

FINANCIAL MARKETS AND CONSUMER PROTECTION - INDIAN EXPERIENCE

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Abstract

Indian financial sector has witnessed rapid reform measures during the last three decades. The financial markets in India witnessed sweeping changes responding to the market forces of demand and supply especially in the post reform period. The regulators have started deregulation measures with the intention that market will correct any distortions. On the other hand, education measures were introduced so that the consumers in the financial sector get empowered to deal with their personal finance with confidence and enhanced knowledge. Financial consumer protection assumes much significance in this deregulated environment. World over, financial consumer protection got its due recognition ever since the global crisis of 2008. Sound principles on financial consumer protection have been debated and discussed by global bodies. In India, all the financial sector regulators have devised programs that ensures protecting the interest of the customers.

The objectives of this paper are i) to examine the globally accepted principles on financial consumer protection, ii) to review the consumer protection practices followed by each of the sub segment of the financial sector i.e. banking, securities market, insurance and pension segment, and iii) to look into the effectiveness of the practices followed by financial sector regulators on financial consumer protection.

The methodology followed is literature review and scanning the secondary data. The relevant data have been collected from the Annual Reports of the financial sector regulators. Various journals have been referred apart from collecting information from print media. The significance and scope of the study is justified on the ground that the study report would help the researchers for further exploration. The practitioners will get an opportunity to look into the lapses and rectify so that sound financial consumer protection practices prevail in the country.

Key words: Financial Consumer Protection, Consumer Protection, Financial Education, Grievance Redressal System

1. Introduction

Financial inclusion and financial consumer protection are correlated and countries all over the world engage in discussions and debates to address these two issues. Inclusive finance to accelerate economic growth is an issue in developing economies as well as in emerging economies and different strategies are adopted to address this. Good practices to ensure financial consumer protection have been developed by bilateral agencies. The global financial crisis 2008 reiterated the need for a comprehensive review of the practices on financial consumer protection and accordingly certain principles have been evolved to reinforce the protection of consumers in the financial services industry. The global best practices on financial consumer protection were developed by the Task force on financial consumer protection of the OECD Committee on financial markets in 2011. These high-level principles were endorsed by the G20 Finance Ministers and Central Bank Governors. To strengthen financial stability across all countries, the need for reinforcing

financial consumer protection and integrating with financial inclusion and financial education policies was felt. The principles adopted are voluntary in nature and designed to complement the existing financial consumer protection practices in countries.

