भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2013-14/513
RPCD.CO.RCB.BC.No. 90 /07. 51.010 /2013-14 March 05, 2014

The Chairmen
All State/ District Cooperative Banks

Dear Sir/Madam,

**Ensuring Reasonableness of Bank Charges and Charges Levied for Sending SMS Alerts by State Cooperative Banks (StCBs) /District Central Cooperative Banks (DCCBs)**

Please refer to paragraph 37 of the Second Quarter Review of Monetary Policy Statements 2013-14 announced on October 29, 2013 (extract enclosed) on 'Customer Service – Charges Levied by Banks for sending SMS alerts'. State Cooperative Banks (StCBs) /District Central Cooperative Banks (DCCBs) are required to put in place a system of online alerts for all types of transactions, irrespective of the amounts, involving usage of cards at various channels in terms of circular RBI/DPSS.No.1501 /02.14.003/2008-09 dated February 18, 2009 and DPSS.CO.PD. 2224/ 02.14.003/ 2010-11 dated March 29, 2011.

2. Considering the technology available with banks and the telecom service providers, it should be possible for StCBs / DCCBs to charge customers based on actual usage of SMS alerts. Accordingly, with a view to ensuring reasonableness and equity in the charges levied by StCBs/DCCBs for sending SMS alerts to customers, StCBs/DCCBs are advised to leverage the technology available with them and the telecom service providers to ensure that such charges are levied on all customers on actual usage basis.

3. Further, the principles to be adopted/followed by StCBs/DCCBs for ensuring reasonableness in fixing and communicating the service charges for the basic banking services are indicated in the Annex. StCBs/DCCBs are required to take action as stated in the column 'Action Points for StCBs/DCCBs'.

4. Please acknowledge receipt to our Regional Office concerned.

Yours faithfully,

(A.Udgata)
Principal Chief General Manager

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

**चेतावनी: रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन कॉल के जरिए किसी की भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।**

**Caution: RBI never sends mails, SMSs or makes calls asking for personal information like bank account details, passwords , etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.**

**Extract from Second Quarter Review of Monetary Policy 2013-14**

**Customer Service - Charges Levied by Banks for Sending SMS Alerts**

37. With a view to ensuring reasonableness and equity in the charges levied by banks for sending SMS alerts to customers, banks are advised to leverage the technology available with them and the telecom service providers to ensure that such charges are levied on all customers on actual usage basis.

**Annex**

**Scheme for Ensuring Reasonableness of Bank Charges**

<table>
<tr><th>Sl. No.</th><th>Parameters for Bank Charges</th><th>Action Points for StCBs/DCCBs</th></tr>
<tr><td>1.</td><td>
Identification of basic banking services<br>
Banks have to follow two broad parameters for identifying the basic banking services:<br>
(A) Nature of transactions<br>
(a) Banking services that are ordinarily availed by individuals in the middle and lower segments, will be the first parameter. These will comprise services related to deposit / loan accounts, remittance services and collection services.<br>
(b) When the above transactions occur in different delivery channels, for the purpose of pricing, they may be treated on a separate footing.<br>
(B) Value of transactions<br>
Low value of transactions with customers / public up to the ceiling as given below will the second parameter:<br>
(i) Remittances up to Rs.10,000/- in each instance<br>
(ii) Collections below Rs.10,000/- in each instance.<br>
(Foreign exchange transactions valued up to $ 500/- for ADs) Based on the two parameters, the basic banking services are enumerated as follows:
<table>
<tr><th>Sr. No.</th><th>Service</th></tr>
<tr><td colspan="2">Relating to deposit accounts</td></tr>
<tr><td>1.</td><td>Cheque book facility</td></tr>
<tr><td>2.</td><td>Issue of Pass Book (or Statement) / Issue of Balance Certificate</td></tr>
<tr><td>3.</td><td>Issue of duplicate pass book or statement</td></tr>
<tr><td>4.</td><td>ATM Cards</td></tr>
<tr><td>5.</td><td>Debit cards (electronic cheque)</td></tr>
<tr><td>6.</td><td>Stop payment</td></tr>
<tr><td>7.</td><td>Balance enquiry</td></tr>
<tr><td>8.</td><td>Account closure</td></tr>
</table>
</td><td>StCBs/DCCBs are advised to identify the basic banking services on the basis of broad parameters indicated.<br><br>The list of services as indicated is only an indicative one and StCBs/DCCBs may at their discretion, include within the category basic services such as they may consider appropriate.</td></tr>
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|---|---|---|---|
| | | 9. Cheque Return - Inward (cheque received for payment)<br>10. Signature verification<br>**Relating to Loan Accounts**<br>11. No dues certificate<br>**Remittance Facilities (including through other banks) (Rupee or foreign exchange)**<br>12. Demand Draft - Issue<br>13. Demand Draft - Cancellation<br>14. Demand Draft - Revalidation<br>15. Demand Draft - Duplicate Issuance<br>16. Payment Order - Issue<br>17. Payment Order - Cancellation<br>18. Payment Order - Revalidation<br>19. Payment Order - Duplicate Issuance<br>20. Telegraphic Transfer - Issue<br>21. Telegraphic Transfer-Cancellation<br>22. Telegraphic Transfer - Duplicate Issuance<br>23. Payment by Electronic Clearing Services (ECS)<br>24. Transfer by National Electronic Fund Transfer (NFET) and Electronic Funds Transfer (EFT)<br>**Collection facilities**<br>25. Collection of Local cheques<br>26. Collection of Outstation cheques<br>27. Cheque Return-Outward (cheque deposited for collection)<br>The above list is compiled only as a guide and the list may not be treated as exhaustive. Banks, may at their discretion, include within the category of basic services such additional services as they consider appropriate. | |
| 2. | **Offering basic banking services outside the scope of bundled products**<br>Some of the banks do not levy charges on each individual product or service. Products and services are bundled and offered to a customer as a composite offering. The bank recovers the cost of these operations through net interest income. The bank achieves break-even levels through higher average balances in customer accounts which yield | | StCBs/DCCBs may provide the basic banking services at reasonable prices / charges and towards this, delivering the basic services outside the scope of the bundled products. |

