

Consumer Dialogue

Volume V, Issue 3, July-September 2014

E-newsletter

Stop Mis-selling of Financial Products to Maintain Trust in Banking System

Banking is based on trust but complaints of mis-selling of financial products is resulting in erosion of the trust in banking system, said V G Sekar, General Manager, Department of Banking Supervision, Reserve Bank of India (RBI), Regional Office, Rajasthan, while delivering the opening address in a consultation on RBI's Draft Charter of Customer Rights, organised by CUTS on September 18, 2014 at Jaipur. Sekar further said that there are lot of complaints and concerns coming to RBI, which indicate that mis-selling exists and RBI will intervene as it has regulatory role to protect interest of consumers. The purpose of the consultation was to discuss and gather feedback of various stakeholders on the Charter and consolidate recommendations for submission to RBI.

A B Das, Secretary and Deputy General Manager, Office of Banking Ombudsman Jaipur office in his remarks said that they also received a number of complaints on mis-selling of products and asked the commercial banks to take steps to strengthen the trust of customers.

Earlier, George Cheriyan, Director, CUTS in his introductory speech spoke about CUTS and its interventions to protect interests of consumers specifically in financial sector. The charter is part of RBI's plans to radically overhaul customer protection norms aimed at protecting banking consumers and to discourage lenders from mis-selling. However a clear road map for the implementation of the Charter is missing, leaving it to the interpretation of each bank.



Project Coordinator CUTS, Amarjeet Singh made a presentation on the key points of the draft Charter and the ongoing project on 'Right to Choice of Consumers of Financial Services, with special focus on the issue of Mis-selling and Financial Incentives in Indian Banks'.

The consultation was attended by about 35 delegates, including senior officers of banks, organisations working on financial consumer protection issues, consumer activists and media, who gave valuable suggestion on the issue.

Some comments/suggestions captured in the meeting on the draft Charter for consideration are:

- A clear road map for the implementation of the Charter should be set, leaving it to the interpretation of each bank.
- The accountability of bank officials should be fixed, who are in a position to decide instead of putting the responsibility on the front desk staff.
- RBI should review the policy allowing banks to sell third party financial products.
- Along with customer's rights, duties/responsibilities of customers should also be defined clearly.
- There should be better visibility and clarity in the terms and conditions of financial products, while selling those products.
- Financial products should be made simpler to understand and may be colour coding be done according to the risk involved on the lines of Securities and Exchange Board of India (SEBI).
- Incentives to bank staff involved in selling should be linked to the quality of services and not merely the quantity of sale.
- There should be proper sensitisation and capacity building on marketing for banks front line staff for effective customer handling.
- Banks should carry out customer education and awareness programmes as part of their CSR.
- The Charter should have a timeframe and a built-in process of its periodic review to address new challenges.
- The Charter deals with customer rights only, whereas it should also mention how RBI will ensure that the rights are realised by the common customer.

INSIDE

- ACTIVITIES
- IMPORTANT JUDGEMENTS/ DECISIONS
- REPRESENTATION
- INFORMATIVE
- UPCOMING ACTIVITIES



CUTS CART

ACTIVITIES



Campaign on Organic Food and Farming for All

CUTS organised a campaign 'Organic food and farming for all', which was supported by Swedish Society for Nature Conservation under the Green Action Week and aimed at facilitating awareness generation among consumers of Jaipur city of Rajasthan about organic food.

During September 2014, a total of nine cottage meetings were organised in nine different localities of Jaipur targeting urban consumers. In each of these meetings, consumers were informed about the simple technique of growing organic kitchen gardens through the medium of tray cultivation. Experts on the theme facilitated the cottage meetings.

Ten street plays were organised at various market places to reach out to a wider audience in an attempt to modify consumer behaviour in favour of organic products. For conducting plays, *Ras Rang Manch*, a Jaipur-based street play group was given the responsibility. A signature campaign was also organised under the campaign.



ProOrganic Activities Reaches Grassroots

Awareness campaigns are scheduled under the project entitled 'Promote Organic Consumption in the State of Rajasthan' (Pro-Organic) supported by Swedish Society for Nature Conservation (SSNC) in selected 102 *gram panchayats* of all six districts during August 2014-January 2015 with the aim to make consumers aware of available organic products and influence their buying habits through street plays, posters, hand-outs etc.

The campaigns commenced during August 2014. Arjun Kant Jha of CUTS attended the awareness campaign at Chittorgarh and Kota on September 10 and 11, 2014 respectively and Deepak Saxena in two *gram panchayats* in Dausa districts on September 29 and 30, 2014 respectively.

National Environment and Awareness Campaign

Five Divisional level pre-proposal open workshops were organised at Chittorgarh (Udaipur Division), Kota, Jodhpur, Bikaner and Jaipur on August 4, 5, 6, 7 and 12 respectively under the National Environment Awareness Campaign (NEAC) for the year 2014-15 on the theme 'Combating Desertification, Land Degradation and Drought'. CUTS is serving as a Regional Resource Centre of Rajasthan.



