmir Grameen Bank Account Holder the said sum as aforesaid in case the investigations of the Law Enforcement Agency came to the Conclusion /establish that the transactions were not fraudulent , or were made on account of any lapse/negligence/Convenience on part of the Account Holder.

SIGNED AND DELIVERED by the Account Holder

Name.....

S/o.....

R/o.....

Account No.....Branch.....