The first principle *focuses on legal, regulatory and supervisory framework* of each country. Each country follows its own financial market practices, implementation of products and services to suit the requirements of the varied client base, adoption of technology in reaching to the customers etc. It is the responsibility of the democratic government in each country to put in place the relevant regulatory and supervisory mechanism in the financial sector. Proper consultation of practitioners and civil society is required to frame regulations and supervisory practices. This principle also speaks about the special treatment of international transactions and cross border marketing in light of the reciprocity principles in globalization. The second principle is related to the *role of Oversight Bodies*. The need for a statutory body to look into the financial consumer protection is a well-accepted principle across all the nations. These bodies should have appropriate governance, defined responsibilities, adequate powers, accountable for their actions etc. Countries with diversities may follow multiple oversight bodies, as is the case for India and in that case, there should be perfect coordination among these oversight bodies so that financial sector consumers as a whole are protected. The third principle is *equitable and fair treatment of consumers*. All financial services providers should treat the customers in a fair manner without any discrimination. This is also applicable in case of the actions of agents and sub agents. Age, sex, income, caste, creed, region etc. should not stand as a hurdle in serving the customers. Financial institutions are bound to serve in the best interest of customers and show particular attention to vulnerable groups. *Disclosure and Transparency* is the fourth principle, wherein it is expected that the financial service providers should clearly inform the clients the various features of the product, the rewards, the risks etc. The promotional materials of the various products and services should be easily understood and made available in vernacular language. Proper warnings should be given to the public regarding the risks attached to the financial product. The fifth principle – *Financial Education and Awareness* assumes much significance when it comes to protection of the interest of the clients. The industry regulators or the self-regulatory agency of the particular market should be armed with the responsibility of organizing financial education and awareness programs with the objective of developing knowledge, skills and confidence among the clients. This principle warrants for providing broad based financial education to deepen the consumer financial knowledge. There should be separate financial literacy education for the vulnerable community and this principle has more sense when it comes to India. The International Network on Financial Education (INFE) under OECD coordinates the financial education measures to be followed by all economies as part of popularizing this principle. *Responsible Business Conduct* is another principle of sound consumer protection practice in financial sector. Financial service providers should be responsible and accountable when framing the features of any financial product. The needs of the customers and their financial capabilities and affordability should be taken into consideration in marketing of products and services. The marketing people should be properly qualified and trained. In Indian market, as a responsible business conduct, those selling mutual fund products should possess certain certification as minimum criteria. *Safeguards on fraud and misuse* is another principle in financial consumer protection wherein the savings and investments of consumers are protected from possible fraud and misappropriation. *Protection of Consumer data and privacy* is another principle as generally all financial services providers insist client's identity details viz. date of birth, aadhaar details, pan card details etc. and privacy of these information is to be ensured. *Handling complaints redressal system* is an important principle, which most of the countries have implemented in letter and spirit. Such mechanism should be easily available, affordable, independent, fair, timely and efficient. In Indian context, on account of prevalence of multiple regulators in financial sector, there are four or five agencies involved in complaint

redressal system of investors. The final principle is *competition*, wherein competitive spirit is to be promoted in the market in the case of marketing of financial services. Greater choice for the consumers is to be given, there would be multiple number of service providers to offer the products, innovation in design and delivery of financial products is to be encouraged, and quality of service is to be upgraded.

In India, Govt of India has set up the FSLRC (Financial Sector Legislative Reforms Commission) in March 2011 to examine, amongst other things, the architecture for the regulatory system in financial sector. The G20 principles on financial consumer protection have become an agenda before the FSLRC and has been debating on this issue quite often.

2.Literature Review

Jain (2019) emphasizes that consumer confidence and trust in a well-functioning market for financial services promotes financial stability, growth, efficiency and innovation. The need for financial consumer protection is imminent since technology application and digitization have ensured that financial services can be availed anytime, anywhere, at the press of a button. Sujatha (2013) comments that the introduction of insurance ombudsman scheme has facilitated to sustain confidence among the insured. Quick, efficient, and cost-effective resolution of complaints of policy holders are made possible through the institution of insurance ombudsman scheme. The author focusses on the limitations in which the complainant is subject to comply with as he/she has to first approach the internal redressal agency in an institution, and on unsatisfactory outcome, has to approach the Ombudsman as it is cost free and finally approach the civil courts. One must file the complaint with Ombudsman within a year of the rejection of claim by the institution.

Gandhi (2015) advocates that financial consumer protection policies should be reinforced and integrated with financial inclusion and financial education policies. The benefits of economic growth can be percolated to all sections of people only when such integration is made possible. Further, the author reiterates the Financial Sector Legislative Reforms Commission's suggestion on financial consumer protection on six areas. These are exhibition of professional diligence by service providers, protection against unfair contract terms, protection from unfair conduct, requirement of fair disclosure, protection of personal information and putting in place grievance redressal machinery. Garima (2018) clearly defines a consumer according to section 2 (1) (d) of Consumer Protection Act 1986 as a person who hires or avails of any service for a consideration. Thus, a customer of a bank who has a bank account or one who hires a locker facility or obtains a bank guarantee from a bank is a consumer and can prefer complaints under the Act for deficiency in service or for unfair trade practices.

