UNIT 7 SETTLEMENT OF CONSUMER ISSUES: SECTOR CASE STUDIES-I

Structure

7.1 OBJECTIVES

After studying this unit, the learner shall be able to:

give brief account on rising consumer issues or disputes in various sectors.

relate the different nature of deficiency in service, unfair trade practice or restrictive trade practice into various sectors of economy like Banking, Insurance, e-Commerce, Telecommunication, etc.

understand the causes and measures that can be taken to prevent the issue of consumer disputes related to different sectors.

appreciate the nature of consumer disputes that arise due to dissatisfaction among consumers because of defect or deficiency in the product or service.

7.2 INTRODUCTION

As per CPA, 1986, Consumer means a person who:

i) Buys any goods for a consideration which has been paid or promised to be paid or partly paid and partly promised, or under any system of deferred payment and includes any user of such goods other than the person who buys such goods for consideration paid or promised or partly paid or partly promised, or under any system of deferred payment when such use is made with the approval of such person, but does not include a person who obtains such goods for resale or for any commercial purpose; or

ii) Hires or avails of any services for a consideration which has been paid or promised or partly paid and partly promised, or under any system of deferred payment and includes any beneficiary of such services other than the person who hires or avails of the services for consideration paid or promised, or partly paid and partly promised, or under any system of deferred payment, when such services are availed of with the approval of the first mentioned person.

It does not include a person who avails of such services for any commercial purposes.

Consumer dispute arises when a consumer is not satisfied with the product or services offered by the company or organisation. It can be either due to deficiency, unfair trade practice or restrictive trade practices, or if the information given is misleading. Consumer can use his consumer rights to get corrective measures taken on the issues and, accordingly, the consumer's dispute can be resolved.

Settlement of Consumer Issues:

Consumer disputes are increasing because of dissatisfaction among the consumers which may be due to following reasons:

1) Defect or deficiency in the product or service
2) Unfair trade practice
3) Restrictive trade practice
4) Misleading information of a product or service

If the above mentioned practices are followed by companies or organisations, then it leads to the increase in consumer disputes. In India, the Government has established Regulators and Ombudsman for various sectors like Banking, Insurance, and Telecom etc. Regulators do not play an active role in resolving consumer disputes directly, but get involved in making policies which are beneficial for the consumers and companies are bound or mandated to follow these policies or regulations which help in reducing consumer disputes. TRAI- the telecom regulatory Authority of India is the Regulator for the Telecom sector. Depending on the type of Consumer disputes that arise, various types of regulations and policies are made by the regulators under the supervision of Government of India. Also, these regulations are amended from time to time, to keep up with the evolving market environment.

For Financial sectors like Banking and Insurance, the Reserve Bank of India (RBI) and the Insurance Regulatory Development Authority of India (IRDAI) are the Regulators respectively. They have set up the Banking Ombudsman and Insurance Ombudsman offices in various zones of the country to cater to consumer disputes, if the consumer is not satisfied at the first level of Nodal Officers in Banks or Grievance Redressal Officers (GRO) of Individual Insurance Companies – both Life Insurance and General Insurance. These Ombudsman, work as a mediator between the aggrieved consumer and the company within the prescribed turnaround time. Banking and Insurance companies are bound to adhere to the decision passed by the Ombudsman in each of the two sectors of Banking and Insurance.

The Government has also set up Controllers at the State Level for sectors like Legal Metrology (Weights and Measures), Drugs & Cosmetics. Legal Metrology rules ensure uniformity and standardisation of weights and measures of packaged commodities The Food Safety Authority of India (FSSAI) has the provision of enforcement cells to protect the rights of consumers. FSSAI lays down the standard for food and regulate its production, storage, distribution, sale and import to ensure availability of safe food for human consumption. In these sectors, if a consumer has a grievance, and his rights get affected due to any kind of malpractices done by companies, these can be reported and are taken care of by Controllers set up by the Government. These controllers have the right to impose penalty as per the prescribed act. However, if a consumer wants compensation, he will have to file a case in a consumer forum.

