7 INVESTOR COMPLAINT REDRESSAL MECHANISM IN INDIA

LEARNING OBJECTIVE

After studying this chapter, you should be able to:

- Understand the investor complaint redressal mechanism
- Understand the grievance handling in SEBI
- Know the procedure to forward complaints to SEBI
- Understand the laws applicable on financial advise
- How complaints can be initiated by mutual fund investors

KEY TERMS

This chapter features these terms which you should strive to do more research about:

Professional Negligence	Ombudsman	Fraud
SCORES	Turnaround Times	Deficiency of Services

INVESTOR COMPLAINT REDRESSAL MECHANISM IN INDIA

Investor's complaint redressal mechanism in India depends upon the products and services utilized by the investor. The investor can approach the SEBI, Stock Exchange, Consumer Courts, and Civil Courts depending upon his assessment of the grievance.

Grievance Mechanism

SEBI (Ombudsman) Regulations, 2003

In exercise of the powers conferred by section 30, the Securities Exchange Board of India hereby makes the following regulations to provide for the establishment of the office of Ombudsman to redress the grievance of the investors in securities and for matters connected therewith or incidental thereto, namely:—

Territorial jurisdiction—Every Ombudsman or Stipendiary Ombudsman shall exercise jurisdiction in relation to an area as may be specified by the Board by an order.

Powers and Functions of Ombudsman

General.—the Ombudsman shall have the following powers and functions:—

a. To receive complaints specified in regulation 13 against any intermediary or a listed company or both;
b. To consider such complaints and facilitate resolution thereof by amicable settlement;
c. To approve a friendly or amicable settlement of the dispute between the parties;
d. To adjudicate such complaints in the event of failure of settlement thereof by friendly or amicable settlement.

Other Powers and Functions

1. The Ombudsman shall
   a. Draw up an annual budget for his office in consultation with the Board and shall incur expenditure within and in accordance with the provisions of the approved budget;
   b. Submit an annual report to the Board within three months of the close of each financial year containing general review of activities of his office; and
   c. Furnish from time to time such information to the Board as may be required by the Board.

2. Every financial year of the Ombudsman shall end on 31st March of each year and the annual report shall be given in such form and manner as may be specified by the Board.

Procedure for Redressal of Grievance

Grounds of Complaint: A person may lodge a complaint on any one or more of the following grounds either to the Board or to the Ombudsman concerned:

i. Non-receipt of refund orders, allotment letters in respect of a public issue of securities of companies or units of mutual funds or collective investments schemes;
ii. Non-receipt of share certificates, unit certificates, debenture certificates, and bonus shares;
iii. Non-receipt of dividend by shareholders or unit-holders;
iv. Non-receipt of interest on debentures, redemption amount of debentures or interest on delayed payment of interest on debentures;
v. Non-receipt of interest on delayed refund of application monies;
vi. Non-receipt of annual reports or statements pertaining to the portfolios;
vii. Non-receipt of redemption amount from a mutual fund or returns from collective investment scheme;
viii. Non-transfer of securities by an issuer company, mutual fund, Collective Investment Management Company or depository within the stipulated time;
ix. Non-receipt of letter of offer or consideration in takeover or buy-back offer or delisting;

x. Non-receipt of statement of holding corporate benefits or any grievances in respect of corporate benefits, etc.;

xi. Any grievance in respect of public, rights or bonus issue of a listed company;

xii. Any of the matters covered under section 55A of the Companies Act, 1956;

xiii. Any grievance in respect of issue or dealing in securities against an intermediary or a listed company.

Procedure of Filing Complaint

1. Any person who has a grievance against a listed company or an intermediary relating to any of the matters specified in regulation 13 may himself or through his authorized representative or any investors association recognized by the Board, make a complaint against a listed company or an intermediary to the Ombudsman within whose jurisdiction the registered or corporate office of such listed company or intermediary is located:

   Provided that if the Board has not notified any Ombudsman for a particular locality or territorial jurisdiction, the complainant may request the Ombudsman located at the Head Office of the Board for forwarding his complaint to the Ombudsman of competent jurisdiction.

2. The complaint shall be in writing duly signed by the complainant or his authorized representative (not being a legal practitioner) in the Form specified in the Schedule to these regulations and supported by documents, if any.

3. No complaint to the Ombudsman shall lie

   a. unless the complainant had, before making a complaint to the Board or the Ombudsman concerned, made a written representation to the listed company or the intermediary named in the complaint and the listed company or the intermediary, as the case may be, had rejected the complaint or the complainant had not received any reply within a period of one month after the listed company or intermediary concerned received his representation or the complainant is not satisfied with the reply given to him by the listed company or an intermediary;

   b. unless the complaint is made within six months from the date of the receipt of communication of rejection of his complaint by the complainant or within seven months after the receipt of complaint by the listed company or intermediary under clause (*a*) above;

   c. if the complaint is in respect of the same subject-matter which was settled through the Office of the Board or Ombudsman concerned in any previous proceedings, whether or not received from the same complainant or along with any one or more or other complainants or any one or more of the parties concerned with the subject-matter;

   d. if the complaint pertains to the same subject-matter for which any proceedings before the Board or any court, tribunal or arbitrator or any other forum is pending or a decree or award or a final order has already been passed by any such competent authority, court, tribunal, arbitrator or forum;

   e. if the complaint is in respect of or pertaining to a matter for which action has been taken by the Board under section 11(4) of the Act or Chapter VIA of the Act or under sub-section (3) of section 12 of the Act or under any other regulations made under the Act.

4. The Ombudsman may dismiss *in limine* a complaint on any of the grounds specified under sub-regulation (3) or when such complaint is frivolous in his opinion.

GRIEVANCE REDRESSAL MECHANISM AT EXCHANGES

Investor services cell (ISC) of stock exchanges (SE)/Depositories sent through SCORES or directly by the investors.

Stock exchanges have been advised to redress the complaint within 15 days.

INVESTOR GRIEVANCE REDRESSAL COMMITTEE (IGRC)

If not satisfied, Approach Depository/Investor grievance redressal committee (IGRC) of SE's. The complaints not redressed through ISCs also get referred to IGRC's.

15 days to amicably resolve the investor complaint. If not, IGRC to ascertain the value of the claim admissible to the investor and the amount is blocked in IPF. Member given 7 days from the date of IGRC to inform whether he would pursue arbitration.