Divya et al (2018) say that banks should improve service so that complaints can come down as survival of banking business is dependent on customer service. Cuts International (2010) strongly argues that the need for consumer protection in the financial sector arises from an imbalance of power, information and resources between clients and their financial service providers. Financial consumer protection and financial stability go hand in hand. To move from an emerging economy to a developed economy, India need to utilize full potential of its financial sector and as a pre requisite, financial protection practices are to be refined and stabilized. The paper lists the practical issues as well as policy issues that can give rise to a stable financial consumer protection fabric in a society. The practical issues are lack of transparency, overcharging, unfair sales practices, difficulties in documentation, privacy concerns, unfair recovery methods, unresponsive grievance redressal mechanism, financial frauds, and lack of governance. Similarly, the policy issues act as

the root cause for the practical issues. The policy issues are prevalence of multiple regulators, lack of initiative for consumer awareness, lack of proper monitoring resulting in violation of rules, lack of avenues for customer participation, ineffectiveness of grievance redressal mechanism and financial exclusion.

Smart Campaign, the global body to advocate client protection policies and programs in the financial sector advocate seven golden rules towards client protection principles. If these principles are built into their operations by financial service providers, a strong and lasting relationship between customers and service providers can be made possible. These principles are appropriate product design and delivery, transparency, fair and responsible treatment of clients, prevention of over indebtedness, privacy of client data, responsible pricing and mechanism for client redressal.

3. Banking Sector Practices

The banking sector practices on financial consumer protection are prevalence of Banking Ombudsman - the institutional structure to redress banking related complaints, guidelines issued by RBI on cyber security, and the deposit insurance scheme.

Consumer protection is mostly needed in banking and payment system. In India, access to banking services has been a critical issue and the same has been managed by the government, regulatory agency and the banking system. Having achieved the banking inclusion targets, the challenge before the banking institutions is to serve the customers with quality and protection. Clients are to be properly educated from the inherent risks they are exposed to so as to protect their money.

3.1 Banking Ombudsman Scheme:In pursuit of the objective of consumer protection, Reserve Bank of India introduced the Banking Ombudsman Scheme. Banking ombudsman, a quasi-judicial authority is set up with intent to resolve the complaints of the customers of the banking system. The scheme is set up under section 35A of Banking Regulation Act 1949 and came into effect in 1995 and revamped under Banking Ombudsman Scheme 2006. As per the scheme, bank customers can approach Banking Ombudsman to resolve their complaints against the banking institutions. The details of grievances received at Banking Ombudsman’s office are tabulated in Table I.

Table I. BANKING OMBUDSMAN – CATEGORYWISE COMPLAINTS

Nature of Complaint	No. of Complaints Received			
	2015-16	2016-17	2017-18	2018-19
Non observance of Fair Practice Code	23,740 (23.10%)	31,769 (24.30%)	36,146 (22.10%)	37,557 (19.17%)
ATM/Debit Cards	13,081 (12.70%)	16,434 (12.50%)	24,672 (15.10%)	36,539 (18.65%)
Credit Cards	8,740 (8.50%)	8,297 (6.40%)	12,647 (7.70%)	13,274 (6.78%)
Failure to meet commitments	7,977 (7.80%)	8,911 (6.80%)	11,044 (6.80%)	13,332 (6.81%)
Mobile/Electronic Banking	-	-	8,487 (5.20%)	14,794 (7.55%)
Levy of charges without prior	5,705	7,273	8,209	8,391

