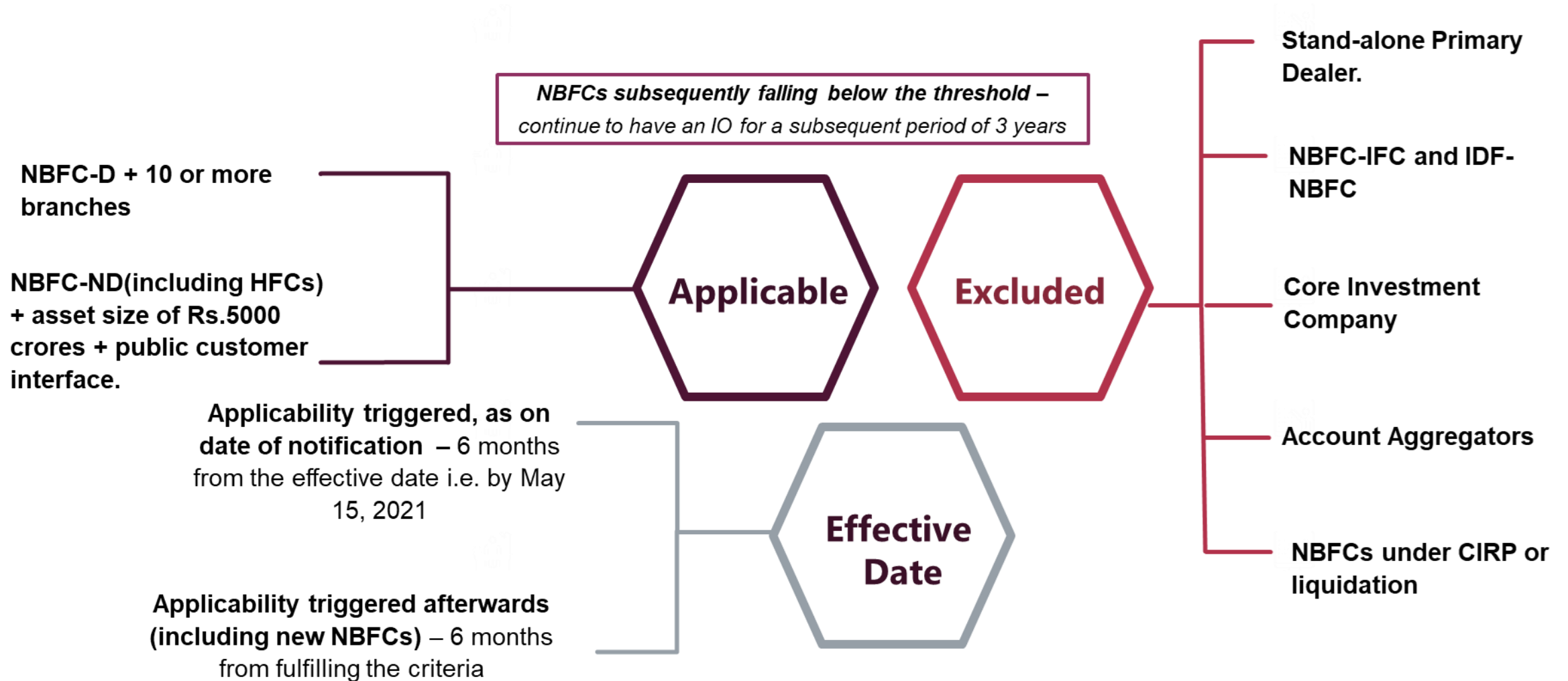




## RBI mandates appointment of an Internal Ombudsman by NBFCs (with changes vide RBI Circular dated 29/12/2023)

*The RBI has instructed NBFCs (fulfilling the specified criteria) to appoint one or more Internal Ombudsman for the purpose of grievance redressal. The IO shall be an in-house independent person dealing with customer grievances that have been rejected by the NBFC.*

# Applicability



# Appointment of Internal Ombudsman

## Qualifications and Requirements

- Either a retired or a serving officer, not below the rank of ~~DGM~~ **General Manager** or equivalent in any financial sector regulatory body/any other NBFC/bank, with necessary skills and experience of minimum of **7 years in areas viz. non-banking finance, banking, financial sector regulation or supervision, payment and settlement systems, credit information or consumer protection**
- Not be above 70 years – either at the time of appointment or during the tenure of IO.

## Tenure

- Fixed term contractual appointment
- Minimum – 3 years; Maximum – 5 years
- To be indicated in the appointment letter
- Post should not remain vacant at any time
- Not eligible for re-appointment or extension in the same NBFC
- Undertake process of fresh appointment at **least 3 months before** the expiry of tenure

## Deputy Internal Ombudsman

- May be appointed, to assist the IO
- Same qualifications and requirements (5 instead of 7 years experience, may be DGM or above)
- May fill temporary absence of IO upto 15 days

## Disqualifications

- Neither currently nor previously employed ~~Have Not worked/working employed/being employed~~ in the NBFC/companies in the Group to which the NBFC belongs related parties of the NBFC.
- Nodal Officer (Principal or otherwise) liaising with RBI Ombudsman

## Removal

- **Removal** - explicit approval of RBI
- **Vacancy due to reasons, beyond the NBFC's control** – **Intimation to RBI within 10 working days**  
Vacancy to be filled within 3 months (*same procedure as appointment*)

## Reporting

- IO shall report to the ED/ MD/ CEO (administratively) and Board (functionally)
- Office of IO shall preferably be placed in the HO or Corporate Office
- IO shall be designated as an ex-officio member or a permanent invitee to the meetings of the Committee of the Board of regulated entity handling customer service and protection.
- Furnish periodic reports (quarterly/half yearly) to the committee

## Remuneration and other benefits

- To be fixed by the Customer Service Committee / Consumer Protection Committee and cannot be changed
- Should be commensurate with the position of IO as apex of GRM

NBFC may decide on the number of IOs depending on number of complaints.

