



AN ANALYTICAL STUDY OF BANKING OMBUDSMAN SCHEMES IN BANKING SECTOR IN INDIA

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ABSTRACT: The Reserve Bank of India (RBI) serves as the primary regulatory authority for banking in India, overseeing the operations of all banking institutions and Non-banking Financial Companies (NBFCs). Among its regulatory functions is the Banking Ombudsman scheme, which was initially introduced in 1990 but saw implementation improvements leading to its full enactment in 1995. Subsequent refinements occurred with the introduction of regulations under the Banking Ombudsman Scheme 2006. This scheme is designed to address customer complaints and resolve disputes within the banking sector. In 2019, the RBI launched the Complaint Management System (CMS) to enhance customer experience with grievance redressal in banking services. Additionally, the 'Ombudsman Scheme for Digital Transactions - 2019' was introduced the same year. The Reserve Bank Integrated Ombudsman Scheme - 2021, following the mantra of "One Nation, One Ombudsman," aims to streamline the resolution process for complaints lodged by bank customers against banks, NBFCs, pre-paid instrument players, and non-scheduled primary co-operative banks with deposits exceeding Rs. 50 crore. This study primarily aims to comprehend the Banking Ombudsman Scheme, analyze its procedures, and evaluate the performance of various Banking Ombudsman Schemes.

Keywords : Ombudsman, Banking Ombudsman, Integrated Ombudsman Scheme.

[I] INTRODUCTION :

In India, an Ombudsman is designated to address grievances in three key sectors: 1. Insurance Ombudsman, 2. Income Tax Ombudsman, and 3. Banking Ombudsman. The Banking Ombudsman Scheme serves as a mechanism to resolve complaints from customers of banks and Non-banking Financial Companies (NBFCs) in India regarding various services provided. The concept of an Ombudsman originated from Sweden. Under Section 35A of the Banking Regulation Act, 1949, the appointment of a banking ombudsman is mandated to ensure accountability. The ombudsman should be a senior official with the rank of Chief General Manager or General Manager appointed by the Reserve Bank of India (RBI). The first ombudsman scheme was initiated in 1990 and faced customer concerns, but improvements led to its full implementation in 1995. Further refinement and modifications



occurred through the introduction of regulations under the Banking Ombudsman Scheme 2006, with subsequent amendments up to July 1, 2017. In 2018, the RBI introduced the NBFC Ombudsman Scheme to address complaints related to NBFCs. With the rise in digital transactions, the 'Ombudsman Scheme for Digital Transactions - 2019' was introduced. Recently, in 2021, the 'Reserve Bank – Integrated Ombudsman Scheme - 2021' was launched with the overarching objective of providing a common platform to resolve various banking issues facing customers. As of April 2022, twenty-two Banking Ombudsmen have been appointed by the RBI across India, with their offices primarily located in state capitals. The primary purpose of this scheme is to assist banking customers in resolving complaints against services provided by banks. The Banking Ombudsman Scheme applies nationwide and covers the entire banking industry in the country, including all Scheduled Commercial Banks, NBFCs, Regional Rural Banks (RRBs), and Scheduled Primary Co-operative Banks (PCBs).

The RBI has the authority to specify the operating area or territorial limits of specific ombudsmen. The ombudsman is responsible for receiving and reviewing complaints filed by concerned parties and for facilitating the settlement of complaints between the bank and the complainant. The ombudsman must submit a report to the Governor of the RBI on June 30th of each financial year, providing data on activities conducted through their office during the preceding financial year and any other necessary details as requested by the Reserve Bank. The Banking Ombudsman Scheme allows any concerned customer to file a complaint of any nature, regardless of the amount involved, with the ombudsman.

[II] RESEARCH METHODOLOGY :

a) Data Sources: This research article relies on data obtained from secondary sources, including research papers published in national and international journals, newspapers, the website of RBI, and other relevant websites.

b) Objectives of the Study:

1. To comprehend the conceptual framework of various Banking Ombudsman Schemes in India.
2. To analyze the progress and performance of various Banking Ombudsman Schemes in India.

c) Literature Review:

Riya Rupani and Shaukat Ali (2022) conducted an Analytical Study on the Performance of the Banking Ombudsman Scheme in India, emphasizing its role as a vital medium for



redressing grievances against banks and banking services, while also highlighting the need for increased ombudsman numbers to match rising complaints.

