Swaminathan J: Strengthening customer grievance redress - the role of the internal ombudsman

Keynote address by Mr Swaminathan J, Deputy Governor of the Reserve Bank of India, at the Internal Ombudsman Conference, organised by the Reserve Bank of India, Mumbai, 13 July 2026.

* * *

Managing Directors, CEOs, Whole Time Directors, Executive Directors and members of the senior management; Principal Nodal Officers from Banks, NBFCs and other Regulated Entities; Executive Director, Reserve Bank of India, Smt Sonali Sen Gupta; Reserve Bank Ombudsmen, my colleagues from the Reserve Bank; and, most importantly, the Internal Ombudsmen from our Regulated Entities, ladies and gentlemen. A very good morning to all of you.

It is indeed a pleasure to be here today and to address this distinguished gathering representing a wide cross-section of the financial sector. The composition of this audience itself conveys an important message-that customer service is a shared responsibility that starts with the Board, runs through senior management and operating teams, and ultimately reflects in every interaction that a customer has with the institution. Every one of us present here has an important role to play in strengthening that ecosystem.

At the heart of banking and financial services lies a fundamental relationship between the customer and the institution. Customers entrust financial institutions with their savings, their aspirations, their financial security and, increasingly, their digital lives. That relationship is sustained not only by strong balance sheets, adequate capital and advanced technology, but also by how fairly and promptly institutions respond when something goes wrong.

Customer grievance redress – not a cost centre but a core function

Over the years, the Reserve Bank has not only consistently emphasised that consumer protection is integral to financial stability but has also translated this principle into a comprehensive institutional framework through the RBI Ombudsman mechanism, the Internal Ombudsman framework and robust regulatory expectations for customer service. Together, this framework reflects our belief that a financial system can be considered truly strong when customers are confident that their concerns will be heard, examined impartially and resolved within a reasonable time.

Every unresolved grievance carries a cost. It is not merely a financial cost. It is a cost in terms of customer confidence, institutional reputation and, ultimately, regulatory attention. More importantly, it represents a missed opportunity for the institution to demonstrate fairness, responsiveness, and accountability.

The ideal grievance redress framework, therefore, is one where the customer's concern is resolved at the earliest possible opportunity and at the lowest possible level within the institution.

A grievance is not merely a complaint; it is a moment when the customer is asking the institution to reaffirm the relationship. How the institution responds at that moment often shapes the customer's perception far more than the original issue that gave rise to the complaint.

The role of Internal Ombudsman – the institution's final opportunity

The importance of a robust grievance redress framework has only grown as the financial ecosystem has become larger, more digital and highly interconnected. This is where the Internal Ombudsman mechanism assumes critical importance.

The Reserve Bank introduced this framework with a clear philosophy that it presents the institution with an opportunity to correct an error, address an unfair outcome and provide the customer with a meaningful resolution, from within the entity itself.

If Internal Ombudsmen perform their role effectively, escalations outside the institution-whether to the RBI Ombudsman or to other forums-should naturally decline.

The success of the Internal Ombudsman framework can be assessed by questions like:

(i) How many complaints were resolved fairly without requiring external intervention?

(ii) How many complaints were prevented from escalating further?

(iii) How many systemic improvements resulted from the insights generated by the Internal Ombudsman?

These, in my view, are the metrics that truly reflect the effectiveness of the Internal Ombudsman framework.

Independence – the defining characteristic of an Internal Ombudsman

The very title "Ombudsman" carries with it a clear expectation. It signifies independence, neutrality and fairness. These are not merely desirable attributes; they are the defining characteristics of the role.

The Internal Ombudsman functions within the organisation but must never become merely another part of its internal approval chain. A mechanical concurrence with the institution's earlier decision does not fulfil the purpose for which the framework was established.

The question before the Internal Ombudsman should therefore not be confined to asking, "Was the procedure followed?" Equally important are the larger questions:

(i) Was the customer treated fairly?

(ii) Was the outcome reasonable in the circumstances?

(iii) Would the institution arrive at the same conclusion if it examined the matter afresh with complete objectivity?

Rules and procedures are, of course, essential for consistency and sound governance. However, customer service failures often arise not because there was no process, but because the process was applied without adequate appreciation of the customer's circumstances.

The Internal Ombudsman must therefore bring something that no process manual can fully prescribe-independent judgement, fairness and empathy. These qualities transform grievance redress from a procedural exercise into a meaningful resolution for the customer.

From complaint closure to meaningful resolution

One area where all regulated entities need to reflect is the distinction between complaint closure and complaint resolution. The two are not always the same.

A complaint may be technically closed because a response has been provided or the prescribed process has been followed. But from the customer's perspective, the issue may still remain unresolved. We must therefore guard against a situation where grievance redress becomes an exercise in explaining why the institution was right, rather than examining whether the customer has received a fair outcome.

Timeliness is equally important. A delayed resolution, even if eventually favourable to the customer, often fails to address the inconvenience, uncertainty and anxiety experienced during the intervening period. In the context of customer service, delayed redress can also diminish confidence in the institution.

Institutions must therefore judge the effectiveness of their grievance redress mechanism not merely by the number of complaints disposed of, but by the quality of the resolution provided. In my view, every grievance should be assessed on three simple parameters:

(i) Was the response timely?

(ii) Was the outcome fair?

(iii) Was the communication clear and transparent?