notice	(5.50%)	(5.60%)	(5.0%)	(4.28%)
Pension Payments	6,342 (6.20%)	8,506 (6.50%)	7,833 (4.80%)	7,066 (61%)
Deposit accounts	5,046 (4.90%)	7,190 (5.50%)	6,719 (4.10%)	10,844 (5.54%)
Loans and advances	5,399 (5.30%)	5,559 (4.20%)	6,626 (3.80%)	7,610 (3.88%)
Non adherence to BCSBI Codes	3,211 (3.10%)	3,699 (2.80%)	3,962 (2.40%)	5,981 (3.05%)
Remittances	2,494 (2.40%)	3,287 (2.50%)	3,330 (2.0%)	3,451 (1.76%)
Notes and Coins	63 (0.10%)	333 (0.25%)	1,282 (0.80%)	480 (0.25%)
Para Banking	-	-	579 (0.40%)	1115 (0.57%)
DSAs and Recovery Agents	357 (0.30%)	330 (0.25%)	554 (0.30%)	629 (0.32%)
Others	16,988 (16.50%)	23,169 (17.70%)	26,219 (16.0%)	28,330 (14.46%)
Out of Purview of BO Scheme	3,751 (3.70%)	6,230 (4.80%)	5,681 (3.50%)	6,508 (3.32%)
Total	102,894	130,987	163,590	195,901

(Source: Banking Ombudsman Scheme 2006, Annual Report 2017-18 and 2018-19)

As a condition, it is stipulated that the customer has to first submit his plea to the concerned bank branch and on not getting his complaint redressed, he can approach Banking Ombudsman. After a receipt of complaint, the Banking Ombudsman will try to settle the complaint through conciliation between the aggrieved parties. If conciliation is not taking place between the two parties, the Ombudsman take steps to pass an award and such award is binding on both the parties. If one pf the parties are not satisfied with the award, there is provision to submit an appeal before the Appellate Authority within 30 days of receipt of the award. The amount to be paid by the banking institution to the complainant as compensation for any loss suffered by the complainant is the actual loss suffered or Rs 20 lacs whichever is lower. In the case of mental agony and harassment, the Ombudsman may award compensation not exceeding Rs one lakh.

On a review of banking ombudsman scheme, it is felt that the scheme has been used by bank clients in protecting their interests. Non-adherence to fair practices code accounts for the largest share of complaints and has been there for the last three years. In 2015-16 it was 23.10 per cent, in 2016-17 it was 24.30 per cent and in 2017-18, it came down to 22.10per cent and further to 19.17 per cent in the year 2018-19, implying improvement in adherence of fair practice of code by banking institutions. The second largest share of complaints was related to ATM and debit cards which accounted for around 12.50 per cent in the first two years under report and increased to 15.10 percent in the year 2017-18 and further to 18.65 per cent in the year 2018-19. This upward trend is the result of more clients moving towards digital banking and making use of Ombudsman scheme in redressing their grievances in ATM/debit card transactions.

The Banking Ombudsman Scheme emphasizes resolution of complaints through settlement. In terms of Clause 11(1) of the Scheme, the Ombudsman endeavors to promote settlement of complaints by agreement between the complainant and the bank through conciliation or mediation. In situations where a mutual settlement is not reached, the banking ombudsman considers to issue an 'Award', which is binding on the bank. An increasing number of maintainable complaints received in the Ombudsman offices are being disposed through mutual settlements, up from 35.93 per cent (18,031 complaints) in 2015-16 to 70.5 per cent (64,171 complaints) in 2018-19.

In a notification in 2017, Reserve Bank of India widened the scope of Banking Ombudsman by including the deficiencies arising out of selling insurance, mutual fund, and other third party products by banks.

Reserve Bank of India has also launched the Ombudsman Scheme for NBFCs in 2018. The scheme caters to the deficiency in services by Non-Banking Financial Companies (NBFCs). The customers of NBFCs can make use of this channel in addressing their grievances and if not satisfied with the Ombudsman decision, can approach the Appellate Authority.

3.2 Cyber security warnings:With the advent of technology, the customers prefer to do transactions on online mode and there is a need to educate the customers regarding the dos and don'ts in online transactions. Between the three years spanning January 2015 to December 2017, in excess of 57,000 debit & credit card frauds involving an amount of Rs 290 crores have been reported in the country. Hence on electronic banking and payment card transactions, we need to take adequate cautions. In banking digital transactions, customers will have to take extreme precautions. Never share complete card information or One-Time Passwords that we receive as part of transaction. The PIN is to be guarded zealously and memorize it, instead of writing it down. Sometimes SMS/email messages may carry a link ostensibly sent by a bank to confirm certain details, which is normally a fraudulent practice adopted by fraudsters.