Consumer forum is the last and final option for the resolution of a consumer dispute. As per the Consumer Protection Act, 1986, quasi-judicial Consumer Forums at the District Level and Consumer Dispute Redressal Commissions at the State and National Level are set up in India.

Consumer Forums observe the principles of natural justice and have been empowered to give relief of an explicit nature or ‘‘Award”, wherever appropriate, as compensation to consumers. Penalties for non-compliance of the orders given by the quasi-judicial bodies have also been provided.

Check Your Progress 1

1) Highlight the reasons and causes for rise in Consumer disputes.

....

....

....

....

7.3 INSURANCE SECTOR

Insurance is an agreement between a policy holder and the Insurance company to provide protection from monetary loss, as per the terms and conditions that have been signed up. A person who buys insurance is called the insured policyholder as the case may be, and the Company which provides insurance is called the insurer. Insurance is represented by an agreement called policy which has detailed terms and conditions under which the insured policy holder will be financially compensated. The amount which is charged by insurer to the policy holder is known as the premium. If the insured policy holder experiences a tangible loss and it is covered under the insurance policy, then, the policy holder needs to file a claim to get the insured amount. The Insured amount depends on the type of Insurance or type of policy acquired by the policyholder.

Insurance in India is mainly of two types – Life Insurance and General Insurance. Life insurance has come in to existence in India over 100 years ago. Life Insurance is a type of Insurance in which the insured person pays a specific amount at a specified time, depending on the type of policy acquired by the insured person and the insured company guarantees full protection against the risk of death of the insured person. On the death of the insured person, the life insurance company pays the applicable assured amount.

General Insurance means insurance against health, motor vehicle, accident, travel, fire as well as insurance against property, burglary or theft. It is basically meant to protect the economic loss of the insured assets.

In General insurance, the compensation is normally proportionate to the loss incurred, whereas in life insurance usually a fixed sum is paid. In the risk management, some types of insurance (such as product liability insurance) are an essential component, and are mandatory in several countries.

Some types of insurances are required and mandatory by law, while others are optional.

7.3.1 Procedure for Seeking Claim

An insurance claim is an insured amount that is applied to the insurance company as per the terms of the insurance policy. The insurance company reviews the claim request, including its validity with all terms and conditions based on the type of policy purchased by policyholder and then pays out to the insured or requesting party (on behalf of the insured) after it is approved.

Insurance claims cover claimed amount for most of the policies like death benefits on life insurance policies or health insurance claims depending on the type of Insurance availed by the insured person. To get the insured amount from the insurer company, the policy holder should file the claim as soon as possible and provide the correct cause of incidence to claim the insured amount along with the proofs. The policy holder may have to adhere to a time limit for making claims. Hence, he should give all the details clearly in writing. The Insured person or claimant should adhere to the facts. The basic procedure of applying for a claim varies according to the type of Insurance, which includes the various types of fully verified documents that are required to be submitted at the insurer company.

At the time of filing the claim, the claimant needs to give complete documents – receipts for anything stolen or damaged, reference numbers, if any report has been filed at a police station or any other documents required by the insurer companies. Sometime claims get rejected – partially or fully – if the consumer has provided false information or wrong documents at the time of taking the policy itself.

The time taken to settle a claim varies from case to case. It depends on many factors like the type of insurance claim as well as how soon the complete set of documents are furnished and the procedure completed by the claimant with the insuring company.

7.3.2 Life Insurance Claims

How to file Life Insurance claim:

Formalities for a death claim

When an insured person having a life Insurance policy dies, the information should be sent to Insurance company at the earliest. This information can be provided to the insured company by the nominee, close relative or the agent who handles the policy. Complete claim information like date, place and cause of death should be given to company. The agent has the responsibility to help the insured person's assigned nominee to complete the formalities for filing the claim.

The filled-up claim form (provided by the insurance company) along with following documents are required (This is only a sample).