REPRESENTATION



- George Cheriyan attended the first meeting of the Inter-Ministerial Monitoring Committee held at Department of Consumer Affairs (DoCA), New Delhi on July 18, 2014.
- He attended a Roundtable on Smuggled and Counterfeit Food Products organised jointly by DoCA and Federation of Indian Chambers of Commerce and Industry-Committee against Smuggling and Counterfeiting Activities Destroying Economy at Federation House, FICCI, New Delhi on July 24, 2014.
- He attended a one-day roundtable on 'Preventing Telemarketing Fraud: A Multi-Stakeholder Response: Coordinating Enforcement, Education, and Technological Solutions' organised by the Bureau of Consumer Protection of US Federal Trade Commission at New Delhi on July 30, 2014
- He attended the 12th meeting of Central Advisory Committee of Food Safety and Standards Authority of India (FSSAI) on August 01, 2014. CUTS is member of FSSAI.
- Amarjeet Singh attended the Stakeholder Consultation meetings organised by DoCA to finalise proposals for amendments to Bureau of Indian Standards (BIS) and Consumer Protection Act (COPRA) at New Delhi on September 02-03, 2014 respectively
- Deepak Saxena attended a panel discussion on medical ethics at Jaipur on September 03, 2014. The event was organised to mark the birth centenary of Dr L M Sanghvi, a famous cardiologist of Rajasthan.
- He participated in a regional workshop on Capacity Building of Consumer Advocacy Groups. (CAGs) organised by the Telecom Regulatory Authority of India (TRAI) at Surat (Gujarat) on September 26, 2014.



Consumer Forum Penalised LIC Heavily

New Delhi District Consumer Disputes Redressal Forum has asked Life Insurance Corporation Housing Finance Ltd (LIC HFL) to pay ₹2.3 lakh compensation for loss of documents submitted by two doctors who had taken home loan from it.



The complainants had told the Forum that they had taken a loan from LIC HFL for a DDA flat allotted to them. Documents of fifth and final demand letter, payment challan and conveyance deed, were given to the company, for conversion from lease hold to free hold. Later, they demanded back the letters deposited with company but the company failed to do so.

The Forum also noted that though the company was denying that the other two documents were with it, the complainants from day one were reminding it to return the same and they simply could not be disbelieved. After considering all facts, the Forum found that the loss of conveyance deed in the name of complainants in office of Opposite Party is an admitted fact due to imperfection in securing it properly in safe custody.

Presided by C K Chaturvedi, the Forum asked the company to pay ₹2 lakh as compensation to complainants Dr Mukesh Kumar and Dr Renu Bala, for negligence along with ₹30,000 as litigation expenses. The forum also directed the company to approach DDA for re-construction of a duplicate conveyance deed with endorsement from the Registrar that the original was registered with it and that the same was lost.

(ET, 19.08.2014)

Agent's Misdeeds Will Make Insurer Liable

While the attention is focused on higher foreign investment limit in the insurance sector — from 26 to 49 percent, the government has quietly inserted new provisions that will make it tough for insurers to escape responsibility for mis-selling by agents. The notice for amendments circulated to Rajya Sabha members recently has proposed that insurers will be “responsible for all the acts and omissions of its agents, including violation of code of conduct”. It has also proposed a penalty of up to Rs 1 crore on insurers for such violations.

The move will come as a relief to millions of policy-holders, who often complain that the policy sold to them was not what was promised to them and companies pass on the blame to the agents. Although there are safeguards, such as a free look-in period and a cancellation of the policy within 15 days if the buyer is not satisfied most consumers only realise the flaws much later.

Several individuals are now shy of buying insurance after they invested in unit-linked insurance plans or ULIPs in the hope of earning big returns, only to be disappointed by the hefty commission. At that time, insurers had blamed agents for the confusion.

There are certain other changes introduced compared to the 2008 Insurance Bill. The new central government has suggested that no life insurance policy will be called into question on any ground, including fraud, after the expiry of three years from the date of issuance of the policy or from the date the risk coverage started. The Bill moved in 2008 had proposed the cut-off at five years. Further, the new government has proposed to clamp down on multi-level marketing (MLM) and safeguards have been built in, while selling through special or principal agents. Companies have been barred from appointing such agents and providing inducements to purchase or renew policies using the MLM route.

(<http://timesofindia.indiatimes.com/business/india-business/Insurers-to-be-liable-for-agents-misdeeds/articleshow/39376372.cms>)

Maruti, Tata Motors, 12 Others Fined ₹2,545 Crore by Fair Trade Regulator

In the first major order against the auto sector, the Competition Commission of India (CCI) on Monday slapped a penalty of ₹2,545 crore on 14 carmakers including Maruti Suzuki and Tata Motors for violating trade norms in the spare parts market.

Honda Siel Cars India, Volkswagen India, Fiat India Automobiles, BMW India, Ford India, General Motors India, Hindustan Motors, Mahindra & Mahindra, Mercedes-Benz India, Nissan Motor India, Skoda Auto India and Toyota Kirloskar Motor have also been penalised. In a 215-page order, fair trade watchdog CCI has imposed a penalty totalling ₹2,544.64 crore on 14 auto companies. For each entity, the individual fine amounts to 2 per cent of their average turnover. The penalty is to be deposited within 60 days of receipt of the order.