Dr. D. Sasikala Devi and Dr. P. Soundaravalli (2020) conducted a study on the Performance of Banking Ombudsman Scheme in India, revealing extensive use of the system in resolving customer grievances and enhancing customer awareness of banking systems.

Dr. C. Vijai (2020) studied the Banking Ombudsman Scheme, highlighting its importance for Indian banks. He noted that while urban clients were satisfied with the services, rural residents were less aware of the scheme.

[III] VARIOUS BANKING OMBUDSMAN SCHEMES IN THE INDIAN BANKING SECTOR:

A] The Banking Ombudsman Scheme, 1995: This scheme, notified by RBI on June 14, 1995, under Section 35A of the Banking Regulation Act, 1949, emphasizes the speedy and cost-effective resolution of customer complaints regarding banking services.

B] The Banking Ombudsman Scheme, 2006: Introduced to facilitate the resolution of bank customer complaints and ensure smooth settlement.

C] Ombudsman Scheme for Non-Banking Financial Companies, 2018: Introduced by the RBI in 2018 to address complaints regarding NBFCs.

D] Ombudsman Scheme for Digital Transactions, 2019: Introduced to facilitate the resolution of complaints regarding digital transactions.

E] 'Reserve Bank - Integrated Ombudsman Scheme: 2021': Launched on November 12, 2021, amalgamating existing ombudsman schemes, including those for banks, NBFCs, and digital transactions. This scheme provides a unified platform for complaint redressal, incorporating non-scheduled primary co-operative banks with deposits exceeding ₹ 50Crore under the "One Nation One Ombudsman" approach.

Salient features of the 'Reserve Bank - Integrated Ombudsman Scheme - 2021':

- Simplified complaint filing process.
- Expanded definition of 'deficiency in service'.
- Establishment of a Centralized Receipt and Processing Centre (CRPC) in Chandigarh.
- Representation requirement for regulated entities.
- No right of appeal for regulated entities against ombudsman decisions.
- Designation of the Executive Director of the 'Consumer Education and Protection Department' of RBI as the Appellate Authority.



- Online complaint filing and tracking via the Complaint Management System (CMS) portal.
- Multilingual contact center for guidance on filing complaints.
- Direct benefits for millions of loan and deposit account holders.

Reasons for filing Complaints under Banking Ombudsman Scheme:

- Delay or non-payment against financial instruments.
- Unjustified refusal of Indian currency.
- Unauthorized charges for banking services.
- Delayed inward remittances.
- Inappropriate behavior of banking staff.
- Failure to provide promised banking facilities.
- Unexplained refusal to open deposit accounts.
- Issues related to non-resident Indians.
- Uninformed imposition of additional charges.
- Non-compliance with RBI guidelines on cards.
- Improper conduct of recovery agents.
- Neglect of mobile or internet banking.
- Delayed or refused tax payments.
- Delay in government securities transactions.
- Unjustified closure of accounts.
- Non-compliance with RBI guidelines on interest rates and loan applications.
- Violation of fair practices code.
- Non-compliance with RBI guidelines and instructions.

[IV] PERFORMANCE OF OMBUDSMAN SCHEMES DURING PAST THREE YEARS :

The table below presents the total number of complaints received under various Ombudsman Schemes over the past three years and the Reserve Bank - Integrated Ombudsman Scheme (RB-IOS) for the year 2021:

Table 1 : Total receipt of complaints under the Ombudsman Schemes for each office and sub-scheme during the past three years: 2019-20, 2020-21, and 2021-22.