- Policy Document
- Death certificate
- Policy document
- Deeds of assignments/ re-assignments if any
- Legal evidence of title, if the policy is not assigned or nominated
- Form of discharge executed and witnessed

Other documents may also be required such as medical certificate, discharge summary, hospital certificate, employer's certificate, police FIR , post mortem report etc whichever is applicable as per the requirement from Insurance company. This depends case to case.

7.3.3 Formalities for Claiming the Maturity Amount

When a life Insurance policy matures, the insurance company deposits the maturity amount or issues the cheque directly into the policyholder account with a condition that the insured person does not have any pending dues with the insurance company, and appropriate details are provided by the policyholder to the insurance company at the time of taking the policy. The insurance company also provides a discharge voucher giving all the details of the maturity amount.

7.3.4 Motor Vehicle Insurance Claim

The motor vehicle insurance policy is the most important document in a vehicle because it protects against financial loss and legal issues. It is also a mandatory requirement by the Government.

A claim under a motor insurance policy could be:

Comprehensive policy if it covers insured vehicle, driver and another person/ asset injured by the insured vehicle.

For personal injury or property damage related to someone else, in which case, the person is called a third party in this context.

7.3.5 How to Lodge a Claim for the Damage of an Insured Vehicle

Whenever, a claim has to be raised for the damage of an insured vehicle caused due to accident, first and foremost, the police and the insurance company has to be informed at the earliest. Then, the insurance company deputes a surveyor to survey and evaluate the loss of the damaged vehicle. The Police and the Insurance company instructions are to be followed for moving the vehicle from the accident site to any other place. After getting appropriate instructions from the Insurance company, only then the vehicle can be move to a service centre for repairs.

In case of cashless policies in which the policyholder does not require to pay upfront cash, the charges for the vehicle repair are directly paid by the insurance company to the workshop. The claim amount approved and passed depends on the report submitted by surveyor to the insurance company.

In either of the situations, one must intimate the insurance company immediately.

7.3.6 Third Party Claim

For these type of claims also, it is very important to inform the police and the insurance company at the earliest.

On the other hand, if the policy holder has to claim the insured amount as a victim in which somebody else's vehicle is involved, the insurance details of that vehicle has to be obtained and the insurer company of that vehicle has to be informed in writing.

Claim filing for theft of a vehicle

If an insured vehicle is stolen, police and the insurance company must be informed immediately. If required transport department of the Government may also be informed. For filing a claim for the theft of the vehicle all required documents along with the First Information Report (FIR) lodged with the Police and a duly filled requisite form must be submitted to the insurance company. Another requirement for claiming for theft of vehicle is to surrender both sets of the vehicle keys to the insurance company.

Claim for Health Insurance

Following is the procedure to how to file claim for Health Insurance.

The claim filing procedure varies as per the type of Health Insurance taken:

i) Cashless basis ii) Reimbursement Claim

i) **Cashless Policy:** For filing claim of cashless policy, in most of the cases treatment is taken from a networked hospital of the Third Party Administrator (TPA) which is responsible for the servicing of the policy. For filing claim, the insured consumer has to seek a preauthorisation for availing the treatment on a cashless basis from the TPA as per the prescribed procedures. Hospitalisation and treatment facilities are provided as per terms and conditions mentioned in the policy document. Networked hospitals have a tie up with the TPA to get the claim amount directly from the insurance companies instead of the insured consumer. In case treatment is not availed from a networked hospital, the customer can file the claim as per the procedure prescribed by the TPA and the claim amount is sanctioned at the discretion of the Insurance Company.

ii) **Claims on reimbursement basis:** Whenever a claim is required from an Insurance company, the information must be given to the insurance company as per the required procedure. After hospitalisation, the insured consumer has to keep all documents ready – such as claim form, discharge summary, prescriptions and bills that will be required to be submitted for a claim.