No	Yes
Stock Exchange releases the amount to the investor	Stock exchange releases 50% of the admissible value or 0.75 lac whichever is less is given to the investor from IPF.

ARBITRATION

It's the quasi-judicial process of settlement of dispute, if one party feels that satisfactory redressal of grievance has not taken place at IGCRC

If arbitration is in the favour of investor and the member decides to make application in appellate arbitrator panel, then the positive difference of the following is paid from IPF of the exchange.

A. 50% of the amount mentioned in the arbitration award or 1.5 lacs which is less
   And
B. Amount already released to the investor earlier

APPELLATE ARBITRATOR PANEL

If arbitration is in the favour of investor and the member decides to make application in next higher court, then the positive difference of the following is paid from IPF of the exchange.

A. 75% of the amount mentioned in the appellate award or 2 lacs which is less
   And
B. Amount already released to the investor earlier

COURTS

Resolution of complaints by stock Exchange

i. Timeline: Stock Exchange shall ensure that the investor complaints shall be resolved within 15 working days from the date of receipt of the complaint. Additional information, if any, required from the complainant, shall be sought within 7 working days from the date of receipt of the complaint. The period of 15 working days shall be counted from the date of receipt of additional information sought.

   Stock Exchange shall maintain a record of all the complaints addressed/redressed within 15 working days from the date of receipt of the complaint/additional information. If complaint is not resolved within stipulated time frame, then the reason for non redressal in given time frame shall also be recorded.

ii. Service related complaints: Stock Exchange shall resolve service related complaints at its end. However, in case the complainant is not satisfied with the resolution, the same may be referred to the Investor Grievance Redressal Committee ("IGRC"), after recording the reasons in writing by the Chief Regulatory Officer of the Stock Exchange or any other officer of the Stock Exchange authorized in this behalf by the Managing Director. Service related complaints shall include non-receipt/ delay of Account statement, non-receipt/ delay of bills, closure of account/ branch, technological issues, shifting/closure of branch without intimation, improper service by staff, freezing of account, alleged debit in trading account, contact person not available in Trading member's office, demat account transferred without permission etc.

iii. Complaints to be referred to IGRC

   For Complaints related to trade, settlement and 'deficiency in services', resulting into any financial loss, the stock exchange shall resolve the complaint on its own as per the time lines prescribed. However, if complaint is not resolved amicably, the same shall be referred to the IGRC, after recording the reasons in writing by the Chief Regulatory Officer of the Stock Exchange or any other officer of the Stock Exchange authorized in this behalf by the Managing Director. It shall be the responsibility of the Stock Exchange to provide documents/ necessary information after collecting the same from the member and/ or the complainant and provide necessary assistance to IGRC to ensure resolution of complaints in a timely manner.

Handling of complaints by IGRC

i. IGRC shall have a time of 15 working days to amicably resolve the investor complaint through conciliation process. If IGRC needs additional information, then IGRC may request the Stock Exchange to provide the same before the initiation of the conciliation process. In such case, where additional information is sought, the timeline for resolution of the complaint by IGRC shall not exceed 30 working days.

ii. IGRC shall not dispose the complaint citing "Lack of Information and complexity of the case". The IGRC shall give its recommendation to Stock Exchange.

iii. IGRC shall decide claim value admissible to the complainant, upon conclusion of the proceedings of IGRC. In case claim is admissible to the complainant, Stock Exchanges shall block the admissible claim value from the deposit of the member as specified in this regard.

iv. Expenses of IGRC shall be borne by the respective Stock Exchange and no fees shall be charged to the complainant/member.

v. The Stock Exchange shall organize regular training program for IGRC members in consultation with National Institute of Securities Markets ("NISM"). The cost of such program shall be borne by Investor Service Fund ("ISF") of the Stock Exchange.

Arbitration

For any dispute between the member and the client relating to or arising out of the transactions in Stock Exchange, which is of civil nature, the complainant/ member shall first refer the complaint to the IGRC and/ or to arbitration mechanism provided by the Stock Exchange before resorting to other remedies available under any other law. For the removal of doubts, it is clarified that the sole arbitrator or the panel of arbitrators, as the case may be, appointed under the Stock Exchange arbitration mechanism shall always be deemed to have the competence to rule on its jurisdiction.

A complainant/member, who is not satisfied with the recommendation of the IGRC, shall avail the arbitration mechanism of the Stock Exchange for settlement of complaints within six months from the date of IGRC recommendation.

GRIEVANCE MECHANISM FOR MUTUAL FUND INVESTORS

There may be occasions when you have a complaint against a listed Mutual Fund or a company or any other intermediary registered with SEBI. SEBI has provided a centralized web based complaints redress system on its portal, named 'SCORES'.

In case you have a complaint related to any issue such as non-transfer of securities and non-payment of dividend with listed companies etc., you should first approach the concerned company/ intermediary/Mutual Fund against whom you have a complaint.

If you are not satisfied with their response, you may then lodge a complaint with SEBI through SCORES to get your complaint redressed. SCORES facilitates you to lodge your complaint online with and subsequently view its status.

SEBI takes up the complaints registered via SCORES with the concerned company / mutual fund / intermediary for timely redressal.

Whom to Approach for Grievance Redressal?

Investors should approach CIS in this regard. If investors do not get satisfactory response thereto, they may write to SEBI. Further, investors can approach district consumer redressal forums in case entities fail to honor their commitments or for any deficiency in service. For bouncing of cheques, investors can move the courts under section 138 of the Negotiable Instruments Act as the right to file criminal complaint exclusively vests with the beneficiary of the cheque.

Investors should further note that wherever they do not have a right to the land or to the produce arising out of the land such investment may be a deposit and where a company fails to repay the deposits, it attracts the provisions of section 58A of the Indian Companies Act, 1956. It is clarified that SEBI has no jurisdiction over such deposits.

What are the mechanisms available to an investor to know about the registration status of various entities either existing or new?

On grant of registration as a collective investment management company, SEBI shall issue a Press Release giving the name and address of the entities which have been granted registration. Further, the same shall be posted on the SEBI website: ***www.sebi.gov.in.***

What are the penal provisions if a registered collective investment management company violates certain provisions of the Regulations?

Action in terms of suspension/ cancellation of certificate may be initiated against the entity.

Moreover, SEBI may, in the interests of the securities market and the investors, initiate criminal prosecution under Section 24 of the SEBI Act, apart from passing of directions such as.