# Roles and Responsibilities

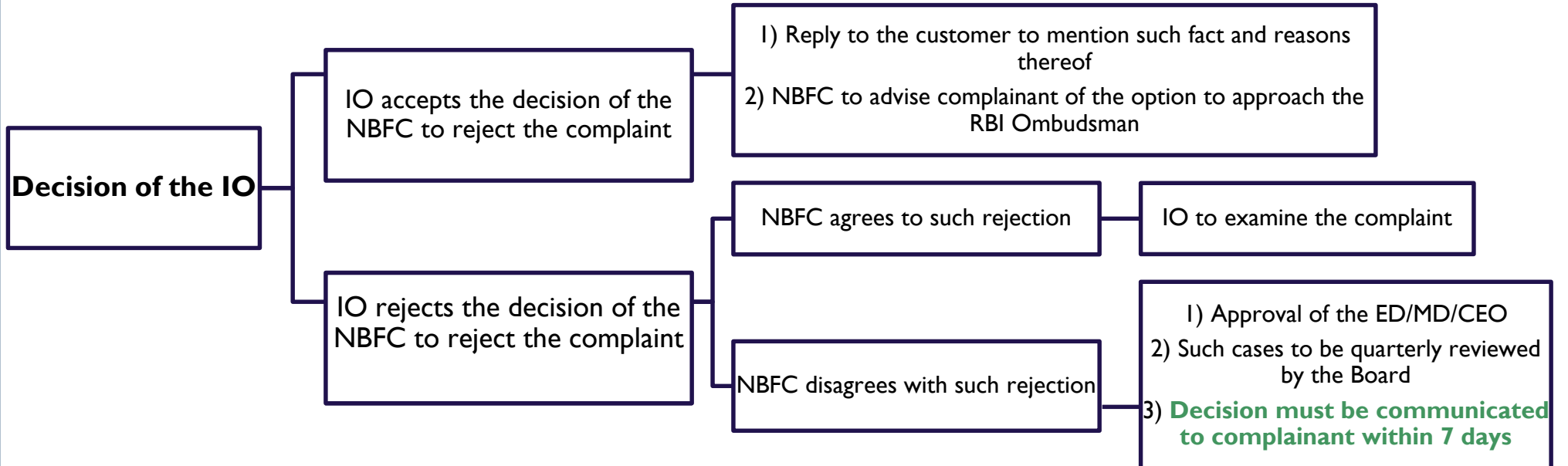
## Roles and Responsibilities –

- 1) Only complaints that have been examined by the NBFC **and** rejected (wholly or partly)
- 2) Cannot deal with complaints directly from the customers/ public
- 3) Examine the complaints based on records available
- 4) Periodic analysis of pattern of complaints (product, category, consumer group etc.) and provide inputs to the NBFC

## Timeline of complaints –

- 1) **Auto** Escalation to IO within ~~3 weeks~~ **20 days** from date of complaint
- 2) Final decision to be communicated within 30 days

The guidelines specify that the **decision is binding**, however the **NBFC may disagree** with the decision of the IO to accept the complaint. Will this mean that the decision of the IO is binding?



# Actionable for the Company

- To prepare an SOP, approved by the Board
- Formulation of a system for auto-escalation of relevant complaints by the internal mechanism to the IO
- Reporting requirement to be made within the time and in the format specified
  - Report to Consumer Education and Protection Department, Central Office, Reserve Bank of India, on a quarterly and annual basis on or before the 10th day of the month following the quarter/year
- Audit – Internal audit to cover implementation
- NBFC to disseminate the guidelines/instructions regarding the role of the IO among its staff while communicating the appointment of the IO in the organization (all branches and administrative offices).
- Board responsibility –
  - Board to decide on the terms of appointment, remuneration and other benefits to the IO
  - Quarterly review of the complaints that were accepted by the IO but the NBFC disagreed with the IO's decision to accept.
  - Review of periodic reports by the IO
- Points to be noted –
  - A customer has two options if the NBFC rejects a complaint – either approach the IO or the RBI ombudsman
  - IO has to be an independent person (not associated with the NBFC)
  - Appointment of IO to be reported to the Consumer Education and Protection Department, Central Office, Reserve Bank of India within 5 working days
  - The appointment and remuneration of the IO cannot be changed during the tenure
  - IO cannot be removed without prior approval
  - IO cannot be reappointed
  - The decisions of the IO have to be periodically reported to the RBI
  - Since specifically it has not been provided that the appointment is to be made by the Board, the Board may delegate the same, and the same should be reflected in the SOP