

Shaktikanta Das: Inaugural address - Annual Conference of Reserve Bank of India Ombudsman

Inaugural address by Mr Shaktikanta Das, Governor of the Reserve Bank of India, at the Annual Conference of Reserve Bank of India Ombudsman, Mumbai, 15 March 2024.

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We are holding this conference of the Reserve Bank of India Ombudsmen on a very important day, namely, the World Consumer Day. This event underscores our unwavering dedication to the well-being of the consumer in the financial sector. As custodians of the financial system – whether as a regulator or regulated entities such as banks, NBFCs or other financial institutions – our success hinges not only on promoting the resilience of the system, but also significantly on the value we bring to the lives of our citizens, who form the core of the financial ecosystem. Protection of consumer interest is one of the core guiding principles of the Reserve Bank's policies and actions. I take it that similar is the case with the regulated entities of the Reserve Bank also.

In this context, it has to be recognised that fair treatment of customers and effective grievance redress mechanism are the two important components of consumer protection. Fair treatment of customers would mean fair pricing of products and services, putting in place systems and procedures for transparency in dealing with customers and avoidance of mis-selling. Prioritising fair treatment and effective grievance redress mechanism would enhance public trust in the financial system as well as in individual entities. This in turn, would contribute to the long term success of individual entities and promote financial inclusion. Our endeavor in the Reserve Bank has been to include these principles in the various regulatory measures¹ being undertaken from time to time.

Let me now elaborate on the Reserve Bank's overall approach in dealing with issues related to consumer protection and its expectations from the regulated entities.

(i) Fostering a culture of Consumer Centricity and commitment to consumer protection

As part of the Reserve Bank's continuing engagement with regulated entities, it has been emphasised that the focus of the top management of regulated entities should be on nurturing a customer-centric approach and commitment to consumer protection. Regulations only provide a framework within which financial institutions operate, but the effectiveness of the regulations ultimately depends upon how they are actually implemented by the regulated entities. As the Indian economy is expanding, the customer base of the regulated entities is also widening. As stakeholders of the financial ecosystem, it is imperative that the growing customer base is offered fair and sustainable products and services. The increasing range and complexity of financial products and services can act as a barrier to comprehension and decision-making by consumers. Clear, transparent, and consistent communication regarding products, services, follow-ups, service charges, etc. are, therefore, very essential for establishing trust and fostering enduring customer relationships.

(ii) Effective Grievance Redress

The litmus test of the working of any institution or entity is the efficacy of its grievance redress mechanism. Fragmentation and inefficiency in grievance redress mechanisms can hinder timely resolution of consumer complaints. Multiple layers and lengthy resolution processes should, therefore, be avoided.

As you would be aware, the Reserve Bank-Integrated Ombudsman Scheme (RB-IOS, 2021) brought in several structural changes² in the operations of the Ombudsman scheme. Under the RB-IOS scheme, 2.34 lakh grievances were received during the first full year of its operation (2022-23), followed by 2.68 lakh grievances in the current financial year (2023-24) so far. The disposal rate in both the years has been about 98%. The average turnaround time for closure across all categories of complaints has come down to 33 days for 2022-23 from 57 days prior to the introduction of the new scheme.

Our analysis of the grievances received at the offices of the RBI ombudsman reveal certain gaps in the systems and procedures in the regulated entities. We have brought such deficiencies to the notice of the individual banks and NBFCs. Our effort is to work with the regulated entities and rectify such deficiencies.

The Reserve Bank has also put in place an Internal Ombudsman (IO) Mechanism³ in regulated entities to strengthen their internal grievance redress mechanism. The functioning of IO mechanism, however, needs considerable improvement. It has been observed that on a number of occasions, IOs tend to endorse the decision of the regulated entities mechanically. In several cases, rejected complaints are not being referred to IO. The very foundation of an internal dispute resolution system relies on its capacity to provide fair, impartial and judicious adjudication, and the observed trend raises concerns about the robustness of the existing framework. I would urge all of you to ensure the overall integrity and efficacy of the internal grievance redress mechanism.