1. Requiring the person concerned not to collect any money from investor or to launch any scheme;
2. Prohibiting the person concerned from disposing of any of the properties of the scheme acquired in violation of the Regulations;
3. Requiring the person concerned to dispose off the assets of the scheme in a manner as may be specified in the directions;
4. Requiring the person concerned to refund any money or the assets to the concerned investors along with the requisite interest or otherwise, collected under the scheme;
5. Prohibiting the person concerned from operating in the capital market or from accessing the capital market for a specified period

Mutual Fund

How can the investors redress their complaints?

Investors would find the name of contact person in the offer document of the mutual fund scheme that they may approach in case of any query, complaints or grievances. Trustees of a mutual fund

monitor the activities of the mutual fund. The names of the directors of asset Management Company and trustees are also given in the offer documents. Investors can also approach SEBI for redressal of their complaints. On receipt of complaints, SEBI takes up the matter with the concerned mutual fund and follows up with them till the matter is resolved. Investors may send their complaints to Securities and Exchange Board of India Mutual Funds Department.

What is the Procedure for Redressal of Investor Grievances?

When investors send complaints to SEBI, SEBI takes up the matter with the concerned mutual funds and follows up with them till they are resolved.

In case of complaints, investors may write to Securities and Exchange Board of India, Mutual Fund Dept.

SEBI Investment Advice – Customer Grievance Redressal Mechanism

Investment Advisor Regulations 2013 has the following provisions for the redressal of customer grievances.

Redressal of Client Grievances:

1. An investment adviser shall redress client grievances promptly.
   An investment adviser shall have adequate procedure for expeditious grievance redressal.
2. Client grievances pertaining to financial products, in which investments have been made based on investment advice, shall fall within the purview of the regulator of such financial product.
3. Any dispute between the investment adviser and his client may be resolved through arbitration or through Ombudsman authorized or appointed for the purpose by any regulatory authority, as applicable.

BANKING OMBUDSMAN: REDRESSAL FOR CUSTOMER COMPLAINTS AGAINST BANKS

The main object of the complaint is to get resolved your problem as earliest. So it is most important to make complaint to appropriate person who will resolve your problem effectively. Most of us have experiences of bank executives, who have not provided us good services at some point of time. We face issues like activating our dormant account, issue of cheque book, adding nominee name, refunding overdraft charges, delay in remittance from abroad, closing bank account, etc. At times, we do not get a proper resolution from the bank. In such case need to know to whom can we file a complaint to resolve our issue.

Banks are like any other business and therefore you can file a complaint against them—if you are not satisfied with their services. Filing a complaint also helps you, to make sure that next time you won't have any bad experience with them. However, for a filing a complaint against a bank you first need to know the right process.

The main object of the complaint is to get resolved your problem as earliest. So it is most important to make complaint to appropriate person who will resolve your problem effectively. There is a system in Indian banking to get your problem resolved by contacting authorities in procedure. First approach to concerned bank, then Director of Public Grievances, Govt of India, then Ombudsman (RBI) and finally consumer forum. If you will follow the procedure you will find result sure.

Presently RBI (Reserve Bank of India) has compelled banks to hear customer on priority basis. On direction of RBI every bank has to appoint nodal office for redressal of customer grievances. Every bank has designated higher level office at head offices and other senior level officer at controlling offices and at large branches.

Steps of complaints

1. Write or e-mail to concerned bank branch, office or department
2. Write or e-mail to nodal officer at controlling office and head office of the bank
3. Write or e-mail to Director of Public Grievances, Govt of India, Cabinet Secretariat, Sansad Marg, New Delhi-110001

4. Complaint in appropriate form (along with copies of earlier correspondence with concerned bank) to Banking Ombudsman (Located at state capitals under RBI Ombudsman Scheme)
5. District Consumer Forum (under Consumer Protection Act, 1985) complain in appropriate form.
6. In this article we will learn more about banking ombudsman, their role, appointment & tenure, grounds of complaints among others.
7. Banking ombudsman is a quasi-judicial authority created by Government of India to provide effective complaints resolutions. It is a senior official appointed by RBI to address the complaints by the banking customers. Some people also call it ombudsman banking.

Origin: Banking Ombudsman Scheme 2006

The RBI first introduced the Banking Ombudsman Scheme in 1995 and it was revised in 2002 to over regional and rural banks. This RBI Banking Ombudsman scheme covers all banks- PSU Banks, Rural and Co-operative Banks. The Ombudsman Banking has been defined under clause 4 of the Banking Ombudsman Scheme, 2006.The RBI shall specify the territorial limits to which the authority of each of the Banking Ombudsman shall extend.

Appointment & tenure

The RBI on recommendation by its Governor may appoint one or more officials for this post. The minimum age to be considered shall be 55 years. The person selected will be appointed for a period of 3 years which could be further extended for a period not exceeding 2 years and subject to age limit of 65 years.

Clause 12 Grounds of Complaints

A. Complaints Pertaining to Deficiency in any of the Banking Services such as:-
    1. Non-payment or delay in payment of cheques, drafts, bills, etc.
    2. Non acceptance of small denomination notes without any reason and also charging of commission in respect thereof
    3. Non issuance of drafts to customers
    4. Non adherence to prescribed working hours by the branches
    5. Failure to honour guarantee or letter of credit
    6. Claims in regards to fraudulent withdrawals or fraudulent encashment of cheque or a bank draft
    7. Complaints for any of the accounts pertaining to delays, non-credit of proceeds to parties accounts
    8. Complaints for non-observance of RBI's directives applicable to rate of interests on deposits or violation of directives on any other matter
    9. Complaints from exporters for delays in receipt of export proceeds, handling of export bills, collections of bills
    10. Complaints from NRI's in regards to remittance from abroad
    11. Complaints pertaining to refusal to open deposit accounts without any valid reason
B. Complaints Concerning loans & advances
    1. Non observance of RBI directives on interest rates
    2. Delays in sanction or disbursement of loan applications
    3. Non acceptance of loan application without any valid reason
    4. Non observance of any other directives by RBI.
    5. Procedure for lodging complaint

Any person who has a grievance against services as mentioned above in Clause 12 of the scheme can approach Banking Ombudsman for addressing his concern. The person can make a complaint to Banking Ombudsman within whose jurisdiction the branch or office of the bank complained against is located.

The complaint filed should be in writing duly signed by the complainant. It should clearly state the name and address of complainant along with name and address of branch of bank against which complaint is being made. It should also give facts causing complaint supported by documents along with description of nature and extent of loss.