ORBIO	2019-20 (Jul –Jun)	2020-21 (Apr –Mar)	2021-22 (Apr –Mar)		BOS	OSDT	OSNBFC	RB-IOS
			Volume	% Share				
Ahmedabad	16,082	21,078	16,426	5.39%	12,634	94	---	3,698



Bengaluru	18,697	17,407	13,996	4.60%	10,356	189	---	3,451
Bhopal	14,677	15,787	12,841	4.22%	9,562	138	---	3,141
Bhubaneswar	5,386	6,920	7,806	2.56%	4,585	94	---	3,127
Chandigarh	31,702	36,619	20,270	6.66%	17,038	73	---	3,159
Chennai	21,157	27,446	21,396	7.03%	13,137	116	4,415	3,728
Dehradun	7,913	7,970	8,342	2.74%	5,470	28	---	2,844
Guwahati	3,661	3,543	5,444	1.79%	2,425	27	---	2,992
Hyderabad	20,143	22,161	15,212	5.00%	11,404	204	---	3,604
Jaipur	18,285	22,094	18,145	5.96%	14,794	129	---	3,222
Jammu	1,538	1,767	4,300	1.41%	1,331	25	---	2,944
Kanpur	24,026	26,499	24,214	7.95%	20,872	115	---	3,227
Kolkata	13,146	17,160	14,766	4.85%	9,192	201	1,870	3,503
Mumbai I	19,649	22,479	18,806	6.18%	15,035	186	---	3,585
Mumbai II	26,155	30,999	20,672	6.79%	11,261	182	5,526	3,703
New Delhi I	18,289	23,238	15,310	5.03%	11,836	137	---	3,337
New Delhi II	27,829	34,673	24,259	7.97%	12,377	106	8,628	3,148
New Delhi III	9,644	11,091	8,883	2.92%	5,606	42	---	3,235
Patna	17,514	17,456	13,606	4.47%	10,369	130	---	3,107
Raipur	3,705	4,018	5,362	1.76%	2,217	26	---	3,119
Ranchi	4,622	4,765	6,307	2.07%	3,189	29	---	3,089
Thiruvananthapuram	6,723	7,122	8,133	2.67%	4,506	10	---	3,617
Total	3,30,543	3,82,292	3,04,496	100.00%	2,09,196	2,281	20,439	72,580

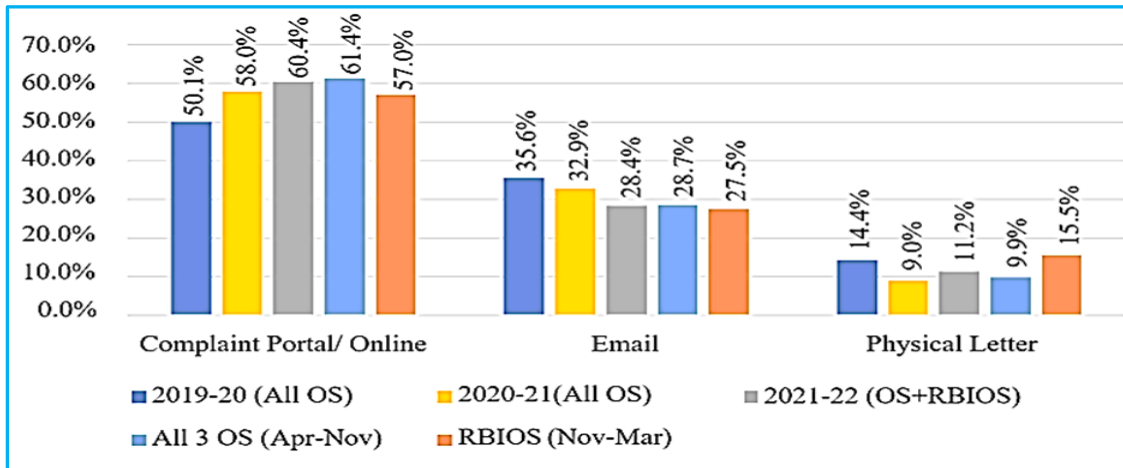
(Source : Annual Report on Banking Ombudsman Scheme - 2020-21 : RBI.)

