

The Ombudsman Scheme for Non-Banking Financial Companies, 2018

The Reserve Bank of India has introduced an Ombudsman Scheme for customers of Non-Banking Financial Companies (NBFCs). The [Ombudsman Scheme for Non-Banking Financial Companies, 2018 \(the Scheme\)](#), is an expeditious and cost free apex level mechanism for resolution of complaints of customers of NBFCs, relating to certain services rendered by NBFCs. The Scheme is being introduced under Section 45 L of the Reserve Bank of India Act, 1934, with effect from February 23, 2018.

1. Who is the NBFC Ombudsman?

The NBFC Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against NBFCs for deficiency in certain services covered under the grounds of complaint specified under Clause 8 of the Scheme.

2. How many NBFC Ombudsman have been appointed and where are they located?

As on date, four NBFC Ombudsman have been appointed with their offices located at Chennai, Kolkata, New Delhi and Mumbai. The addresses, contact details and territorial jurisdiction of the Ombudsman is provided in the [Annex I](#) of the Scheme.

3. Which are the NBFCs covered under the Scheme?

NBFCs, as defined in Section 45-I (f) of the Reserve Bank of India Act, 1934 and registered with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934, which (a) are authorised to accept deposits; or (b) have customer interface, with assets size of one billion rupees or above, as on the date of the audited balance sheet of the previous financial year, or of any such asset size as the RBI may prescribe, are covered under the Scheme. The Scheme initially covers NBFCs authorized to accept deposits, and would be gradually extended to cover other identified NBFCs.

4. What are the grounds of complaints?

As per Clause 8 of the Scheme, the NBFC Ombudsman can receive and consider any complaint on the following grounds:

- a. non-payment or inordinate delay in the payment of interest on deposits;
- b. non-adherence to the Reserve Bank directives, if any, applicable to rate of interest on deposits;
- c. non-repayment or inordinate delay in the repayment of deposits;
- d. non-presentation or inordinate delay in the presentation of post-dated cheques provided by the customer;
- e. failure to convey in writing, the amount of loan sanctioned along with terms and conditions including annualised rate of interest and method of application thereof;
- f. failure or refusal to provide sanction letter/ terms and conditions of sanction in vernacular language or a language as understood by the borrower;
- g. failure or refusal to provide adequate notice on proposed changes being made in sanctioned terms and conditions in vernacular language as understood by the borrower;
- h. failure or inordinate delay in releasing the securities/ documents to the borrower on repayment of all dues;
- i. levying of charges without adequate prior notice to the borrower/customer;
- j. failure to provide legally enforceable built-in repossession clause in the contract/ loan agreement;
- k. failure to ensure transparency in the contract/ loan agreement regarding (i) notice period before taking possession of security; (ii) circumstances under which the notice period can be waived; (iii) the procedure for taking possession of the security; (iv) provision of final chance to be given to the borrower for repayment of loan before the sale/ auction of the security; (v)

the procedure for giving repossession to the borrower and (vi) the procedure for sale/ auction of the security;

- l. non-observance of directions issued by Reserve Bank to the NBFCs;
- m. non-adherence to any of the other provisions of Reserve Bank Guidelines on Fair Practices Code for NBFCs.

The Ombudsman may also deal with such other matter as may be specified by the Reserve Bank from time to time.

5. When can one file a complaint?

For redressal of grievance, the complainant must first approach the concerned NBFC. If the NBFC does not reply within a period of one month after receipt of the complaint, or the NBFC rejects the complaint, or if the complainant is not satisfied with the reply given by the NBFC, the complainant can file the complaint with the NBFC Ombudsman under whose [jurisdiction the branch/ registered office of the NBFC falls](#).

6. When will one's complaint not be considered by the Ombudsman?

One's complaint will not be considered under the following circumstances :

- a. If the NBFC against whom the complaint is registered, is not covered under the Scheme.
- b. If one has not approached the NBFC concerned in the first instance for redressal of the grievance.
- c. If the subject matter of the complaint is not pertaining to the grounds of complaint specified under Clause 8 of the Scheme.
- d. If one has not made the complaint within one year from the date of receipt of reply from the NBFC; or if no reply is received, and the complaint to NBFC Ombudsman is made after the lapse of more than one year and one month from the date of complaint to the NBFC.
- e. If the subject matter of the complaint is pending for disposal/ has already been dealt with at any other forum like court of law, consumer court etc.
- f. If the complaint is for the same subject matter that was settled through the office of the NBFC Ombudsman in any previous proceedings.
- g. If the complaint is frivolous or vexatious.

7. What is the procedure for filing the complaint before the NBFC Ombudsman?

One can file a complaint with the NBFC Ombudsman by writing on a plain paper and sending it to the concerned office of the NBFC Ombudsman by post/fax/hand delivery. One can also file it by email to the NBFC Ombudsman.

A [complaint form](#) along with the scheme is also available on RBI's website, though, it is not mandatory to use this format.

