



## RBI Integrated Ombudsman Scheme

**For Prelims:** [Reserve Bank of India \(RBI\)](#), [Digital Banking](#), [NBFCs \(Non-banking Financial Companies\)](#).

**For Mains:** RBI Integrated Ombudsman Scheme, Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

**Source:** [BS](#)

### Why in News?

Recently, the [Reserve Bank of India \(RBI\)](#) has reported a spike of **68.2% in complaints under its Integrated Ombudsman Scheme (RB-IOS)** for the financial year 2023, with figures reaching a staggering 703,000.

- This leap marks a substantial rise compared to the previous years, where FY22 saw a 9.4% increase and FY21 witnessed a 15.7% hike in complaints.

### What are the Factors Behind this Surge in Complaints?

- The central bank's vigorous **public awareness initiatives** played a significant role in encouraging **people to voice their concerns and grievances**. As people become more aware of their rights and avenues for complaint resolution, they are more likely to report issues they encounter with banks and non-bank payment system participants.
- The implementation of a **streamlined process for lodging complaints** makes it easier for the public to report issues they face with financial institutions.
  - When the **process is simplified and accessible**, individuals are more likely to engage with it, leading to an increase in the number of complaints received.
- With the **growing popularity of digital transactions**, especially in the realm of mobile and electronic banking, there is a higher likelihood of encountering issues such as unauthorised or fraudulent transactions.
  - The convenience of [digital banking](#) also means that any hiccups in the system can affect a **large number of users simultaneously, leading to an increase in complaints**.

### What is an Ombudsman?

- A government official who deals with complaints made by **ordinary people against public organisations**. This concept of the Ombudsman arrived from Sweden.
- It means an officer appointed by the Legislature to **handle complaints against a service or administrative authority**.
- In India an Ombudsman is appointed to **resolve grievances in the following sectors**.
  - Insurance Ombudsman
  - Income Tax Ombudsman
  - Banking Ombudsman

## What is RBI Integrated Ombudsman Scheme (RB-IOS)?

### ▪ About:

- RB-IOS amalgamates three ombudsman schemes of **RBI-banking ombudsman scheme of 2006**, [Ombudsman scheme for NBFCs of 2018](#) and Ombudsman scheme of digital transactions of 2019.
- The unified ombudsman scheme aims to provide **redress of customer complaints involving deficiency in services rendered by RBI-regulated** entities viz. **banks**, [NBFCs \(Non-banking Financial Companies\)](#) and **pre-paid instrument players** if the grievance is not resolved to the satisfaction of the customers or not replied within a period of 30 days by the regulated entity.
- It includes non-scheduled primary [co-operative banks](#) with a deposit size of Rs 50 crore and above. The integrated scheme makes it a **“One Nation One Ombudsman” approach** and jurisdiction-neutral.

### ▪ Need:

- The first ombudsman scheme was rolled out in the 1990s. The system was always viewed as an issue by consumers.
- One of the primary concerns was the **lack of maintainable grounds on which the consumer could challenge the actions** of a regulated entity at the ombudsman or rejection of the complaint on technical grounds, resulting in a preference for the [consumer court](#) notwithstanding the extended timelines for redressal.
- The move to integrate the systems (**banking, NBFC, and digital payments**) and expand the grounds for complaints is expected to see a positive response from consumers.

### ▪ Features:

- The Scheme defines **‘deficiency in service’ as the ground for filing a complaint**, with a specified list of exclusions.
  - Therefore, the complaints would no longer be rejected simply on account of “not covered under the grounds listed in the scheme”.
- The scheme is jurisdiction-neutral and a centralised receipt and processing centre has been set up in Chandigarh for initial handling of complaints in any language.
- RBI had created a provision for the **use of Artificial Intelligence tools** so that banks and investigating agencies could coordinate in a better way in the fastest time possible.
- The bank customers **will be able to file complaints, submit documents**, track their status, and give feedback through a single email address.
- There will also be a multilingual toll-free number that will provide all relevant information on grievance redress.
- The regulated entity **will not have any right to appeal in cases where an award is issued by the ombudsman** against it for not furnishing satisfactory and timely information.

### ▪ Appellate Authority:

- **RBI’s Executive Director in charge of the Consumer Education and Protection Department** would be the Appellate Authority under the integrated scheme.

### ▪ Significance:

- This will help in improving the **grievance redress mechanism for resolving customer complaints** against RBI's regulated entities.
- It is expected to **ensure uniformity and streamlined user-friendly mechanisms** which will add value to the scheme and bring customer delight and financial inclusion.

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### Prelims:

**Q) With reference to the institution of the Banking Ombudsman in India, which one of the statements is not correct? (2010)**

**(a)** The Banking Ombudsman is appointed by the Reserve Bank of India

**(b)** The Banking Ombudsman can consider complaints from Non-Resident Indians having accounts in India

**(c)** The orders passed by the Banking Ombudsman are final and binding on the parties concerned

**(d)** The service provided by the Banking Ombudsman is free of any fee

**Ans: (c)**

- The Banking Ombudsman Scheme is an expeditious and inexpensive forum for bank customers for resolution of complaints relating to certain services rendered by banks. It was launched in 2006, and was recently amended in 2017.
- All Scheduled Commercial Banks, Regional Rural Banks and Scheduled Primary Co-operative Banks are covered under the Scheme.
- The Banking Ombudsman is appointed by the Reserve Bank from among its officers of the rank of Chief General Manager or General Manager. They shall have tenure not exceeding 3 years at a time.
- Any person aggrieved by the final orders of the Banking Ombudsman can approach the Appellate Authority. The Appellate Authority is vested with the Deputy Governor of the RBI.
- The Banking Ombudsman can consider complaints from Non-Resident Indians having accounts in India in relation to their remittances from abroad, deposits and other bank-related matters.
- The service provided by the Banking Ombudsman is free of any fee.
  - Therefore, option (c) is the correct answer.

**Q.2 With reference to the 'Banks Board Bureau (BBB)', which of the following statements are correct? (2022)**

1. The Governor of RBI is the Chairman of BBB.
2. BBB recommends for the selection of heads for Public Sector Banks.
3. BBB helps the Public Sector Banks in developing strategies and capital raising plans.

**Select the correct answer using the code given below:**

- (a)** 1 and 2 only
- (b)** 2 and 3 only
- (c)** 1 and 3 only
- (d)** 1, 2 and 3

**Ans: B**