Rejection of complaints

1. If the complainant hasn't first approached the bank named in the complaint and the complaint would be accepted only if the other bank has
   i. Rejected the complaint or
   ii. No reply received within 1 month after the concerned bank received the case or
   iii. Person is not satisfied with the reply given
2. If the complaint has been made to Ombudsman later than one year after the cause of action
3. If the complaint is in regards to the same subject matter which was settled though Banking Ombudsman in any previous proceedings
4. If the complaint for same subject matter is pending before any court, tribunal or arbitrator or a final order has already been passed by such an authority
5. If the complaint is frivolous, vexatious or malafide in nature
6. If there is no loss or damage caused to complainant
7. If it is pursued without sufficient cause and reasonable diligence
8. If the complaint is outside the purview of the scheme
9. If the bank branches fall outside the jurisdiction of Ombudsman as several states are clubbed together since it`s not available in all states.

RBI Banking Ombudsman Offices in India are located at Mumbai Delhi, Bangalore, Hyderabad and 11 other locations. Banking Ombudsman email can be obtained from RBI website for respective locations in Delhi, Mumbai and others.

GRIEVANCE REDRESSAL IN PENSION

If you are a central government pensioner who has been facing issues related to your pension and your grievances are not being resolved by the bank or government department despite your repeated complaints, then you can lodge your complaint on the www.pensionersportal.gov.in. This portal helps pensioners to raise their grievances with senior people in the concerned department in case they have received unsatisfactory responses so far or if they do not know who to approach regarding their pension related issues.

To file a complaint on the portal, you must keep your Pension Payment Order (PPO) number handy to ensure that your complaint is quickly answered by the government.

Follow the steps below to lodge your pension grievance.

1. Go the website, www.pensionersportal.gov.in and click on CPENGRAMS
2. Choose the option 'Individual pensioners' and click on it to lodge a complaint.
3. A new tab will open in your browser. On this portal, you can lodge your complaint, send a reminder if your complaint is not resolved within a stipulated time and view your grievance status.
4. To lodge your complaint, click on the option 'Lodge your grievance'. A new screen will appear showing you the 'Grievance Registration Form'.
5. In the form, there are some fields marked with asterisk (*) and hashtag (#). Fields marked with asterisk have to be filed mandatorily, whereas fields marked with a hashtag are important to be filed in order to ensure that your complaint gets resolved quickly.

   The form asks you details about the ministry or the department from which your pension and grievance is concerned to. In case your department's name is not given in the list, the portal provides you the option of 'Not Known/Not Listed'.

If the pensioner is unable to file her complaint, then he can get someone else to file the complaint on his behalf. The form also allows you to provide the description of your grievance. While providing the description, ensure that you use permissible characters as mentioned in the form. If you have received any communication from the concerned ministry/department, the form provides you an option to upload that document. Do make sure that you upload a PDF and the size of the attachment does not exceed 1MB.

6. Once you have mentioned all the details correctly in the form, enter the captcha code and click on submit. Once you have successfully registered your complaint, then your complaint number will be displayed on computer screen. Keep this number handy for future reference.

If you have mentioned your mobile number and email ID while filling the form, then your complaint registration number will be intimated to you via SMS and email as well. It is advisable to mention your contact details apart from address in case the concerned department wants to contact you for further clarification on the information required by you before sending the official response.

You will get intimation via SMS once your complaint is resolved by the department.

Time limit for resolution

There is a no mention on the portal about the maximum time period by which your complaint will be resolved. However, if your complaint is unresolved for more than 60 days, then you have the option to send a reminder to the concerned ministry/department.

Other facilities you can use on the portal

Once you have filed your complaint, you also have the option to view its status. The status will show you the details of the department looking into your complaint, officer name, designation, and his/her contact details. The portal also allows you to seek further clarification of the response received by you from the department. The portal allows you to file complaints again if the response you got is not satisfactory.

GRIEVANCE REDRESSAL MECHANISM INSURANCE - IRDAI

1. **About IRDAI:** Insurance Regulatory and Development Authority of India (IRDAI) was set up as an autonomous body under the IRDAI Act, 1999 to protect the interests of policyholders and to regulate, promote and ensure orderly growth of the insurance industry. Redressal of grievances is one of the key components of IRDAI's efforts in protection of interests of proposers and policyholders.
2. **Does IRDAI stipulate any turnaround time for services by insurance companies?**

   Yes. IRDAI's regulations stipulate the Turnaround Times (TAT) for various services that an insurance company has to render to the consumer. These are part of the IRDAI Protection of Policyholders' Interests Regulations 2002. Insurance companies are also required to have an effective Grievance Redressal Mechanism and IRDAI has issued guidelines for that too.

Table 7.1: TATs for an insurance company to deal with various types of service requests including complaints

Life Insurance Companies Service	Maximum Turn Around Time
General	
Processing of proposal and communication of decisions including requirements/issue of policy/cancellations obtaining copy of the proposal post policy issue service requests concerning mistakes/ refund of proposal deposit and also non-claim related service requests	15 days 30 days 10 days

Life Insurance Companies Service	Maximum Turn Around Time
Life Insurance	
Surrender value/annuity/pension processing maturity claim/survival benefit/penal interest not paid raising claim requirements after lodging the claim death claim settlement without investigation requirement death claim settlement/repudiation with investigation requirement	10 days 15 days 15 days 30 days 6 months
Grievances	
Acknowledging a grievance resolving a grievance	3 days 15 days
General Insurance Companies Service	**Maximum Turn Around Time**
General	
Processing of proposal and communication of decisions including requirements/issue of policy/cancellations obtaining copy of the proposal post policy issue service requests concerning mistakes/refund of proposal deposit and also non-claim related service requests	15 days 30 days 10 days
General Insurance	
Survey report submission insurer seeking addendum report offer of settlement/rejection of claim after receiving first/addendum survey report	30 days 15 days 30 days
Grievances	
Acknowledging a grievance /resolving a grievance	3 days 15 days

3. Proposer or Policyholder Grievances: Grievance / Complaint has been specifically defined in Para 1 of the Guidelines for Grievance Redressal by Insurance Companies dated 27 July 2010 issued by IRDAI which reads as follows:

"A 'Grievance or Complaint' is defined as any communication that expresses dissatisfaction about an action or lack of action about the standard of service / deficiency of service of an insurance company and/or any intermediary or asks for remedial action."

