



**Mizuho Bank, Ltd.  
India**

# **Customer Compensation Policy**

**October 2023**

<b>Document Control Sheet</b>	
<b>Document Name</b>	Customer Compensation Policy
<b>Scope</b>	Mizuho Bank, Ltd- India
<b>Jurisdiction</b>	All Indian branches of the Bank
<b>Question/Contact information/Owner</b>	Operation Department (OPD)
<b>Approving authority</b>	Local Board- Senior Management Committee (SMC)
<b>Periodicity of the Review</b>	Policy shall be revised if necessary, upon the determination of the Group Head of OPD, subject to any change in internal or external environment, change in regulatory or HO related provisions; etc. Abolishment of Policy shall be determined by the Local Board (SMC).
<b>Applicable Laws/Rules/Regulations</b>	The Policy shall always be subject to Reserve Bank of India (RBI) regulations applicable from time to time. If due to RBI regulations, parts of the Policy become inadmissible, it shall be deemed that such parts are deleted from the Policy. It is reiterated that the applicable RBI rules will always have an overriding effect on this Policy.

#### **Document authorization**

<b>Document Name</b>	<b>Department/Committee</b>	<b>Authorized by</b>	<b>Reviewed by</b>
<b>Customer Compensation Policy</b>	Operations Department (OPD)	Senior Management Committee (local board)	OPD

## Table of contents

#	Particulars
1	Introduction
2	Unauthorized / Erroneous Debit
3	Limited customer liability in case unauthorized transaction through MGeB
4	Reversal of Erroneous Debits arising on Fraudulent or Other Transactions
5	Harmonization of Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems - National Automated Clearing House (NACH)
6	Payment of Cheques after Stop Payment Instructions
7	Foreign Exchange Services
8	Delay in Collection instruments/ Cheques/ Remittances in India
9	Violation of the Code by Bank's Agent
10	Force Majeure
11	Grievance Redressal & Escalations

### 1. Introduction

Mizuho Bank is the banking subsidiary of Mizuho Financial Group. Mizuho Financial Group is one of the largest financial services companies in Japan. Mizuho's roots lies in some of the largest, most influential financial institutions in Japanese history, with a history of over 145 years. Mizuho Bank, with presence in India for more than 25 years, offers a comprehensive suite of financial products including lending, working capital, treasury and trade services, foreign exchange and interest rates to leading Indian corporates, Indian subsidiaries of Japanese & other multinationals and financial institutions. It is Bank's endeavour to offer services to its customers with best possible utilization of its technology infrastructure. This Customer Compensation Policy ("Policy") will be applicable in the event the Bank, inadvertently or for reasons beyond its control, is unable to meet the agreed service levels in its dealings with customers.

The Policy is designed to cover areas relating to unauthorized debiting of account, payment of cheques after acknowledgement of stop payment instructions, delay in remittance within India, and foreign exchange services; etc. The policy is based on the principles of transparency and fairness in the treatment of customers. The objective of the Policy is to establish a system whereby the Bank compensates the customer without having to ask for it, for any financial loss that may be incurred due to deficiency in service on the part of the Bank or any act of omission or commission directly attributable to the Bank. In determining the compensation, the Bank will be generally guided by the terms and conditions of its agreement with the customer for providing services. For the services not covered under the agreement, the Bank will rely upon the regulatory guidelines in determining the rightful compensation to the satisfaction of the customer. The Policy covers only compensation for restitution of transactional errors done by the Bank which customers might incur due to deficiency in the services offered by the Bank and as such, the commitments under the 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.

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 Debit

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 such as customer has lost on interest paid for a loan account; etc, 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 2 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. Limited customer liability in case unauthorized transaction through MGeB

### 1) Zero Liability of a Customer

A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:

- 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 unauthorised transaction. Customer shall have zero liability in case fraudulent electronic transaction through MGeB on account of third party breaches if reported to Bank within a period of 3 days.