Abbreviations : **ORBIO** : Office of RBI Ombudsman,
BOS : Banking Ombudsman Scheme,
OSDT : Ombudsman Scheme for Digital Transactions,
OSNBFC : Ombudsman Scheme for NBFCs,
RB-IOS : Reserve Bank – Integrated Ombudsman Scheme]

It has been observed that significant structural changes have occurred within the Banking Ombudsman framework under RB-IOS 2021, particularly with the establishment of the Centralised Receipt & Processing Centre (CRPC) to manage complaints received via email and physical channels, as well as to conduct initial assessments on the maintainability of complaints in the Complaint Management System (CMS). As a result, there has been a reduction in the number of complaints handled by ORBIOs during the year 2021-22. Notably, ORBIO - New Delhi II managed the highest number of complaints under earlier ombudsman schemes, accounting for 7.97% of the total, followed by ORBIOs at Kanpur and Chennai.

Conversely, ORBIOs at Jammu, Raipur, and Guwahati handled fewer banking complaints. Following the implementation of RB-IOs 2021, which adopts the approach of 'One Nation, One Ombudsman', the number of complaints handled by different ORBIOs has declined.

Bar Chart -1 Modes of Receipt of Complaint



(Source : Annual Report on Banking Ombudsman Scheme - 2020-21: RBI.)

It has been noted that the highest number of complaints were registered through the CMS portal. This trend indicates a significant preference among bank customers for the online mode when filing complaints, highlighting the impact of technology on customer behavior. Additionally, the volume of complaints registered physically has decreased following the launch of RB-IOs 2021. This decline may be attributed to the "One Nation One Ombudsman" approach adopted under RB-IOs, which aims to streamline the complaint handling process and provide a unified platform for addressing grievances.

Table 2 : Complainant Type wise receipt of complaints under the Ombudsman Schemes

Complainant by	2019-20 (Jul-Jun)	(%)	2020-21 (Apr-Mar)	(%)	2021-22 (Apr-Mar)	(%)
Individual	273,432	82.72	305,093	79.81	243,244	79.88
Individual – Business	10831	3.28	13614	3.56	10400	3.42
Proprietorship/Partnership	5583	1.69	7505	1.96	6712	2.20
Limited Company	6917	2.09	8381	2.19	7427	2.44
Trust	559	0.17	665	0.17	613	0.20
Association	446	0.13	372	0.10	427	0.14
Government Department	5180	1.57	6447	1.69	4993	1.64



Public Sector Undertaking	1297	0.39	1475	0.39	1799	0.59
Senior Citizen	8237	2.49	10061	2.63	9244	3.04
Others	18061	5.46	28679	7.50	19637	6.45
Total	330,543	100.00	382,292	100.00	304,496	100.00

(Source : Annual Report on Banking Ombudsman Scheme - 2020-21 : RBI.)

It has been observed that individual complaints constitute approximately 80% of the total complaints received. However, there has been an increase in complaints by Senior Citizens compared to earlier periods, although the number of these complaints decreased

Entity Group	Overall			All 3 OS	RBIOS	(%) Change
	2019-20 (Jul-Jun)	2020-21 (Apr- Mar)	2021-22 (Apr- Mar)	2021-22	2021-22	
Public Sector Banks	1,84,087	1,74,974	1,54,725#	1,19,143	35,582	-11.57%
	55.69%	45.77%	50.81%	51.37%	49.02%	
Private Sector Banks	98,623	1,26,303	94,275	72,703	21,572	-25.36%
	29.84%	33.04%	30.96%	31.35%	29.72%	
Payments and Small Finance Banks	5,227	6,918	8,076	6,100	1,976	16.74%
	1.58%	1.81%	2.65%	2.63%	2.72%	
Foreign Banks	5,935	6,157	4,464	3,188	1,276	-27.50%
	1.80%	1.61%	1.47%	1.37%	1.76%	
RRBs/ Urban Co-op. Banks	6,060	6,382	6,508	4,292	2,216	1.97%
	1.83%	1.67%	2.14%	1.85%	3.05%	
NBFC	15,285	31,158	22,317	18,084	4,233	-28.37%
	4.62%	8.15%	7.33%	7.80%	5.83%	
PPI/BBPOU	2,172	3,168	3,040	2,064	976	-4.04%
	0.66%	0.83%	1.00%	0.89%	1.34%	
Others	13,154	27,232	11,091	6,342	4,749	-59.27%
	3.98%	7.12%	3.64%	2.73%	6.54%	
Total	3,30,543	3,82,292	3,04,496	2,31,916	72,580	-20.35%