An insurance company *is* required to resolve a grievance within two weeks of its receipt.

If a customer is unhappy with an insurance company or an intermediary associated with the company, he should approach the Grievance Redressal Officer of the company first and give the complaint. It is preferable to give a complaint in writing along with the necessary support documents.

4. *What is the course of action in case the complaint is not resolved within the prescribed time frame or there is no response from the insurance company?*

In case the complaint is not resolved within two weeks of its receipt or it is unattended, the complainant can approach the Consumer Affairs Department of IRDAI for registering his complaint.

IRDAI plays a facilitating role by taking up the complaint with the insurance companies for their resolution and responding to the complaint. A complaint can be registered with IRDAI through any of the following modes

- Calling Toll Free Number 155255/1800 425 4732 (i.e. IRDAI Grievance Call Centre) or
- Sending an e -mail to complaints@irdai.gov.in
- Registering a complaint on Integrated Grievance Management System at www.igms.irdai.gov.in
- Sending the complaint through letter / courier to IRDAI at Consumer Affairs Department, Insurance Regulatory and Development Authority, 3-5-817/818, United India Towers, 9th Floor, Hyderguda, Basheerbagh, Hyderabad-500 029
- Sending the complaint by Fax to 040-66789768

5. *What is IRDAI Grievance Call Centre?*

IRDAI Grievance Call Centre was launched on July 20, 2010 as a true alternative channel for prospects and policy holders with comprehensive tele functionalities. The call centre serves as a toll free, 12 hours X 6 days service platform, from 8 AM to 8 PM, Monday to Saturday. The services are offered not only in Hindi and English but also in other major Indian languages. The toll free number of the call centre is 155255/1800 425 4732 and is serving as an inexpensive, expeditious and simple method of registering complaints, ascertaining their status and escalating them to IRDAI.

6. *What is Integrated Grievance Management System?*

IRDAI launched the Integrated Grievance Management System (IGMS) in April 2011. IGMS is a comprehensive solution which not only has the ability to provide a centralized and online access to the proposer or policyholder but also provides for complete access and control to IRDAI for monitoring market conduct issues of which proposer or policyholder's grievances are the main indicators. IGMS has the ability to classify different complaint types based on pre-defined rules. The system has the ability to assign, store and track unique complaint IDs. It also sends intimations to various stakeholders as required, within the workflow. The system has defined target Turnaround Times (TATs) and measures the actual TATs on all complaints. IGMS sets up alerts for pending tasks nearing the laid down Turnaround Time. The system automatically triggers activities at the appropriate time through rule based workflows.

Proposers or Policyholders who have grievances should register their complaints with the Grievance Redress Channel of the Insurance Company first. If they are not able to access the insurance company directly for any reason, IGMS provides a gateway to register complaints with insurance companies and track their status. A complaint registered through IGMS will flow to the insurance company's system as well as the IRDAI repository. Thus, IGMS provides a standard platform to all insurance companies to resolve proposer or policyholder's grievances and provides IRDAI with a tool to monitor the effectiveness of the grievance redress system of insurance companies. Updating of status will be mirrored in the IRDAI system. Therefore, apart from creating a central repository of industry wide insurance grievance data, IGMS is a grievance redress monitoring tool for IRDAI.

7. *How is Grievances Handled at IRDAI?*

The complaint is registered with a unique token number. An acknowledgement of complaint with the complaint token number is sent to the complainant by email or if no email id is registered, by letter to his postal address. A brief description of the grievance is given on the IGMS. The documents relating to the complaint are captured and forwarded to the insurance company for resolution. The insurance company is required to examine the complaint and attend to it within two weeks by responding to the complainant. The action taken on the complaint has to be updated by the insurance company in the IGMS. The status of the complaint and the description of action taken can be checked by the complainant from the IGMS or by calling up the IRDAI Grievance Call Centre by using the token number assigned to the complaint. In case the complainant does not come back within 8 weeks of the insurance company attending to the complaint and recording the action taken, the complaint will be closed by the insurance company. In case the company does not respond even after 15 days or if the complainant is not satisfied with the action taken, he can again escalate the complaint to IRDAI will then take up the complaint with the company for its resolution and responding to the complainant. In case

the complainant is not satisfied with the resolution of the insurance company, he may approach the Insurance Ombudsman or the appropriate legal authority