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| | healthy interest margins or by imposing charges for keeping inadequate balances. In so far as the basic services are concerned, the banks' objective should be to ensure that these are made available to the users at reasonable prices / charges and towards this, the basic services should be delivered outside the scope of the bundled products**.** | | |
| 3. | **Principles for ensuring reasonableness in fixing and communicating the service charges** | | The principles for ensuring reasonableness in fixing and communicating the service charges, as enunciated, may be adopted / followed by StCBs/DCCBs. |
| | (a) | For basic services to individuals, the banks will levy charges at the rates that are lower than the rates applied when the same services are given to non-individuals. | |
| | (b) | For basic services rendered to special category of individuals (such as individuals in rural areas, pensioners and senior citizens), banks will levy charges on more liberal terms than the terms on which the charges are levied to other individuals. | |
| | (c) | For the basic services rendered to individuals, banks will levy charges only if the charges are just and supported by reason. | |
| | (d) | For the basic services to individuals, the banks will levy services charges ad-valorem only to cover any incremental cost and subject to a cap. | |
| | (e) | Banks will provide to the individual customers upfront and in a timely manner, complete information on the charges applicable to all basic services. | |
| | (f) | Banks will provide advance information to the individual customers about the proposed changes in the service charges. | |
| | (g) | Banks will collect for services given to individuals only such charges which have been notified to the customer. | |
| | (h) | Banks will inform the customers in an appropriate manner recovery of service charges from the account or the transaction. | |
| | Banks will without fail inform the customers in all cases when a transaction initiated by the bank itself results in or is likely to lead to a shortfall in the minimum balance required to be maintained. | | |
| 4. | **Disclosure and notification of service charges** | | StCBs/DCCBs may take steps to ensure that customers are made aware of the service charges upfront and changes in the service charges are implemented only with the prior notice to the customers. |
| | It is imperative that the customers are made aware of the service charges upfront and the changes in services charges are implemented only with prior notice to the customers. For changes made in the charges, the notice to customers need not necessarily be to each individual customer, as it would be costly and impractical. Therefore, for proper disclosure, the banks would do well to fully recognize the following needs of the customers and take steps to ensure that these are met: | | |

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| | (A) | **Disclosure of the service charges:** | | |
| | | * | Banks may consider the option of carrying out a onetime publicity of the service charges so that all customers are made aware of the charges; | |
| | | * | The need for communicating the service charges to the new customers at the time of beginning of the relationship. | |
| | | * | The need for displaying the charges in the notice board at the branch and advertising in newspapers, so as to disseminate information to the customers / public, in addition to display on the website as per Reserve Bank instructions. | |
| | | * | The need for using appropriate method for communicating the service charges to customers of different profiles. | |
| | (B) | **Notifying the changes effected in the charges** | | |
| | | * | The need for effecting any change in the charges only with prior notification to the customers of at least 30 days. | |
| | | * | The need for providing an option to the customer to accept the change and if not accepted, to exit from the relationship with the bank within the above 30 days without any cost. | |
| | | * | Banks may consider the option of advertising the changes in newspapers. | |
| | | * | The need for including the information regarding the changes in any communication sent to the customer. | |
| | | * | The need for displaying prominently in the notice board as well as the website all the changes effected in the preceding 30 days. | |
| 5. | **Other issues** | | | Redressal of grievances and financial education, as brought out in column 2, may be implemented by StCBs/DCCBs. |
| | (i) | **Deficiencies in the redressal of grievances about service charges** | | |
| | | Deficient grievance redressal in the banks, including a process of prolonged correspondence, always leads to complaints being escalated to the Banking Ombudsman / Reserve Bank of India. Banks are therefore required to have a robust grievance redressal structure and processes, to ensure prompt in-house redressal of all their customer complaints. | | |
| | (ii) | **Financial Education** | | |
| | | The full-fledged information on bank products and their implications are to be disclosed to the customers so that the customers can make an informed judgment about their choice of products. | | |

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