Further, regulated entities must comprehend that they are the first touch points in the overall grievance redress framework. Re-directing the aggrieved to the alternate grievance machinery of the RBI ombudsman is not desirable. As I can see from some of the complaints that land at my desk, many of the cases are such that they should have been resolved at the level of the regulated entities.

(iii) Data Analysis for Improving quality of Services

Regulated Entities serve as repositories of data on financial transactions, customer interactions, and operational activities. Within this extensive repository lies a unique opportunity to enhance customer service through robust data analysis. By harnessing the power of data analytics, regulated entities can proactively anticipate customer needs, address issues promptly, and streamline processes. A data-driven approach would not only optimise operational efficiency but also reinforce the commitment to providing exemplary customer service.

With the rise in fraudulent transactions, it is critical to strengthen monitoring systems and use technology to detect potential frauds before they materialise. Maintaining a focus on root cause analysis of consumer grievances can result in preventing such

complaints to come up repeatedly. With the advent of Artificial Intelligence (AI), cybersecurity challenges can rise manifold. They can expose consumers to identity theft, fraud, and unauthorized access to personal information which can affect consumer trust. Financial Institutions must dedicate substantial efforts to protect customer information and ensure that vulnerabilities exposing customers to risk are promptly identified and addressed.

(iv) Consumer Education and Awareness

A financially aware and vigilant consumer is best placed to handle threats such as phishing, phone scams, deepfakes and more. Lack of proper understanding can impede consumers' ability to navigate the financial landscape effectively, leaving them vulnerable to exploitation or fraud. While we have made good progress in our objective of enhancing consumer awareness, there is considerable scope for further deepening consumer awareness and financial literacy activities, particularly among the marginalised, less savvy and rural communities. All the stakeholders need to refocus themselves in this direction.

Recognising that consumer education is essential for their protection, the Reserve Bank also undertakes various public awareness campaigns in the mainstream and social media. The 'RBI Kehta Hai' or 'RBI Says' campaigns featuring our mascots Money Kumar and Ms. Money, are efforts to take consumer awareness messages to the people. I wish to acknowledge the good work done by the RBI ombudsman team and the Consumer Education and Protection Department (CEPD) in preparing booklets such as 'Be(A)ware' (March 2022) and Raju and the forty thieves (Dec 2022) which have become immensely popular, particularly among schoolchildren and students. Continuing our endeavour in this direction, today we are releasing another booklet 'Alert Family' which depicts the increased level of awareness of the character 'Raju', his family and friends in a pictorial form. The booklet will provide guidance to the members of the public on financial frauds and dispel common misconceptions while availing various banking services and facilities.

(V) Capacity Building within Regulated Entities

I would like to emphasize that the effectiveness of customer service functions in regulated entities ultimately relies on the dedication and performance of each individual staff member. I appreciate the hard work and commitment displayed by the officers and staff of the regulated entities to improve the speed and quality of customer service. Nonetheless, it is essential that comprehensive training programmes are organised for employees at all levels from time to time. It has to be ensured that officers and staff are fully conversant with the products and services and the related rules and guidelines. Good practices within the organisation need to be encouraged and possibly rewarded. This can serve as a catalyst for a positive shift in overall approach to grievance redress mechanism.

(vi) Futuristic approach to consumer protection

Currently Artificial Intelligence (AI) capabilities are being utilised for complementing customer service through personalised interaction, chatbots and virtual assistants tailored to specific products. Its deployment in prevention of frauds, identity verification,

vulnerability mitigation and data protection are, however, at nascent stages. Technology, combined with behavioural analysis, can go a long way in analysing exceptions to consumer behaviour like transactions during odd hours, transactions against usual patterns, unauthorised beneficiary additions, etc. Analysing such factors can help in understanding and preventing frauds.

On the flip side, utilisation of such technologies without appropriate safeguards may lead to compromise of customer data. The possible issues that may arise include invasion of privacy or subtle manipulations based on consumer profiling to nudge him into certain services that may not be the right fit. Appropriate safeguards need to be put in place in this regard.

Role of RBI Ombudsmen

I would now like to dwell upon the mechanism of the alternate grievance redress at the Reserve Bank and the role of the RBI Ombudsman.