Through these agreements, the car-makers “imposed absolute restrictive covenants and completely foreclosed the after-market for supply of spare parts and other diagnostic tools”, the regulator said.

(ET, 26.08.2014)

(For more details please visit: http://profit.ndtv.com/news/corporates/article-maruti-tata-motors-12-others-fined-rs-2-545-crore-by-fair-trade-regulator-653716?utm_source=ndtv&utm_medium=top-stories-widget&utm_campaign=story-6)





Hefty Penalties and Negative Points under Proposed Amendments in Motor Vehicle Law

If you jump a traffic light, drive on the wrong side of the road, refuse to snap on the seat belt or obstruct emergency vehicles, you may soon have to cough up a fine of ₹5,000. And if you repeat these offences, the penalty could climb to ₹10,000 and even ₹15,000. Your licence could be suspended and you may be packed off to a refresher driving course.

If a child is killed by a speeding vehicle, the driver will have to pay a fine of ₹3 lakh and face seven years' imprisonment. Those caught driving "dangerously" with children on board would lose their licence, be slapped with a fine of ₹15,000 and even face imprisonment. Being caught without a helmet may leave your purse lighter by ₹2,500 and using a mobile phone while driving, anything from Rs 4,000 to ₹10,000 depending on the frequency of violations.

The Government of India is in the process to overhaul the Motor Vehicle Act by imposing stricter rules for offenders. In a bid to control the ever-increasing road fatalities in India, the Government has come out with a draft of the amended Act with plans to introduce higher fines and penalty points in case of traffic law violations.

On accumulating 12 negative points, a driver's license will be suspended for a year. If a driver with a suspended license violates the law, his/her license might be suspended for 5 years. Offences like traffic signal violation, driving under influence (DUI), driving/riding a vehicle without registration, tripling on a two-wheeler may attract 3 negative points. The new traffic law is modelled on the rules in UK, Japan, Australia, US and China, where stiffer traffic laws have resulted into lesser road accidents.

The draft Bill, which was posted online for public comments, also proposes high penalty of ₹5 lakh on automobile companies who release faulty vehicles into the market. Auto dealers who deliver a vehicle without a registration number may end up paying a fine of ₹1 lakh. To check drunken driving, the draft Bill proposes fines between ₹15,000 and ₹50,000 depending on the percentage of alcohol detected in the blood. These offences would also invite imprisonment for six months to two years. In the case of school bus drivers, the fine would be as high as ₹50,000 with a jail term up to three years.

(*Tol*, 14.09.2014; *NDTV.Com*, 28.08.2014 & *Tol*, 14.09.2014)

Overhauling Consumer Protection Act, 1986 is on the Cards

The Government is planning the most radical overhaul of key consumer laws i.e. Consumer Protection Act, Bureau of Indian Standards Act and Legal Metrology Act to keep pace with a changing marketplace. Instances ranging from botched online shopping experiences and shoddy haircuts at salons to exploding mobile phones have led to this decision.

The Consumer Affairs Ministry has decided to amend the Consumer Protection Act 1986 to create a proposed National Consumer Protection Authority aiming to update the country's consumer protection laws in light of India's new economy.

Indian consumers are increasingly buying newer goods and services not covered under current laws. For instance, there is no law yet for refunds in online shopping. What if you paid for a song download but ended up with an empty file? An early morning electric shock from a beard trimmer due to poor circuitry sounds funny, but there are no rules yet on product liability.

Several of the first-time provisions being envisaged will affect all businesses and may even force some firms to overhaul their systems and processes. For the first time, the Bureau of Indian Standards (BIS), the country's watchdog for product quality will set up benchmarks for paid services, such as bus journeys, hotel packages and beauty clinics.

At present, the BIS Act 1980 covers just 90 products, most of which are industrial, such as steel that are rarely bought by individual customers. Its basket is being expanded to include 2,000 items of common consumption.

(*HT*, 05.09.2014)

(<http://www.hindustantimes.com/india-news/govt-plans-big-overhaul-of-consumer-laws/article1-1260155.aspx>)

Consumer Protection
Act 1986

Upcoming Activities under Consumer Protection

- Regional Meeting at Delhi on October 28-31, 2014 under the National Environment Awareness Campaign (NEAC) for the year 2014-15.
- SSNC teams visit to Rajasthan from November 12-17, 2014 for evaluation and monitoring.
- Annual Stakeholder Consultation and Feedback Meeting on November 13, 2014 under ProOrganic on completion of one year of the project.
- District Awareness Campaign Activities, under the ProOrganic Project from August 2014 to January 2015 to be organised at each of the 102 *gram panchayat* of targeted six districts.
- Commemoration of National Consumer Day on December 24, 2014.



CUTS Centre for Consumer Action, Research & Training (CART)

D-217, Bhaskar Marg, Bani Park, Jaipur 302 016, India, Ph: 91.141.5133259, 2282821, Fx: 91.141.4015395
Email: cart@cuts.org, Web: www.cuts-international.org/cart