

Update

Grievance Redressal Mechanism – NBFCs to appoint Nodal Officer

CA. Nidhi Jain

nidhijain@vinodkothari.com

Vinod Kothari & Company

February 19, 2013



Check at:

<http://india-financing.com/staff-publications.html>
for more write ups.

Copyright:

This write up is the property of Vinod Kothari & Company and no part of it can be copied, reproduced or distributed in any manner.

Disclaimer:

This write up is intended to initiate academic debate on a pertinent question. It is not intended to be a professional advice and should not be relied upon for real life facts.



Update

The Reserve Bank of India has issued “Guidelines on Fair Practices Code for NBFCs – Grievance Redressal Mechanism - Nodal Officer” vide Circular no. DNBS.CC.PD.No. 320/03.10.01/2012-13 dated February 18, 2013¹ revising the earlier guidelines on the procedure for redressal of grievance against NBFCs.

Guidelines on Fair Practices Code (FPC) have also been revised earlier by the RBI, vide its circular dated March 26, 2012, which were to be adopted by all NBFCs while doing lending business. The earlier revision was done in view of the creation of new category of NBFC viz. NBFC-MFIs. Also, one of the concerns was the hasty growth in NBFCs’ lending against gold jewellery.

The purpose of the current revision tends to ensure more transparent grievance redressal mechanism and providing easy access to customers to the redressal officer.

Vide the current circular, a new para has been inserted after para 2 A (v) in the existing guideline on FPC, which reads as under:

“(vi) At the operational level, all NBFCs have to display the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:

- the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls.

In short, the public notice should serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the company, together with details of the grievance redressal officer and of the Regional Office of the RBI.”

¹ The link to the circular is here: <http://rbi.org.in/scripts/NotificationUser.aspx?Id=7866&Mode=0>



Grievance Redressal Mechanism – NBFCs to appoint Nodal Officer

Update

Para 2 A (v) of the existing guidelines required that the Board of Directors of NBFCs should lay down the appropriate grievance redressal mechanism within the organization to resolve disputes between the company and its customers and the mechanism should ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level.

Now, the current circular, providing clarity on the grievance redressing mechanism, requires all NBFCs to have one Nodal officer for redressing the grievances of their customers. Further, the NBFCs are required to display at all their branches/offices from where they are doing business, the details of the grievance redressal officer belonging to their company and also the Officer-in-Charge of the local office of DNBS, RBI.

Though the step taken by the RBI is to ensure a more see-through grievance redressal mechanism by the NBFCs, however, whether the customers will be able to reach to such officer is a question mark, and further, whether the NBFC appointed Nodal officer will help serving the intention of RBI is anyways unconvinced.