8. Where can one lodge his/her complaint?

One may lodge his/ her complaint with the office of the NBFC Ombudsman under whose jurisdiction, the alleged NBFC branch is situated. ([Click here for address and area of operation of the NBFC Ombudsman](#)).

For complaints relating to types of services with centralized operations, complaints may be filed before the NBFC Ombudsman within whose territorial jurisdiction the billing address of the customer is located.

9. Can a complaint be filed by one's authorized representative?

Yes. The complaint can be filed by one's authorized representative (other than an advocate).

10. Is there any cost involved in filing complaints with NBFC Ombudsman?

No. The NBFC Ombudsman does not charge any fee for filing and resolving customers' complaints.

11. Is there any limit on the amount of compensation as specified in an Award?

The compensation amount, if any, which can be awarded by the NBFC Ombudsman, for any loss suffered by the complainant, is limited to the amount arising directly out of the act or omission of the NBFC or rupees one million, whichever is lower.

12. Can compensation be claimed for mental agony and harassment?

The NBFC Ombudsman may award compensation not exceeding rupees 0.1 million to the complainant for causing mental agony and harassment. The NBFC Ombudsman, while passing such award, will take into account the loss of the complainant's time, expenses incurred by the complainant, harassment and mental anguish suffered by the complainant.

13. What are the details required in a complaint to the NBFC Ombudsman?

The complainant is required to give details such as, his/her name and address, the name and address of the branch or office of the NBFC against which the complaint is made, facts giving rise to the complaint supported by documents, if any, the nature and extent of the loss caused to the complainant, the relief sought from the NBFC Ombudsman and a declaration that the complaint is maintainable under Clause 9A of the [Scheme](#).

14. What happens after a complaint is received by the NBFC Ombudsman?

The NBFC Ombudsman endeavours to promote a settlement of the complaint through conciliation/mediation by agreement between the complainant and the NBFC. If the terms of settlement (offered by the NBFC) are acceptable in full and final settlement of one's complaint, the NBFC Ombudsman will pass an order as per the terms of settlement which becomes binding on the NBFC and the complainant. If the NBFC is found to have adhered to the extant norms and practices in vogue and the complainant has been informed to this effect through appropriate means and complainant's objections, if any, are not received by the NBFC Ombudsman within the time frame provided, the NBFC Ombudsman will pass an order to close the complaint.

15. Can the NBFC Ombudsman reject a complaint at any stage?

Yes. As per the 13 of the Scheme, the NBFC Ombudsman may reject a complaint at any stage on the following grounds:

- a. the complaint made is not on the grounds of complaint referred to in clause 8 of the Scheme; or
- b. the compensation sought is beyond the pecuniary limit specified under the Scheme; or
- c. the complaint made requires consideration of elaborate documentary and oral evidence and the proceedings before the Ombudsman are not appropriate for adjudication of such complaint; or
- d. the complaint made is without any sufficient cause; or
- e. the complaint made is not pursued by the complainant with reasonable diligence required to be taken; or
- f. in the opinion of the Ombudsman there is no loss or damage or inconvenience caused to the complainant.

16. What happens if the complaint is not settled by agreement?

The NBFC Ombudsman proceeds to pass an Award if the the complaint is not settled by an agreement within a specified period as allowed by the NBFC Ombudsman. Before passing an Award, the NBFC Ombudsman will provide reasonable opportunity to the complainant and the NBFC to present their case. It is upto the complainant to accept the Award in full and final settlement or reject it.

17. Is there any further recourse available if one rejects the NBFC Ombudsman’s decision?

Yes, the Scheme provides the appellate mechanism for the complainant as well as the NBFC.

Any person aggrieved by an Award issued under Clause 12 or by the decision of the NBFC Ombudsman rejecting the complaint for the reasons specified in sub-clause (c) to (f) of Clause 13 of the [Scheme](#), can approach the Appellate Authority.

The Appellate Authority is vested with a Deputy Governor-in-Charge of the department of the RBI implementing the Scheme. The address of the Appellate Authority is :

The Ombudsman Consumer Reserve First Fort, Mumbai 400 001. Scheme for Education Bank Floor, Appellate for Non-Banking and Bank Amar Appellate Non-Banking and Financial Protection of Amar Authority Companies Department India Building

The complainant also has the option to explore other recourse and/or remedies available as per the law.

18. Is there any time limit for filing an appeal?

One can file appeal against the award or the decision of the NBFC Ombudsman rejecting the complaint, within 30 days of the date of receipt of communication of Award or rejection of the complaint. The Appellate Authority may, if he/ she is satisfied that the applicant had sufficient cause for not making an application for appeal within time, also allow a further period not exceeding 30 days.

19. How does the Appellate Authority deal with the appeal?

The appellate authority may act as given under:

- a. dismiss the appeal; or
- b. allow the appeal and set aside the Award; or
- c. send the matter to the NBFC Ombudsman for fresh disposal in accordance with such directions as the Appellate Authority may consider necessary or proper; or
- d. modify the Award and pass such directions as may be necessary to give effect to the modified award; or
- e. pass any other order as it may deem fit.