7.3.7 Grievance Redressal Mechanism

For redressal of grievances, the consumer should first file a complaint with the customer care center of the company. If he does not get any reply or is not satisfied with the reply, he can then send a written complaint to the Branch Office and the designated Grievance Redressal Officer (GRO) of the insurance company. In case the complaint is not fully attended to by the Insurer within 15 days of lodging it, the consumer may lodge the complaint to the Regulator – Insurance Regulatory Development Authority of India (IRDAI) on the website - https://igms.irda.gov.in.

In case consumer is not satisfied with the reply of Insurance Company or reply is not received, then after 30 days of filing complaint with the Insurance company and the loss amount not exceeding Rs. 20 lakhs, the consumer can approach the Insurance Ombudsman of his zone. The decision on settlement by the Insurance Ombudsman is binding on the insurance company.

Finally, if the consumer is not satisfied with the resolution provided by the Insurance Ombudsman, then, he/she can approach the consumer forum. Alternatively, the consumer may file a case directly with Consumer Forum without moving to insurance ombudsman.

Check Your Progress 2

1) What are the formalities to be fulfilled for a death claim of insurance.

....

....

....

....

7.4 BANKING

The term bank is derived from an old Italian word "banca" or from the French word ‘‘banque" which means a Bench or money exchange table.

Banking is the business activity of keeping money in savings and maintaining accounts for further exchange or for issuing loans and credit, etc. Banking involves transactions owned either by individuals or entities and then for further lending or investment by banks to earn a profit. As compared to the earlier period, and with the passage of time, Banking activities have widened and many value added services are offered by Banks along with the issuance of debit and credit cards, providing safe custody of valuable items, lockers, ATM services and online transfer of funds across the country and the world.

Banking plays a very important role in the economic development of a country. Banks perform financial intermediation function by pooling savings, investing in the stock market etc. These keep the circulation of money in different fields or sectors thereby helping in the economic development of the country, and it also results in helping the banks to make profit.

In 1839, a few Indian merchants got together and established India's first bank known as "Union Bank" in Kolkata. However, this bank failed due to the financial crisis in the year 1848–49. After that, Allahabad Bank was established in 1865. It is the oldest surviving bank in India.

The major activities that are carried out by Banks are:

1) **Depositing of Money**

   Banking deals with money of the common people i.e. money given by depositors which can be for the purpose of savings account, current account or fixed deposits.

2) **Acceptance of Deposit**

   A bank accepts money from the people in the form of deposits which can be recurring or fixed, usually repayable on demand or after the expiry of a fixed period which is having an interest rate. This interest rate varies from bank to bank. It gives safety to the deposits of its customers. It also acts as a custodian of funds of its customers.

3) **Lending of Loans**

   A bank lends out money in the form of loans to borrowers. Money is borrowed for different purposes, and can be utilised either for for commercial or personal use.

4) **Payment and Withdrawal**

   A bank provides easy payment and withdrawal facility to its customers in the form of cheques and drafts. It also brings the bank's money in circulation. This money is in the form of cheques, drafts, etc.

5) **Gateway to transfer money and utility services**

   A bank provides various electronic banking services to its customers which may include transfer of money from one bank to another bank. It also provides utility services and value added services. Bank accounts opened with the purpose of holding credit balances are referred to as deposit accounts; while accounts opened for the purpose of holding debit balances are referred to as Loan accounts. Some accounts are categorised by the function rather than nature of the balance they hold, such as savings account, which routinely are in credit.

Most of the banks have their own names for the various accounts which they open for customers but the basic purpose depends on the type of account opened by the customer. Processing and maintenance fees levied by banks depend on the type of accounts and varies from Bank to Bank.

7.4.1 Types of Deposits, Loans and Subsidies Available

Types of accounts or deposits

In India, banks have four types of deposit accounts, 1) Current Accounts 2) Saving Accounts, 3) Recurring Deposits and 4) Fixed Deposits. A lot of changes have taken place in the Banking Sector. In recent years, and due to increasing competition, banks have introduced new banking products or services. These new products combine the features of the two or more types of deposit accounts. These products or services are known by different names like Smart Deposits, Power Saving Deposits, Automatic Sweep Deposits etc.