Under the Integrated Ombudsman Scheme, the Ombudsman has been entrusted with the responsibility of upholding the trust of ordinary citizens. The RBI Ombudsman is expected to provide independent and impartial avenue to citizens for their unresolved grievances. They have the power to facilitate delivery of fair redress of customers' grievances.

There have been significant improvements in the implementation of the integrated Ombudsman framework of the Reserve Bank after the launch of RB-IOs, 2021. Recently, an ombudsman office was opened in Shimla (March, 2023) and two additional offices were set up in Chennai (April 2023) and Kolkata (June 2023). As part of our endeavour to further enhance customer convenience, the Contact Centre (with the phone number 14448)⁴ has been upgraded recently and two new contact centres have started functioning in Bhubaneswar and Kochi.

I appreciate the proactive role played by the RBI Ombudsmen in quick disposal of complaints as well as analysing the root causes of the complaints. The real challenge is to ensure both quantity and quality of disposal of complaints. The Ombudsman offices must continuously work towards further improvement in the processes to address growing volume of complaints and ensuring consistent decisions across complainants and entities. The system should further evolve to enhance quality of outcomes based on the cumulative experience gained. We have reiterated to the Ombudsmen to ensure that the principles of natural justice are followed meticulously, various all aspects of the issue at hand are examined comprehensively, and all sides involved in the dispute are provided an opportunity of being heard. Further, reasoned orders are fundamental to maintaining trust in the institution of the Ombudsman. The Ombudsman decision-making rationale must be effectively communicated to the complainant, ensuring transparency and understanding. Orders should be so drafted that once the decision is rendered and communicated, both parties should perceive the treatment as fair and equitable. I hasten to add that these principles should be adhered to by all authorities, be it in the Reserve Bank or the regulated entities.

Way forward

The Reserve Bank has set up a working group under the chairmanship of Shri Anil Kumar Misra, former Executive Director, RBI for reviewing the functioning of RB-IOs and suggest measures for further enhancing the efficacy of this mechanism. The Working Group is expected to submit its report by April 2024.

Let me conclude by stating that the Reserve Bank's Ombudsman mechanism is focussed on providing independent, fair and impartial redress of grievances of customers. As the system continues to evolve, it should draw on accumulated experience to enhance the quality of outcomes. Ombudsman offices should adapt and evolve their processes to handle the increasing volume of complaints, while ensuring consistency in their decisions. While the Offices of Ombudsman need to intensify data analytics and use of technology for streamlining the internal processes, adoption of similar approach by the regulated entities is crucial for upholding public trust. There is also a need for further strengthening the internal grievance redress systems including the internal ombudsman framework in the regulated entities.

I wish the conference all success.

Thank you.

¹ These include the framework for Digital Lending; revised regulatory framework for Micro Finance Loans; the Reserve Bank - Integrated Ombudsman Scheme, 2021; Internal Ombudsman Framework in Regulated Entities, etc.

² These changes include: one nation one ombudsman approach – this removed the territorial jurisdiction of the offices of the RBI Ombudsman; provided convenience to customers as well as improved efficiency. This, along with the integration of the erstwhile three schemes simplified the process for lodging of grievances by the customers. A centralised portal ([CMS](#)) was introduced for filing of complaints against regulated entities. Moreover, the grounds of filing complaints were done away and customers could file complaints in respect of any deficiency in service. Non-Scheduled Urban Cooperative Banks having deposits size of 50 crore and above; and Credit Information Companies were also brought under the RB-IOs scheme.

³ [Internal Ombudsman for Regulated Entities](#)

⁴ The Contact Centre (14448) provides 24x7 toll free assistance to customers of Regulated Entities on matters relating to alternate grievance redress facility in RBI, including those seeking information on lodging of complaints and tracking their complaints. The facility to connect to the support personnel is available in Hindi, English and ten Regional Languages viz. Assamese, Bengali, Gujarati, Kannada, Marathi, Malayalam, Odia, Punjabi, Telugu and Tamil, selected on the basis of the number of complaints.