Further online scams have witnessed an upward trend with technology advancement. The fraudsters are reaching people through multiple ways. Contests and lotteries that one had not registered for and asking to make payment for receiving the prize, emails appearing to have been sent from large corporations, public institutions and regulatory bodies are reaching to the public raising doubts on the genuineness of the emails messages, intimations of gifts or inheritances supposed to originate from a foreign country and asking for personal information to share, high-yield investment plans and multi-level marketing schemes offering unrealistic returns on investment etc. etc. are examples on this front.

To instil customer confidence and bring in uniformity in processing of failed transactions, Reserve Bank of India has issued notification in September 2019 on the harmonisation of Turn Around Time and compensating the customer in case of disputed transactions. In case the bank does not reverse the amount under a failed transaction within a specified time period, the bank will have to pay penalty on per day basis for the delayed credit. As per the extant guidelines issued by Reserve Bank of India, the service providers are asked to resolve the failed transactions within five days in case of transactions under ATMs/swap machine and one day in case of UPI transactions. Failure to resolve the complaints make the bank/payment system operator liable to pay Rs 100 per day to customers.

3.3 Ombudsman Scheme for Digital Transactions:The Ombudsman Scheme for Digital Transactions, 2019 was introduced by Reserve Bank of India, with effect from January 31, 2019. The registration of complaints

has been made easy, as one can file a complaint with the Ombudsman by writing on a plain paper and sending it to the concerned office of the Ombudsman by post/email/hand delivery.

3.4 Ombudsman Scheme for NBFCs: The grievance redressal scheme for the customers of Non Banking Finance Companies (NBFCs) was designed by Reserve Bank of India under section 45L of Reserve Bank of India Act and notified on 23 February 2018. Since then the Ombudsman Scheme for NBFCs was operating at four centres viz. Mumbai, Chennai, New Delhi and Kolkata. The total number of complaints received under the scheme rose from 675 in 2017-18 to 3,991 in 2018-19. The maximum number of complaints are in the area of non-adherence of fair practices code (40.44 per cent) followed by non-observance of RBI directives (17.21 per cent). Charging levy without notice and lack of transparency in loan agreement are other two grievances which constituted 12.63 per cent and 9.17 per cent respectively. The complaint disposal rate of the scheme stood at 99.10 per cent in 2018-19 against 95.41 per cent in 2017-18.

3.5 Deposit Insurance Protection: Insuring bank deposits against failure is a measure implemented in many countries. Bank depositors are protected in full or in part from losses caused by banks' inability to pay on demand. In India, the scheme is managed by DICGC, a subsidiary of Reserve Bank of India and in force since 1962. Deposit Insurance Scheme was initially extended to all functioning commercial banks later extended to other category of banks. DICGC covers insurance on all types of deposits – savings deposits, recurring deposits and term deposits.

The insurance cover upto Rs five lakhs per customer is extended to depositors of all commercial banks, foreign banks, central and urban cooperative banks, local area banks and regional rural banks, provided the bank with which the deposit is made is enrolled under the scheme. The enrolled banks will have to pay premium for availing the insurance from DICGS. In India all the commercial banks, regional rural banks, small finance banks and payment banks are enrolled under the scheme.

Statistics reveals that about 92 per cent of deposit accounts of the entire banking system are fully protected, involving 28 per cent of the entire deposit amount of Rs 120 lakh crore. In the case of bank failure, the depositor is compensated with the actual deposit with interest or Rs 5 lakhs whichever is less. In the year 2018-19, DICGC collected Rs 12,043 crore as premium and settled Rs 37 crore worth claims.