Current Account: Current account is meant for those customers who withdraw several times from the account of deposits. No interest rate is applicable is paid on this account. Cheques are generally used for withdrawing a certain amount from the deposits. Current accounts are more useful for the business transactions. Current account is opened subject to certain terms and conditions. Generally no interest is paid on the amount of deposit balances and no charges are required for maintaining such an account. Current accounts are more useful to businessmen, firms, companies.

Saving Accounts: Saving account is most popular type of accounts in the middle or low income group. Customers availing of this type of account can save a certain amount during a specific period. It is a flexible type of account. The account holder can deposit money at any time. The interest component is calculated on the minimum balance maintained each month. Complete Know your Customer (KYC) norms are required to be done by the customer for opening a bank account along with specimen signature. Saving bank account holder is issued a passbook and a cheque book to carry out further transactions.

Fixed Deposits (FD): All nationalised and private Banks in India offer fixed deposits schemes with different range of tenures for periods from 7 days to 10 years. These are also known as FD accounts or term accounts. The term “fixed” in Fixed Deposits (FD) denotes the period of maturity or tenor. The amount invested by a depositor is for a fixed tenure. In case of any requirement, the depositor can ask for breaking the fixed deposit prematurely by paying a penalty. Some banks have introduced variable interest fixed deposits. The rate of interest on such deposits keeps on varying with the prevalent market rates i.e. it will go up if market interest rates go up and it will come down if the market rates fall. Also, the interest rate varies from Bank to Bank.

Recurring Deposits (RD): These are special kind of Term Deposits and are suitable for people who do not have a lump sum amount of savings for investment, but are ready to save a small fixed amount every month. Interest rates on these deposits are at the same rates that are applicable for Fixed Deposits/Term Deposits.

Under these type of deposits, the person has to usually deposit a fixed amount of money every month, usually a minimum of Rs. 100/- p.m. In case of any default in payment, a small penalty may be imposed on the depositor. However, some Banks besides offering a fixed installment RD, have also introduced a flexible/variable RD. Under these flexible RDs the person is allowed to deposit even higher amount of installments, with an upper limit fixed for the same

Recurring Deposit accounts are normally allowed for maturities for different tenures ranging from 6 months to 120 months. A Passbook is usually issued wherein the person can get the entries for all the deposits made by him/ her and the interest earned. Banks also indicate the maturity value of the RD assuming that the monthly installments will be paid regularly on due dates. In case the installment is delayed, the interest payable in the account will be reduced and some nominal penalty is charged for default in regular payments. Premature withdrawal of accumulated amount is usually allowed however, penalty may be imposed for early withdrawals. These accounts can be opened in single or joint names. Nomination facility is also available.

Types of Loans

Loan is a debt product in which an organisation provides debt to another organisation or individual at an interest rate after signing a contract which has all terms and conditions. The person who lends money is called a lender and who borrows the money is called borrower. In most of the cases, a loan is returned in fixed installments and each installment is a fixed amount of money.

In a loan, the principal is the amount of money which is initially received by the borrower from the lender, and is required to pay back or repay an equal amount of money to the lender at a later time. The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to be associated with the loan. Each of these obligations and restrictions is enforced by a contract, which can also place the borrower under additional restrictions.

There are various types of loans, some of them are classified as follows:

1) **Secured and Unsecured Loans**

    Secured Loan: A secured loan is one in which borrower can get loan against an asset as a security or collateral. These assets are kept under the custody of a financial institution. In case the borrower is not able to pay back the loan amount, the financial institution can sell that asset and recover the amount. Property loan, Car Loan or Gold loans are examples of secured loans. The interest rates may be lower for secured loans as compared to unsecured loans but interest rate varies from Bank to Bank.

    Unsecured: In unsecured loans, the borrower is not required to have an asset as security. But in order to qualify for this loan, the customer is required to have a good record of credit history and have a good income. The interest rates for unsecured loans are usually higher as compared to secured loans.

