

Policy on Limited Liability of customers (Debit and Credit Cards, UPI, Internet Banking, Mobile Banking)

Introduction

With the increased thrust on financial inclusion and customer protection and considering the recent surge in customer grievances relating to unauthorised transactions resulting in debits to their accounts/cards, the criteria for determining the customer liability in these circumstances have been reviewed and revised directions in this regard were issued by Reserve Bank of India (RBI) vide circular dated 6 July, 2017.

The revised guidelines broadly cover the following areas:

- Strengthening of systems and procedures
- Reporting of unauthorised transactions by customers to banks
- Zero liability of a customer
- Limited liability of a customer
- Reversal Timeline for Zero Liability/Limited Liability of customer
- Board Approved Policy for Customer Protection
- Burden of Proof
- Reporting and Monitoring Requirements

Transactions in scope

Broadly, the electronic banking transactions can be divided into two categories:

- (i) Remote/online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. Internet Banking, Mobile Banking, Card Not Present (CNP) transactions), Pre-paid Payment Instruments (PPI).
- (ii) Face-to-face/proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

Coverage of limited liability

Transactions executed using the following product channels

- Cards (both debit and credit)
- Liability account i.e. savings account and current account
- Unified Payments Interface (UPI)
- Internet Banking
- Mobile Banking

Strengthening of systems and procedures

To ensure the customer's online transactions are safe, we have in place; –

- appropriate systems and procedures to ensure safety and security of electronic banking transactions carried out by customers;
- robust and dynamic fraud detection and prevention mechanism;
- mechanism to assess the risks (for example, gaps in the Bank's existing systems) resulting from unauthorised transactions and measure the liabilities arising out of such events;
- appropriate measures to mitigate the risks and protect ourselves against the liabilities arising there from; and

- a system of continually and repeatedly advising customers on how to protect themselves from electronic banking and payments related fraud.

New To Bank (NTB) Account opening without mobile number

- In line with the Limited Liability policy, any New To Bank (NTB) customers not being able to provide mobile numbers will be offered ATM cash withdrawal facility only.
- The account holder/s will declare that they understand that they will not be offered Internet Banking, Mobile Banking, Credit Card or Debit Card facilities (and only be able to use only cash withdrawal services from the ATM).
- The cases will need to be specifically approved by the Branch Manager (BM) / Deputy Branch Manager (DBM) on the declaration which will be retained with the account opening documentation.
- The onboarding of such cases will be exceptional basis, after the BMs / DBMs being satisfied with rationale for account holder being unable to provide mobile number.

Reporting of unauthorised transactions by customers to banks –

- Bank insists customers to register their mobile numbers/e-mails to get transaction alerts
- Banks provides its customers with 24x7 access through multiple channels (e.g. phone banking, Internet Banking, Mobile Banking, SMS, e-mail, IVR, a dedicated toll-free helpline, reporting to home branch, etc.) for reporting unauthorised transactions.

Limiting Liability of Customers in Unauthorised Electronic Banking Transactions

1. Zero Liability of a Customer

A customer's entitlement to zero liability will arise where the unauthorised transaction occurs in the following events –

- I. Contributory fraud/negligence/deficiency on the part of the Bank (irrespective of whether or not the transaction is reported by the customer).
- II. Third party breach where the deficiency lies neither with the Bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within three working days of receiving the communication from the Bank regarding the unauthorised transaction.

2 *Limited liability of a customer

A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:

I. In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the Bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the Bank.

II. In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (**of four to seven working days after receiving the communication from the Bank**) on the part of the customer in notifying the Bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in the table below, whichever is lower.

*This is as per RBI guidelines and subject to change time to time.

Maximum Liability of a Customer under paragraph 2 (ii)

Table 1

Type of Accounts	Maximum Liability
BSBD Accounts	INR 5,000

All other SB Accounts	INR 10,000
Pre-paid Payment Instruments and Gift Cards	
Current/Cash Credit/Overdraft Accounts of MSMEs	
Current Accounts/Cash Credit/Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/limit up to INR 25 lakhs Credit cards with limit up to INR 5 lakhs	
All other Current/Cash Credit/Overdraft Accounts Credit cards with limit above INR 5 lakhs	INR 25,000

Summary of Customer's Liability

Table 2

Time taken to report the fraudulent transaction from the date of receiving the communication	Customer's liability (in ₹)
Within 3 working days along with dispute documents	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
*Beyond 7 working days	Merit based evaluation will be done on case to case basis

The number of working days mentioned in Table 2 shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

Note – Holidays as per Negotiable Instrument act in that city will be excluded while calculating the number of Working days.

E.g. Case registered on Saturday which is a working day, will be considered as day 0 and following working day i.e. Monday will be calculated as day 1.

*Beyond 7 days' cases (Refer Table - 2)

Reversal timeline for Zero liability/limited liability of customer –

On receipt of the complete customer dispute form along with the necessary documents, from the customer, the Bank shall credit (shadow reversal) the amount involved in the unauthorised electronic transaction to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any).

Bank may also at their discretion decide to waive off any customer liability in case of unauthorized electronic banking transactions even in cases of customer negligence. The credit shall be value dated to be as of the date of the unauthorised transaction.

Bank will also ensure the following –

- a complaint is resolved and liability of the customer, if any, established within such time not exceeding 90 days from the date of receipt of the complaint, and the customer is compensated as per provisions of paragraphs 6 to 9 of the attached circular
- where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as prescribed in paragraphs above is paid to the customer; and

In case of debit card/bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

This policy should be read in conjunction with Grievance Redressal Policy of the Bank. The policy is available on the following link: [grievance-redressal-policy.pdf \(hsbc.co.in\)](https://www.hsbc.co.in/grievance-redressal-policy.pdf)

Burden of proof:

The burden of proving customer liability in case of unauthorized electronic banking transactions shall lie on the Bank.

Reporting and monitoring requirements:

The Bank has put in place a suitable mechanism and structure for the reporting of the customer liability cases to the respective Customer Service Forum of each line of Business and further reporting to Senior Management (if required) The report will include volume/number of cases and the aggregate value involved and distribution across various categories of cases viz., card present transactions, card not present transactions, Internet Banking, Mobile Banking, ATM transactions, etc.

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