

NEWS

Damodaran Committee calls for zero-liability online banking in India

05 Aug 2011

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The Damodaran Committee, the Reserve Bank of India panel headed by former SEBI chief M Damodaran, has said that there should be zero-liability on consumers for any loss in electronic transactions. "Internet banking should be so designed as to encourage consumers to feel safe about electronic transactions," the committee, appointed by the Reserve Bank of India, said in its report.



The committee added, "There should be a secure total protection policy/zero-liability against loss for any customer induced transaction, utilising technology through ATMs (automated teller machines), PoS (point of sales) and online banking. A customer should not be made to be out of funds when any loss is suffered on account of internet or ATM banking transactions."

The committee further suggested that banks should introduce a mechanism where customers have the choice to restrict account-to-account transfers from IP (Internet protocol) addresses of their choice. "A customer should also have the option of requesting blocking the transaction if the IP address is from a different country. In fact, this should be the default option. Any change of option should be possible with ease through the call centre or online," the report quoted.

"Banks should introduce a fund transfer facility which can be activated by the call centre on a need basis and deactivated once the transfer is completed; facilitating a system that can block any attempt from an unspecified address or suspicious outlier debit transaction and to inform the customer by SMS," the report added.

The committee said that in the case of frauds not committed by the customer, the transactions cannot be valid as they are not authorised by the customer. "Instead of the bank putting the onus on the customer to prove that he has not done the transaction or caused it to happen, the onus should be on the bank to prove that the customer has done the transaction. Negligence, if any, on the part of the customer does not deprive him of consumer rights," the committee said.

On mobile banking, the committee recommended that there should be tiered security for different parameters such as transaction value, destination of transaction, security based on hand-sets, and the frequency of payments. All the grievances of mobile banking should be addressed by the banks only, without referring the customer to the service providers. The agreements of the banks with the telecom service providers should incorporate suitable provisions to address mobile banking grievances.

The committee has also suggested providing a reply-back SMS facility to intimate that the card has not been used. It says that a customer should be allowed to block the ATM card if he finds it is misused, by simply sending an SMS with the word 'BLOCK' to prevent further withdrawal, as considerable time is otherwise lost in locating the numbers of accounts, phone numbers, etc, giving the fraudsters more time to get away with the fraud.

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