On a review of the practices followed by countries in other regions, it is felt that the insurance coverage for bank deposits in India was very low. The deposit insurance coverage was fixed at Rs 30,000 in July 1980 and then hiked to Rs 1 lakh in May 1983. In dollar terms, the deposit coverage in India was a mere 1508 as against 2,50,000 in US and 1,11,000 in UK. The insurance coverage as multiples of per capita income is a sound yardstick to determine the deposit insurance amount and, in this standard, also India fares a poor show. The figure for India is a mere 0.9 times of per capita income, whereas it is 7.4 in Brazil, 4.4 in US, 3.7 in Australia, 3.6 in Italy, 3 in France, 2.8 in UK, 2.6 in Germany etc. When compared to those economies with more or less the same per capita income, the deposit insurance coverage as times of per capita income is 6.11 in Honduras, 5.46 in Ukraine, 2.23 times in Laos etc. There was urgent need to raise the deposit insurance amount in India especially due to the recent PMC Bank crisis happened in Mumbai. In fact, in 2011, M Damodaran Committee on Customer Services in Banks set up by Reserve Bank of India recommended in its report a five time increase in the cap to Rs 5 lakhs. Earlier in 1999, Jagdish Kapoor, former Dy Governor made a plea for paying a higher premium on the insurable deposits per account holder

to DICGC based on risk profile of banks. It is in this back ground that Govt of India has taken a decision in February 2020 to hike the deposit insurance to Rs 5 lakhs.

4. Securities Market And Investor Protection

One of the functions of Securities and Exchange Board of India (SEBI) as regulator in stock market is to protect the interest of investors. Hence investor protection has been always the priority of SEBI. SEBI believes in the philosophy that investors are equipped to trade in securities only if the investor knows how to invest, has full knowledge about the market, understands the risks and rewards and finally there exists grievance redressal machinery. Keeping this in spirit SEBI engages in introducing various investor protection measures as financial consumer protection. The various investor protection measures introduced by SEBI in this regard are i) setting up of SCORES (SEBI Complaints Redressal System) an online platform for investor to register their complaints, ii) setting up of OIAE (Office of the Investor Assistance and Education) within SEBI as a single window interface interacting with investors, iii) introducing SEBI Helpline, a dedicated telephone line for investors, iv) implementation of SEBI Financial Education Resource Persons Program etc. Further, stock exchanges and depository institutions have got investor grievances management mechanism.

4.1 SCORES (SEBI Complaints Redressal System): SCORES is a web based centralized grievance redressal machinery introduced by Securities and Exchange Board of India, the regulatory agency in securities market. It enables investors to submit their grievances against any stock market intermediaries so that SEBI takes up the issue with the concerned intermediary and try to resolve the problem. Whatever, the complaints SEBI received from customers, the same is forwarded online to the relevant intermediary for redressal and report back to SEBI. The details of grievances lodged at SEBI’s SCORES Platform are tabulated in Table II.

Table II. DETAILS OF INVESTOR GRIEVANCES RECEIVED AND REDRESSED UNDER SEBI SCORES PLATFORM

Financial Year	Grievance Received		Grievance Redressed	
	Year wise	Cumulative	Year wise	Cumulative
2008-09	57,580	26,74,560	75,989	25,03,560
2009-10	32,335	27,06,895	42,742	25,46,302
2010-11	56,670	27,63,565	66,552	26,12,854
2011-12	46,548	28,10,113	53,841	26,66,695
2012-13	42,411	28,52,524	54,852	27,21,547
2013-14	33,550	28,86,074	35,299	27,56,846
2014-15	38,442	29,24,516	35,090	27,91,936
2015-16	38,938	29,63,454	35,145	28,27,081
2016-17	40,000	30,03,454	49,301	28,76,382
2017-18	43,131	30,46,585	43,308	29,19,690
2018-19	42,202	30,89,787	NA	NA

(Source: Annual Reports, SEBI)

All the activities starting from lodging of a complaint till its closure by SEBI would be online in an automated environment and the complainant can view the status of his complaint online. Investors who are not familiar with the online lodging of complaints can resort to the facility of lodging complaints in physical mode at any of the offices of SEBI. The nature of complaints handled by SEBI include investor grievances

with listed companies, registrar & transfer agents, brokers, stock exchanges, depository participants, depository, mutual funds, portfolio managers, merchant bankers etc. The number of investor complaints received by SEBI on cumulative basis increased from 30,46,585 as on March 31, 2018 to 30,89,787 as on March 31, 2019.