8. *What is the work flow relating to grievances handled by IRDAI?*

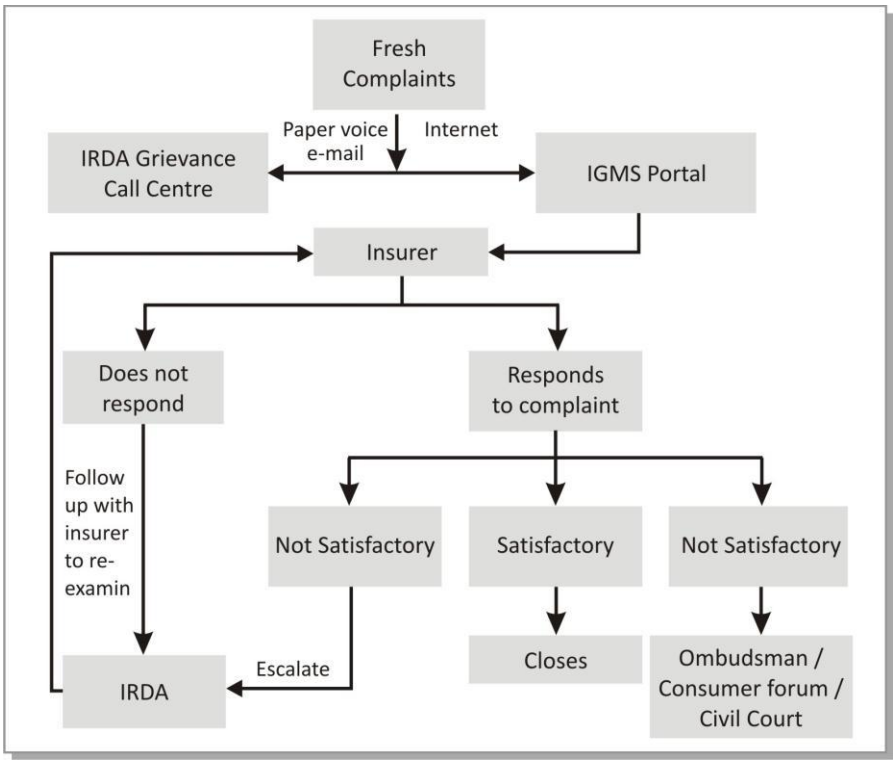

Exhibit 7.1: IRDAI Grievance Redressal System

9. *Is there a Scheme of Ombudsman for Insurance Sector?*

Yes. With an objective of providing a forum for resolving disputes and complaints from the aggrieved insured public or their legal heirs against insurance companies, the Government of India, in exercise of powers conferred on it under Section 114(1) of Insurance Act, 1938, framed "Redressal of Public Grievances Rules, 1998"**,** which came into force with effect from 11 November 1998. These Rules aim at resolving complaints relating to settlement of disputes of proposers or policyholders with insurance companies on personal lines of insurance, in a cost effective, efficient and impartial manner. These Rules apply to all the insurance companies operating in general Insurance business and life insurance business, in public and private sectors. To implement the above Rules, the Institution of Insurance Ombudsman has been established which has been functioning since 1999.

10. *Who is an Insurance Ombudsman?*

An Insurance Ombudsman is a person appointed by Government of India under the Redressal of Public Grievance Rules, 1998. There are 12 Insurance Ombudsman in different locations in India.

11. *What are the grounds under which a complaint can be made to the Insurance Ombudsman?*

- Any partial or total repudiation of claims by an insurance company
- Any dispute about premium paid or payable in terms of the policy
- Any dispute on the legal construction of the policies as far as it relates to claims
- Delay in settlement of claims
- Non-issue of any insurance document to after payment of premium

12. *What are the requirements of lodging a complaint before the Insurance Ombudsman?*

- A complaint in writing should have been made to the Insurance Company and the same should have been rejected or not satisfactorily replied to or not responded to within 30 days of its receipt.

- The complaint should be lodged within 1 year of rejection or receipt of reply or non-response after 30 days of making complaint.
- The complaint should be by an individual on 'Personal Lines' of insurance
- The complaint should be in writing duly signed by the complainant or through legal heirs and should state clearly the name and address of the complainant, the name of the branch or office of the insurance company against which the complaint is made, the fact giving rise to complaint supported by documents, if any, relied on by the complainant, the nature and extent of the loss caused to the complainant and the relief sought from the Ombudsman
- The complaint should be made to the Ombudsman having jurisdiction over the location of office or branch of the insurance company against which the complaint is made.
- The complaint should be on one of the grounds of complaint that can be handled by the Insurance Ombudsman.
- The subject matter of the complaint is not currently before a Court / Consumer Forum / Arbitrator or disposed of earlier by a Court/Consumer Forum / Arbitrator.
- The total relief sought is not exceeding Rs.20 lakhs.

13. *How does the Insurance Ombudsman deal with a complaint?*

The Ombudsman takes up a complaint for settlement through mediation if both the complaint and insurance company, by mutual agreement, request for the same in writing. In such a case, the Ombudsman, within one month of receipt of complaint, will make a recommendation which he thinks fair based on the circumstances of the case. The recommendation is sent to complainant and insurance company. If the complainant accepts the recommendation in full and final settlement of his grievance within 15 days, the same is communicated to the insurance company. The insurance company should comply with the recommendation immediately or within 15 days and inform compliance to the Ombudsman.

If a settlement by recommendation does not work, the Ombudsman will dispose the complaint by passing a speaking Award within 3 months from receipt of complaint. The award, with reasons indicating the amount awarded and ex gratia, if any, will be communicated to complainant and insurance company. The complainant must convey his acceptance of the Award in full and final settlement of his grievance to the insurance company within one month. In case he does not do so, the insurance company may not implement the Award. If the award is accepted by the complainant, the insurance company should comply with the same within 15 days of receipt of letter of acceptance and submit compliance to the Ombudsman.

14. *What are the important regulations relevant to proposers and policy holders?*

- IRDAI (Protection of Policyholders' Interest) Regulations, 2002
- Redress of Public Grievances Rules, 1998
- Guidelines for Grievance Redressal by Insurance Companies (Ref. 3/CA/GRV/GrvRedrGuidelines /YPB/10-11 dated 27 July 2010)

15. For further information

IRDAI's consumer education website www.policyholder.gov.in
IRDAI Site - https://www.irdai.gov.in

Latest Amendments to Grievance Redressal Mechanism of Insurance Companies by IRDAI

Further to Regulation 5 of IRDAI Regulations for Protection of Policyholders Interests, 2002 which provides for insurers to have in place speedy and effective grievance redressal systems, and in terms of the Authority's powers and functions as enunciated in Section 14 of IRDAI Act, 1999, the IRDAI hereby issues the following guidelines pertaining to minimum time-frames and uniform definitions and classifications with respect to grievance redressal by insurance companies.

These guidelines are applicable for disposal of "grievances/complaints" as defined herein. All insurers shall ensure that the guidelines of the Authority are followed strictly.

1. **Definition of "Grievance/Complaint":** There shall be a uniform definition of "Grievance or Complaint". Grievances shall be clearly distinguished from Inquiries and Requests, which do not fall within the scope of these guidelines.

The following definition of grievance shall be adopted:

Grievance/Complaint: A "Grievance/Complaint" is defined as any communication that expresses dissatisfaction about an action or lack of action, about the standard of service/deficiency of service of an insurance company and/or any intermediary or asks for remedial action.

On the other hand, an Inquiry and Request would mean the following:

Inquiry: An "Inquiry" is defined as any communication from a customer for the primary purpose of requesting information about a company and/or its services.

Request: A "Request" is defined as any communication from a customer soliciting a service such as a change or modification in the policy.