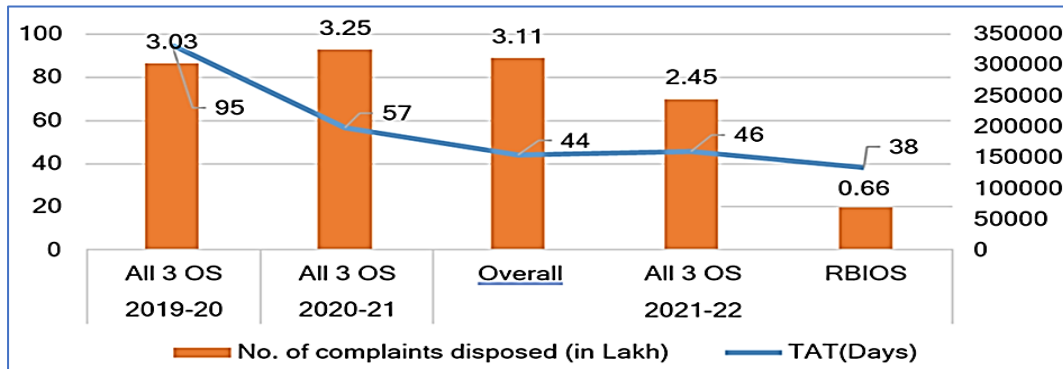
during 2021-22. Furthermore, it is noted that both individual complaints and nearly all other types of complaints decreased following the launch of RB-IOs 2021.

Table : 3 Breakdown of the receipt of complaints at the ORBIOs categorized by entity type:

(Source : Annual Report on Banking Ombudsman Scheme - 2020-21 published by RBI)

It has been noted that following the implementation of RB-IOs-2021, the initial screening of non-maintainable or non-complaints is conducted at the CRPC, and only maintainable complaints are forwarded to the ORBIOs. Therefore, complaints closed at the

CRPC are not counted as complaints under ORBIOs according to RB-IOs, 2021. However, in earlier ombudsman schemes, all complaints received at the ORBIOs were considered.



Consequently, it is not feasible to directly compare the data for 2021-22 with previous years due to this difference in handling and categorization of complaints.

Bar Chart : 2 Total Volume of Disposed Complaints along with their Turn Around Time (TAT)

(Source : Annual Report on Banking Ombudsman Scheme - 2020-21 : RBI)

It is evident that the dispersion of Turn Around Time (TAT) across complaints has notably decreased during the post-launch period of RB-IOs, 2021, in comparison to the earlier schemes. In 2021-22, a total of 2.45 lakh complaints under the old schemes were disposed of with a TAT of 46 days, whereas approximately 66 thousand complaints under RB-IOs were disposed of with a TAT of 38 days. This indicates an improvement in efficiency and promptness in resolving complaints under the new scheme.

[V] CONCLUSION :

The introduction of the ombudsman scheme in the banking sector has indeed led to a significant transformation in the grievance redressal process for customer complaints. The Government of India has remained vigilant regarding customer issues related to banking services and has taken significant steps to address them. This includes making amendments to the ombudsman scheme over time and implementing new schemes as necessary to adapt to the changing environment in the banking field. The recent initiative by the Reserve Bank of India (RBI), known as the 'Reserve Bank – Integrated Ombudsman Scheme – 2021', has introduced a centralized grievance redressal system for resolving complaints against banking services. This new scheme has had a positive impact on the mechanism for addressing customer grievances, providing a more streamlined and efficient process for resolving



disputes. It is anticipated that this initiative will bring about greater harmony in banking transactions settlement and enhance overall customer satisfaction in the banking sector.

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