4.2 SEBI Financial Education Resource Persons Program: SEBI has introduced the SEBI Financial Education Resource Persons Program (SFERP) in 2010 wherein SEBI empanelled resource person is made available in every district of the country to organise financial education workshops for the general public. The empanelled resource persons are required to organise financial education workshops for specific categories of general public viz. students, young investors, homemakers, self-help groups, senior citizens etc. As on 31 March 2019, there are 1235 SEBI Empanelled resource persons covering 468 districts in India. Till March 2019, 83,426 financial education workshops have been conducted covering 48.33 lakh participants in more than 570 districts.

Stock exchanges in India got grievance redressal mechanism through the Investor Services Cell of concerned stock exchanges. The complaints not redressed through investor services cell get referred to Investor Grievance Redressal Committee (IGRC). If satisfactory redressal at IGRC is not happening, the investor can approach Arbitration process at stock exchanges. Arbitration is a quasi-judicial process of settlement of disputes between investors and trading members (stock brokers) or within brokers themselves. The arbitration process is governed by rules, byelaws, circulars and regulations issued by the stock exchange and SEBI from time to time.

5. Insurance Ombudsman Scheme

The Insurance Ombudsman Scheme was created by Government of India and functioning since 1999. The scheme enables the insured to approach the Ombudsman in settling their grievances in an impartial and cost effective manner. The Ombudsman covers cases in respect of any partial or total repudiation of claims by an insurer, any dispute regarding premium paid or payable in terms of the policy, any dispute on the legal construction of policies relating to claims, delay in settlement of claims, non-issue of insurance document to customers after receipt of premium etc. The complaint should be lodged within one year of happening the event and should have approached the insurance company for redressal prior to approaching the Ombudsman. The insurance ombudsman's orders are binding on the insurers. The insurance ombudsman can award a maximum compensation of Rs 30 lakhs, including costs incurred by the complainant. The ombudsman offices are required to finalize the findings and pass an award within three months of receiving the complaint and other requirements from the policy holder. A copy of the verdict needs to be sent to the complainant as well as the insurance company. The insurance company has to comply with the order within 30 days and inform the ombudsman. If one is not satisfied with the insurance ombudsman's verdict, consumer courts can be approached for settlement of the case.

The customer grievance in the insurance industry, in the case of life insurance pertains to mis-selling of policies followed by repudiation of death claims. In general insurance, the complaints are mainly related to health insurance claims followed by motor claims. During the financial year 2018-19, the seventeen Ombudsmen centres received a total of 22,664 complaints of which 11,859 belongs to life insurance and 10,805 pertains to non-life insurance. During the year these Ombudsmen disposed of 21,967 complaints as tabulated in Table III.

Table III. Disposal of Complaints by Insurance Ombudsmen during 2018-19

Insurer	Complaints outstanding as on 01.04.2018	Complaints received during 2018-19	Total	Complaints disposed during 2018-19	Complaints pending as on 31.03.2019
Life	5,320	11,859	17,179	12,103	5,076
General	5,263	10,805	16,068	9,864	6,204
Total	10,583	22,664	33,247	21,967	11,280

(Source: IRDAI Annual Report 2018-19)

6. Protection in Pension Sector

Pension Fund Regulatory and Development Authority (PFRDA) have created a mechanism for the public to submit their grievances on pension related issues. The National Pension System (NPS) subscribers can approach PFRDA in redressing their grievances. Subscribers can file a complaint by calling a toll-free number, wherein the call center shall try to immediately resolve the issue or else, the escalation process will be triggered. The subscribers can also file a written complaint in the form of a letter. There is also facility to submit the grievances through online. The Central Grievance Management System (CGMS) of PFRDA manages all the complaints are disposed of within 30 days of its receipt. The customers can also view the status of their complaints through checking the CGMS online.