2. **Grievance Redressal Policy:** Every insurer shall have a Board approved Grievance Redressal Policy which shall be filed with IRDAI.
3. **Grievance Officer/s:** Every insurer shall have a designated Grievance Officer of a senior management level. Senior Management would mean either the CEO or the Compliance Officer of the company. Every office other than the Head/Corporate/Principal officer of an insurer shall also have an officer nominated as the Grievance Officer for that office.
4. **Grievance Redressal System/Procedure:** Every insurer shall have a system and a procedure for receiving, registering and disposing of grievances in each of its offices. This and all other relevant details along with details of Turnaround Times (TATs) shall be clearly laid down in the policy. While insurers may lay down their own TATs, they shall ensure that the following minimum time-frames are adopted:
   (a). An insurer shall send a written acknowledgement to a complainant within 3 working days of the receipt of the grievance.
   (b). The acknowledgement shall contain the name and designation of the officer who will deal with the grievance.
   (c). It shall also contain the details of the insurer's grievance redressal procedure and the time taken for resolution of disputes.
   (d). Where the insurer resolves the complaint within 3 days, it may communicate the resolution along with the acknowledgement.
   (e). Where the grievance is not resolved within 3 working days, an insurer shall resolve the grievance within 2 weeks of its receipt and send a final letter of resolution.
   (g). Where, within 2 weeks, the company sends the complainant a written response which offers redress or rejects the complaint and gives reasons for doing so,
      (i). The insurer shall inform the complainant about how he/she may pursue the complaint, if dissatisfied.
      (ii). The insurer shall inform that it will regard the complaint as closed if it does not receive a reply within 8 weeks from the date of receipt of response by the insured/policyholder.

   Any failure on the part of insurers to follow the above-mentioned procedures and time-frames would attract penalties by the Insurance Regulatory and Development Authority.

   It may be noted that it is necessary for each and every office of the insurer to adopt a system of grievance registration and disposal.
5. **Turnaround Times**: There are two types of turnaround times involved.
   (i). The service level turnaround times, which are mapped to each classification of complaint (which is itself based on the service aspect involved).
   (ii). The turnaround time involved for the grievance redressal.

   As to (i), the TATs are as mapped to the classification and prescribed by the Authority to insurers. These TATs reflect the time-frames as already laid down in the IRDAI Regulations for Protection of Policyholders Interests and more, as, wherever considered necessary (for certain service aspects not getting specifically reflected in the Regulations), specific TATs are indicated in the classification and mapping provided by the Authority.

As regards (ii) above, the minimum TATs required to be followed shall be as prescribed in guideline 4 (a) to (g) as prescribed above.

6. Closure of Grievance

A complaint shall be considered as disposed of and closed when

(a). The company has acceded to the request of the complainant fully.
(b). Where the complainant has indicated in writing, acceptance of the response of the insurer.
(c). Where the complainant has not responded to the insurer within 8 weeks of the company's written response.
(d) Where the Grievance Redressal Officer has certified that the company has discharged its contractual, statutory and regulatory obligations and therefore closes the complaint.

7. Categorization of Complaints

(a). Categorization of complaints as prescribed by the Authority from time to time shall be adopted by insurers and incorporated in their systems.
(b). The present classification prescribed by the Authority is placed at Annexure A. All insurers shall provide for these classification categories in their respective systems.

8. Minimum Software Requirements: It is necessary for insurers to have automated systems that will enable online registration, tracking of status of grievances by complainants and periodical reports as prescribed by IRDAI. The system should also be one which can integrate seamlessly with the Authority's system in the manner prescribed by the Authority. The Authority shall define these requirements from time to time and insurers shall ensure that they provide for such software/system modifications as may be required. The objective is to create the required industry level database and systems that would enable speedy and effective redressal of complaints.

9. Calls Relating to Grievances: Insurers shall also have in place a system to receive and deal with all kinds of calls including voice/e-mail, relating to grievances, from prospects and policyholders. The system should enable and facilitate the required interfacing with IRDAI's system of handling calls/e-mails.

10. Publicizing Grievance Redressal Procedure: Every insurer shall publicize its grievance redressal procedure and ensure that it is specifically made available on its website.

11. Policyholder Protection Committee: Every insurer that ensure that the Policyholder Protection Committee, as stipulated in the guidelines for Corporate Governance issued by the Authority, is in place and is receiving and analyzing the required reports from the management and is carrying out all other requisite monitoring activities.

How Investor Complaints are handled in SEBI?

SEBI has a dedicated department viz., Office of Investor Assistance and Education (OIAE) to receive investor grievances and to provide assistance to investors by way of education.

Investors who are not satisfied with the response to their grievances received from the Stock Exchanges/Depositories can lodge their grievances with SEBI. Grievances pertaining to stock brokers and depository participants are taken up with respective stock exchange and depository for redressal and monitored by SEBI through periodic reports obtained from them. Grievances pertaining to other intermediaries are taken up with them directly for redressal and are continuously monitored by SEBI. Grievances against listed company are taken up with the respective listed company and are continuously monitored. The company is required to respond in prescribed format in the form of Action Taken Report (ATR). Upon the receipt of ATR, the status of grievances is updated. Where the response of the company is insufficient / inadequate, follow up action is initiated. If the progress of redressal of investor grievances by an entity, is not satisfactory, appropriate enforcement actions (adjudication, direction, prosecution etc.) are initiated against such entity.

What are the Types of Complaints Handled by SEBI?

Investor Grievance Redressal Mechanism at Stock Exchanges

Complaints arising out of activities that are covered under SEBI Act, 1992; Securities Contract Regulation Act, 1956; Depositories Act, 1996 and Rules and Regulations made there under and

provisions that are covered under Section 55A of Companies Act, 1956 are handled by SEBI. Entities against which complaints are handled by SEBI:

- Listed companies
- Stock Brokers/Sub-brokers
- Stock Exchanges
- Depository
- Depository
- Participants
- Registrars to an Issue / Share Transfer Agent
- Mutual Funds
- Portfolio Managers
- Bankers to an Issue
- Collective Investment Schemes
- Credit Rating Agencies
- Custodians of Securities
- Debenture Trustees
- Merchant Bankers
- Underwriters SEBI also has a separate department to look into market irregularities. If any irregularities are found in trading in shares or manipulation in price or violation of Insider trading regulations, the same can be reported to SEBI.

Securities and Exchange Board of India (SEBI) is a statutory body established under the SEBI Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.

Redressal of investor grievances is one of the key components of SEBI's efforts to protect the interests of investors in securities.

There will be occasions when an investor has a complaint against, a listed company or an intermediary registered with SEBI. In the event of such complaint, the investor should first approach the concerned company/intermediary against whom there is a complaint. Sometimes the response received may not be satisfactory.

Therefore, investors should know as to which authority they should approach, to get their complaints redressed.

Whom to approach for complaint against Stock brokers/Depository Participants?

