Use new standards for fair customer treatment

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A bank gave loan to a customer, and along with it sold an insurance plan to cover the loan for which premium was payable for two years. The bank had the option to sell a single premium insurance plan to the customer, which was cost effective for the customer. Instead, it sold the two payment term plan as it earns more commission from the insurance company as compared to single-premium product.

Subsequently, the regulator directed the insurance company to refund the excess commission paid on this product, amounting to few hundred of crores, to all the insured members from the shareholders funds. The insurer has filed an appeal against the order and the final outcome is pending.

In another instance, a consumer forum held the insurance company is liable to pay death claim of one of the co-borrowers of loan, even though he was not covered as a life assured. As the loan document was signed by both co-borrowers, the consumer forum directed the insurer should have itself inquired and should have covered both the borrowers under the insurance policy.

RBI in the recent past introduced the concept of zero liability of the bank consumers if the electronic transactions are made due to fraud, negligence or deficiency on the bank's part.

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The above instances highlight the need to fairly treat customers, an approach adopted and recognised by regulators and judiciary within India and across the world.

Regulators around the world have become more suspicious, less flexible and have levied punitive damages on various financial organisations that have carried out their businesses in a manner contrarian to the beneficial outcomes for its customers. Banks and other financial institutions have paid over $150 billion in fines, settlements, and restitutions to the homeowners and investors.

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- The purpose and intent of regulatory authorities has shifted in customers' interest
- **Being customer-centric has become the prerequisites for establishing a "brand"**

There has been a visible shift in the purpose and intent of regulatory authorities bias towards acting in the interests of the "customers" and putting customers' interests on the forefront.

The consumer foras also generally provide judgments/benefit of doubt to the consumers in ambiguous situations. It goes without saying being customer-centric has become the prerequisites for establishing a "brand".

Following key focus areas are helpful for this:

a) Sales and marketing material – Using easy and simple promotional material; all charges stated clearly defined, jargons used, if any, are fully explained. b) Advice and sales process – selling a product as per the needs of customer. c) Fact finding and information sharing including complete disclosure of any fees and charges to a customer to ensure product suitability. d) Complaint Handling and Resolution –Dedicated complaint handling department; shortest resolution time within regulatory prescribed timelines, regular monitoring, recording and analysis of complaints with due reporting to management. e) Staff training to create TCF awareness and drive pro-customer behaviour - the regular product training to sellers so that they can offer products suitable, duly assessed, affordable from customer standpoint at the time of sale. f)Remuneration / incentives practices – ensuring there are elements of staff remuneration.The organisation needs to regularly monitor and enhance above control mechanisms within organisations.

Besides, the organisations will be under the radar for engaging in misleading advertisements.

Still, lots of work needs to be done in this field. The organisations are yet to completely realise how even one consumer if disgruntled, can impact the reputation and question the intent of the organisation which claims to treat its customers fairly. Customer service also has competitive advantages for the organisation.

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