### 2) Limited Liability of a Customer

A customer shall be liable for the loss occurring due to unauthorised transactions through MGeB in the following cases:

- i. In cases where the loss is due to negligence by a customer, such as where customer has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the Bank. On reporting of such matter by customer, the Bank

shall immediately block the customer account to prevent further loss. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the Bank.

- ii. In cases where the responsibility for the unauthorised 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, in such cases per transaction liability of the customer shall be limited to the transaction value or the amount mentioned below, whichever is lower.

Type of account	Maximum liability
<ul style="list-style-type: none"> <li>• Saving Bank account</li> <li>• Current/ Cash Credit/ Overdraft Accounts of MSMEs</li> <li>• Current Accounts/ Cash Credit/ Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to INR 2.5 million</li> </ul>	INR 10,000
<ul style="list-style-type: none"> <li>• All other Current/ Cash Credit/ Overdraft Accounts</li> </ul>	INR 25,000

In case delay in reporting fraudulent electronic transaction through MGeB is beyond **seven working days**, the entire loss shall be borne by the customer and Bank shall not bear any such loss or compensate customer for the unauthorized electronic transaction.

### 3) Procedure & Turn Around Time (TAT)

- 1) The Bank shall credit the amount involved in the unauthorised electronic through MGeB, less amount to extent of customer liability as mentioned above, within 10 working days from receipt of notification by the customer on the matter. Such credit provided to customer account shall be value dated as of the date of the unauthorised transaction.
- 2) Bank shall endeavour to resolve the customer complaint for the unauthorised electronic transaction through MGeB within a maximum period of 90 days from date of receipt of complaint.
- 3) Following action shall be taken on reporting of an unauthorised transaction by the customer:
  - a) Bank will take note of the complaint raised by customer and immediately block the customer's account.
  - b) Bank will share the statement of account with customer and ask them to verify if there are any further unauthorised payments in the account.
  - c) Bank will initiate request to the beneficiary Bank to mark lien in the beneficiary account and refund of the same.
  - d) Resolution of customer complaints and compensating the customer as per above prescribed norms.
  - e) All such cases are reported to the Senior Management Committee (Local Board) as well as in the Customer Service Committee meeting.
- 4) In order to create customer awareness on risk and responsibilities for electronic transaction, blocking of compromised internet banking credentials and about Bank's policy on the matter, a broadcast message shall be displayed on the MGeB portal by the

Bank giving reference to Bank's Policy and the Policy shall be hosted on Bank's (Mizuho-India) website (public website).

#### **4. Reversal of Debits arising on account of fraudulent or other erroneous transactions**

In case of any fraud, if the Bank is convinced that an irregularity/ fraud has been committed by its staff towards any constituent, the Bank shall at once acknowledge its liability and pay the just claim.

In cases where the Bank is at fault, the Bank shall compensate the customer without demur.

In cases where neither the Bank nor the customer is at fault, but the fault lies elsewhere in the system, the Bank shall compensate the customer up to a maximum limit of:

*Face amount of cheque X Savings Deposit Account Interest Rate X number of days till recovery divided by 365; or INR 2500/-, whichever is less.*

#### **5. Harmonization of Turn Around Time (TAT) and customer compensation for failed transactions using authorized Payment Systems- National Automated Clearing House (NACH)**

Customer Compensation for failed transactions:

- In case of delay in crediting beneficiary's account or reversal of amount- INR 100/-per day if delay is beyond T+1Bank to reverse the uncredited transaction within T+1 day
- In case account is debited despite revocation of debit mandate with the bank by the customer – 100/- per day if delay is beyond T + 1 day. Bank will be responsible for such debits and resolution to be completed within T+1 day.

#### **6. 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. Such debits will be reversed within 2 working days of the customer intimating the transaction to the Bank.

In case of any consequential financial loss to the customer, the Bank will compensate the customer to the extent of such financial losses.