Investors who are not satisfied with the response to their grievances received from the brokers/Depository Participants / listed companies, can lodge their grievances with the Stock Exchanges or Depositories. The grievance can be lodged at any of the offices of the BSE / NSE / CDSL / NSDL located at Chennai, Mumbai, Kolkata and New Delhi. In case of unsatisfactory redressal, BSE/NSE has designated Investor Grievance Redressal Committees (IGRCs), or Regional Investor Complaints Resolution Committees (RICRC), this forum acts as a mediator to resolve the claims, disputes and differences between entities and complainants. Stock Exchanges provide a standard format to the complainant for referring the matter to IGRC/RICRC. The committee calls for the parties and acts as a nodal point to resolve the grievances. For any detailed information, please visit the website of the respective stock exchange.

If the grievance is still not resolved, an investor can file arbitration under the Rules, Bye laws and Regulations of the respective Stock Exchange/Depository.

SEBI COMPLAINTS REDRESS SYSTEM (SCORES)

SCORES is a web based centralized grievance redress system of SEBI. (http://scores.gov.in) SCORES enables investors to lodge and follow up their complaints and track the status of redressal of such complaints online from the above website from anywhere. This enables the market intermediaries

and listed companies to receive the complaints online from investors, redress such complaints and report redressal online. 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. An investor, who is not familiar with SCORES or does not have access to SCORES, can lodge complaints in physical form at any of the offices of SEBI. Such complaints would be scanned and also uploaded in SCORES for processing.

The Salient Features of SCORES are:

- SCORES is web enabled and provides online access 24 x 7.
- Complaints and reminders thereon can be lodged online at the above website at anytime from anywhere
- An email is generated instantaneously acknowledging the receipt of complaint and allotting a unique complaint registration number to the complainant for future reference and tracking
- The complaint forwarded online to the entity concerned for its redressal
- The entity concerned uploads an Action Taken Report (ATR) on the complaint; SEBI peruses the ATR and closes the complaint if it is satisfied that the complaint has been redressed adequately
- The concerned investor can view the status of the complaint online from the above website by logging in the unique complaint registration number; The entity concerned and the concerned investor can seek and provide clarification on his complaint online to each other
- Every complaint has an audit trail and all the complaints are saved in a central database which generates relevant MIS reports to enable SEBI to take appropriate policy decisions and or remedial actions, if any.

Way to Lodge Complaint in SCORES

Investor Grievance Redressal Mechanism at Stock Exchanges: To register a complaint online on SCORES portal, (http://scores.gov.in) click on “Complaint Registration” under “Investor Corner”. The complaint registration form contains personal details and complaint details. There are certain mandatory fields in the Form. These field s include Name, Address for correspondence, State, Email Address of Investor. After filling the personal details, select the complaint category, entity name, nature of complaint related to, complaint details in brief (up to 1000 characters). A PDF document (up to 1MB of size for each nature of complaint) can also be attached along with the complaint as the supporting document. On successful submission of complaint, system generated unique registration number will be displayed on the screen which may be noted for future correspondence. An email acknowledging the complaint with complaint registration number will also be sent to the complainant's email id entered in the complaint registration form.

How long does it take for the entity to respond to the complaint?

Generally, the entity responds to the complaint within a few days after the receipt of the complaint.

Entities are required to submit the Action Taken Report (ATR) within a reasonable period but not later than 30 days. However, the redressal of complaint may be delayed due to various reasons viz., non receipt of satisfactory reply from the entity, non receipt of information/ documents sought by the entity / SEBI from the investor, court matter, entity not traceable or vanished companies, etc.

What are the limitations in dealing with complaints?

Sometimes a complaint is successfully resolved and the entity is advised to send reply to complainant. But in certain cases, the entity or company denies wrongdoing, and it remains unclear as to who is wrong or whether any wrongdoing occurred at all. If this happens, SEBI cannot act as a judge or an arbitrator and force the entity or company to resolve the complaint. Further, SEBI cannot act as personal representative or attorney of the complainant. Securities laws and other laws provide important legal rights and remedies if an investor has suffered wrongdoing.

LAWS APPLICABLE TO FINANCIAL ADVISOR

A financial advisor, investment advisor, wealth manager, financial planner who service their clients by either selling financial products or providing personal wealth planning advice. If a customer finds

that there is a deficiency in services or the advice provided to the client is not in client's interest there are several laws which enable a client to take legal actions against their financial professional.

The various laws that is applicable to a Financial Professional who provides financial advice:

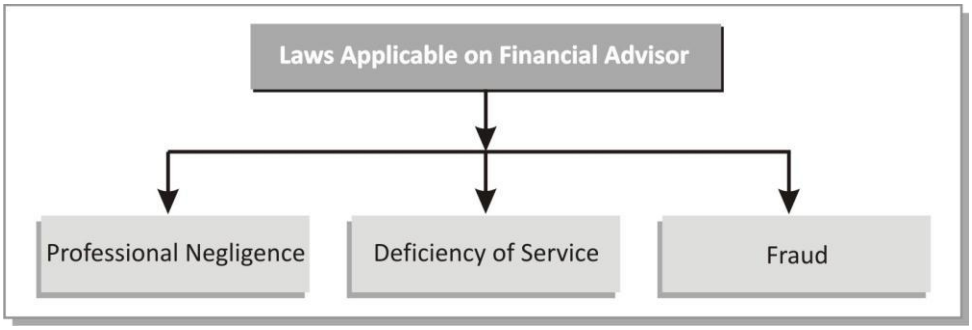

Exhibit 7.2: Laws Applicable on a Financial Advisor

A client cannot take his wealth manager to court for every advice as a wealth manager is not an astrologer who can predict the future market movements and returns and risk in an investment. So what are the situations in which the wealth manager can face legal liabilities for his or her advice.

Professional Negligence

Negligence can be construed as either the adviser not having the skills he claimed to have or not using his skills competently. A wealth manager can for example be sued of he claims to be a Chartered Wealth Manager draws a "Wealth Plan" which on implementation by the client results on losses and on enquiry by the client he discovers that the credentials are fake. Professional Negligence can also be established by proving that the wealth manager did not act in a competent manner. For example if you give a financial advise without conducting proper research.

Deficiency of Service

Though deficiency of service and professional negligence tend to overlap, the former essentially relates to a service that was promised, but was not delivered. For instance, suppose your client gives you instructions to invest in a particular instrument, but later find out that you failed to follow his advice, which resulted in a missed opportunity for your client. In such cases, your client can easily take you to court.

Fraud

Apart from civil suits, a big chunk of investor complaints relates to fraud. If a wealth manager has taken his client for a ride, his client can file a criminal case under several sections of the Indian Penal Code, such as Section 405-409, which relate to criminal breach of trust.