A customer may not always receive the outcome that they expect. However, every customer deserves a fair hearing, a reasoned decision and a transparent explanation. Even where the institution is unable to provide the relief sought, the customer should leave with the confidence that the grievance was examined objectively and decided fairly.

Root cause analysis – moving from correction to prevention

Equally important is the need to move beyond individual complaint resolution to institutional learning.

Every complaint is a valuable source of information. Complaints tell us where products may not be meeting customer expectations, where processes may be breaking down, where communication may be inadequate, or where operational controls may need strengthening.

The role of the Internal Ombudsman should therefore extend well beyond reviewing individual complaints. Internal Ombudsmen are uniquely placed to identify patterns, detect recurring issues and provide valuable feedback to senior management and the Board.

If the same category of complaints continues to recur, the question should not merely be, "How do we dispose of these complaints more quickly?" The more fundamental question is, "Why do these complaints continue to arise in the first place?"

A hundred complaints relating to the same issue are seldom a hundred independent problems. More often, they point to one underlying deficiency appearing repeatedly in different forms.

An effective root cause analysis should therefore lead to tangible improvements- whether through process redesign, better customer communication, product refinement, staff training or stronger internal controls.

The true measure of an effective grievance redress framework is not simply how efficiently complaints are handled. It is whether the institution learns from those complaints and succeeds in reducing the likelihood of similar grievances arising in the future.

Expectations from Boards and senior management

An effective Internal Ombudsman framework depends on the environment created by the Board and the regulated entity's senior management.

The Board sets the tone for the organisation. If customer-centricity is viewed merely as a compliance requirement, the grievance redress mechanism will inevitably become a compliance exercise. On the other hand, when the Board views customer service as an integral part of good governance, that philosophy permeates the organisation and reflects in every interaction with the customer.

The Board and its Customer Service Committee should therefore not view complaint data merely as statistics or management information. Complaint trends are valuable business intelligence. Rising complaints in a particular product, geography, delivery channel or process often serve as early warning signals of underlying weaknesses that require management attention.

It is equally important that the Internal Ombudsman should feel empowered and have the institutional space to present independent assessments. The Internal Ombudsman should be regarded as a valuable source of feedback and institutional learning.

There is another aspect that deserves particular attention.

It is observed that a significant proportion of complaints ultimately resolved in favour of customers at the RBI Ombudsman level were not referred to the Internal Ombudsman in the first place. This is a matter of serious concern because it undermines the very purpose of the Internal Ombudsman framework.

I would therefore urge all the regulated entities to review their internal grievance redress processes carefully. Every complaint that must be referred to the Internal Ombudsman should be referred promptly and without exception. Equally important, complaint management systems should be designed to prevent complaints from inadvertently bypassing the Internal Ombudsman process due to classification issues or process deficiencies.

Ultimately, the effectiveness of the Internal Ombudsman framework will depend not only on the capability and independence of the Internal Ombudsman, but also on the commitment of the institution's leadership to make the framework work in both letter and spirit.

Technology and evolving customer expectations

Technology has transformed financial services in ways that would have been difficult to imagine even a decade ago. Technology has undoubtedly enhanced convenience and expanded access to formal finance.

At the same time, technology has also reshaped customer expectations. A customer who can complete a financial transaction in a matter of seconds naturally expects that an error or failed transaction will also be resolved with similar speed and efficiency. While grievance resolution may not always be instantaneous, institutions must continuously strive to reduce delays and make the process simpler, more transparent and more responsive.

Technology also presents significant opportunities to strengthen grievance redress. Complaint analytics, trend analysis and early warning indicators can help institutions identify emerging issues, detect recurring patterns and initiate corrective action before concerns become widespread. Used effectively, these tools can transform complaints from isolated events into valuable management insights.

However, while technology can improve efficiency, it cannot replace judgment, fairness or empathy. Every complaint represents an individual customer's experience, and every customer expects to be treated with dignity, objectivity and respect. These qualities will continue to distinguish truly customer-centric institutions, irrespective of the technology they deploy.

Conclusion

As I conclude, let me return to the central theme of my address today.

The Internal Ombudsman framework represents a simple but important principle-that every regulated entity should have the ability and the willingness to resolve customer grievances fairly within the institution itself.

My ask from all Internal Ombudsmen is just these three aspects:

(i) Be independent in your judgement.

(ii) Be fair in your approach.

(iii) Be the voice that brings the customer's perspective into institutional decision-making.

To the Boards, senior management and Principal Nodal Officers, my request is equally important. Empower your Internal Ombudsmen, value their independence, and treat their insights as opportunities to strengthen your institution.

If we succeed in doing this, the benefits will extend well beyond individual complaint resolution. Customers will receive fairer outcomes, institutions will strengthen their internal processes, and unnecessary escalation of complaints to the RBI Ombudsman and other external forums will naturally reduce.

Ultimately, the success of the Internal Ombudsman framework will not be measured by the number of complaints handled. It will be measured by customers' confidence that their concerns will receive a fair hearing and an impartial resolution within the regulated entity itself.

I am confident that today's conference will provide an excellent opportunity to exchange ideas, share experiences, and identify practical ways to further strengthen the Internal Ombudsman framework across regulated entities.

I thank all of you for taking the time to participate in this conference. I wish the deliberations every success.

Thank you. Jai Hind.