#### **7. 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.

Interest payment for delayed collection of foreign currency cheque/ Demand draft (where Bank has branch or does not have branch):

- a) Bank shall pay interest at the Benchmark rate of the currency in case of delay beyond 21/30 working days without waiting for any claim from the customer at the rate calculated on the amount of proceeds credited to the customer's account for the delayed period.
- b) The Bank would not compensate the customer for delays in collection of cheques designated in foreign currencies sent to foreign countries (where Bank does not have a branch) 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.

**Delay in credit of Inward remittance:**

Bank shall pay or send intimation to the beneficiary within two working days from the date of receipt of credit advice/Nostro statement. On receipt of disposal instruction complying with guidelines, required documents from the beneficiary, the Bank shall transfer funds for the credit of beneficiary's account immediately but not exceeding two business days from date of such receipt. In case of delay, the Bank shall pay the beneficiary interest @ 2% over Benchmark exchange rate for that currency. The Bank shall also pay compensation for adverse movement of exchange rate, if any.

**8. Delay in Collection instruments/ Cheques/ Remittances in India**

The compensation on account of delays in collection of instruments, cheques/instruments lost in transit/ in clearing process or at paying bank's branch:

The Bank shall pay interest to its customer on the amount of collection instruments in case there is delay in giving credit beyond the time period mentioned below. Such interest shall be paid without any demand from customers in all types of accounts. There shall be no distinction between instruments drawn on the Bank's own branches or on other banks for the purpose of payment of interest on delayed collection.

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

- In case of collection of cheques through local Clearing House, due to negligence on the part of the Bank employee, if the credit to Customer's account is delayed beyond two working days, Bank shall pay interest at Savings Deposit Account interest rate for the delayed period.
- Savings Bank rate for the period of delay beyond 7/10/14 working days as the case may be in collection of outstation cheques.
- In case of extraordinary delay, i.e. delays exceeding 90 working days, the interest shall be paid at the rate of 2% above the corresponding Term Deposit rate.

- In the event that the proceeds of cheque under collection were to be credited to an overdraft/ loan account of the customer, interest will be paid at the rate applicable to the overdraft/ loan account. For extraordinary delays, interest will be paid at the rate of 2% above the rate applicable to the loan account.
- It may be noted that interest payment as given above would be applicable only for instruments sent for collection within India.

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/ her are not dishonoured due to non-credit of the amount of the lost cheques/ instruments. The Bank would provide all 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:

- In case intimation regarding loss of instrument is conveyed to the customer beyond the time limit stipulated for collection (7/10/14 working days as the case may be) interest will be paid for the period exceeding the stipulated collection period at the rates specified above. 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.
- 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.
- In case of collection of cheques through local Clearing House, due to negligence on the part of the Bank employee if the credit to Customer's account is delayed beyond two working days, Bank shall pay interest at Savings Deposit Account interest rate for the delayed period.

**Compensation in case of delay in credit of RTGS and NEFT inwards to customer's account:**

In the event of any delay in credit of RTGS/NEFT to customer's account, Bank to pay penal interest on suo-moto basis for affording late credits to Customer Accounts at RBI Repo rate plus 2%.

**9. Violation of the Code by Bank's Agent**

In the event of receipt of any complaint from the customer that the Bank's representative/ courier has engaged in any improper conduct or acted in violation of the Code of Bank's Commitment to Customers which the Bank has adopted voluntarily, the Bank shall take appropriate steps to investigate and to handle the complaint and to compensate the customer for financial losses, if any.



## 10. Force Majeure

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 labour disturbances, accident, fires, natural disasters or other “Acts of God”, war, 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 prevents it from performing its obligations within the specified service delivery parameters.

## 11. Grievance Redressal & Escalations

If a customer is not satisfied with the resolution provided, the customer can escalate the issues to the next higher level i.e. Nodal Officers. For the details of Nodal Officers Please refer to Bank’s “Grievance Redressal Policy” available on Bank’s website (<https://www.mizuhobank.com/india>) in this regard.

---

End