The PFRDA, the regulatory agency in the pension segment has instituted a grievance redressal machinery. The complaints of the subscribers can approach the Central Grievance Management System with the details of PRAN Number, type of grievances, email id etc. On successful registration at the site, an unique token number would be issued that can be used for future tracking the complaint. Grievance can also be recorded on call centre on Interactive Voice Response System (IVR). Another option is submitting the complaint to the Point of Presence – Service Provider (PoP-SP) for onward submission to CRA - Central Grievance Management System. A subscriber can check the status of the grievance at the CRA website or through call centre by mentioning the token number. If the complainant is not satisfied with the redressal of the grievance or if it has not been resolved by the intermediary within 30 days of filing of complaint the same can be referred to the NPS Trust.

7. Policy Implications and Conclusion

The policy guidelines of the regulators in the financial sector in India in the field of consumer protection deserve appreciation. The effectiveness of banking ombudsman can be reviewed with statistics. In the year 2018-19, the number of complaints registered with banking ombudsman offices in India registered a 20 per cent increase over the previous year making to believe that there is increased awareness among bank clients to approach the grievance redressal agency. The internal redressal mechanism prevalent in banks appears ineffective. The top management of the banks in India needs to address this issue so that the grievances are settled there itself, without escalating to ombudsman level. The tier 1 cities in India accounted more than 57 per cent of the total complaints received by Ombudsman office, which makes clear that more awareness and education about the banking ombudsman scheme is to be imparted to clients in tier-II cities. The

effectiveness of banking ombudsman as an element in financial consumer protection is justified on the ground that of all the complaints received at the ombudsman's offices, 94 per cent of them were resolved in 2018-19, as against 96 per cent in the year 2017-18 indicating relatively speedy justice delivery. Non-adherence of fair practice code continues to account for the highest share of complaints at banking ombudsman, that makes the policy makers to focus on that line through continuous interaction with banking institutions.

In the case of protection to the clients in the insurance sector, it is observed that there is violation of faith as there is delay on the part of insurance companies in complying with the order or verdict of insurance ombudsman. The IRDA notification says, between April and December 2018, many insurers failed to implement Ombudsman's order within 30 days of receiving the award nor filed appeal within 60 days. This is a dangerous trend and as a policy measure, the regulator will have to deal with this issue most seriously. Delay in payment of compensation in a verdict, further, adds to their grievances.

An educated investor is a protected investor and prevention is better than cure. While we appreciate the financial sector regulators' efforts in putting in place the grievance redressal machinery, what is required is a mass awareness or education system wherein the public at large should be imparted the dos and don'ts in financial transactions. The lessons learnt by the 2008 global financial crisis created by excessive lending is still in our memory. The recent fiasco faced by thousands of customers of PMC Bank in Mumbai can be avoided, if customers are taught about the risks and benefits in banking with co-operative banks. Behavioral changes should be brought in banks, insurance, mutual funds or any other financial market intermediaries so that employees at all levels must focus on consumer protection. Knowledgeable, skilled and confident clients can better understand the risks and rewards of financial products and can make more informed decisions. The recently constituted National Centre for Financial Education (NCFE), institutionalized for implementing the national strategy on financial education for India need to shoulder more responsibilities in financial education and safeguard the interests of clients in the financial sector.

At a time, where financial products are increasingly complex, products are delivered through new and multiple distribution channels, and new non-bank service providers entering in as service providers, financial consumer protection policies are to be implemented and enforced. If financial consumer protection frameworks in all sub segments of the financial sector are properly designed, implemented and supervised, that will instill confidence in various products and services and ultimately lead to financial inclusion that can fuel inclusive growth.

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