2) **Subsidised and Unsubsidised Loans**

   These are the types of loan which are provided with some kind of financial aid, customer might be eligible for subsidised or unsubsidised loans, or can avail both.

    Subsidised loans are those loans in which borrowrs are provided with some kind of financial aid on the interest rate. This financial aid may be provided by the Government or via financial institutions itself as sort of relief to borrowers. In India, the best example of subsidised loans are those given by rural banks or cooperative banks to farmers, especially for the purchase of farm equipments like tractors, pumps etc, or to implement the latest technology that would increase their produce. Also Education loans are subsidised loans to students to pursue their studies.

Unsubsidised loans are given to lenders at a fixed rate of interest till the time the full amount is repaid. The interest rates charged on this type of loan can be minimised by repaying the loan before the interest accumulates.

3) **Open-Ended and Closed-Ended Loans**

Open-Ended loans are the types of loan in which borrower can avail loans several times. Borrower need to pay the loan amount before taking another loan and a credit limit is fixed for these loans. This means that a borrower cannot take loan against an amount fixed by the lender, but borrower need to pay interest on these loans only if the credit limit is exceeded or is paid after the date of maturity. The credit limit can be increased by the lender if the borrower has a good record and does not default in payments. Credit cards and lines of credit are a good example of open-ended loans.

Closed-Ended loans are those taken for a fixed duration and the borrower needs to pay the loan amount in installments. The installments can be monthly or half yearly and the duration till when the loans have to be repaid are fixed by the lender while taking the loan. These loans have an agreed rate of interest. Some examples of close-ended loans are car loans, mortgage loans etc.

4) **On Demand Loans**

This are short term loans and do not have any time limit for repayment and has to be paid by the borrower at any time that he is asked to repay it to the lender. Unlike other types of loans, this loan does not have a date of maturity and at times may not have specific schedule for repaying also. These loans are also said as ‘call loan’ and are given by lenders to borrowers with whom they have long standing business relationship. This loan is good for the borrowers as they can repay it it according to their convenience.

7.4.2 How to Avail Schemes through Banks

Banks offers different kind of services and offers on different products to their customers. Depending on the customer’s financial status, different services or products are offered by the Banks. Banks launch different schemes which can relate to loans, fixed deposits or credit limits. Bank schemes and offers are applicable to those customers only which fulfill the criteria as per the terms and conditions of the Bank. For loan related offers, banks come with special offers like a waiver on the processing fee, a lower interest rate offer etc, all of which are usually a limited period offer.

Since the last one year, government has launched various financial social security schemes with an objective of expanding financial inclusion in India. These schemes have broadened the areas of financial services such as banking, insurance, and others available to the Indian citizens especially for citizens from remote areas. Efforts are made by the Government to increase the reach of these financial schemes. Therefore, various types of financial inclusion schemes in the form of insurance, pension, savings account and others were launched mainly under Banking sector – getting the unbanked to bank:

Pradhan Mantri Suraksha Bima Yojana (PMSBY)

It is considered as the cheapest accidental death cum disability insurance policy with an annual premium of just Rs. 12, the insurance coverage amount is Rs. 2,00,000 for accidental death and Rs. 1,00,000 for partial disability. Considering the fact that nearly 80% of the country's populations do not have any insurance, the scheme has evoked a very good response and it will further help in increasing the insurance penetration to the remotest locations of India.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)

Similar to PMSBY, PMJJBY is also the cheapest life insurance policy with an annual premium of Rs. 330/-. An added feature is that it does not require any medical examination. The cover offered under the yojana is Rs. 2,00,000 and the termination of policy takes place after the policy holder reaches the age of 55 years.

Objective of both PMJJBY and PMSBY is to provide financial security to the family of the policy holder in an event of his/her death.

Atal Pension Yojana

The sole purpose of this scheme is to provide pension after the age of 60 years to the workers of the unorganised sector to meet their daily needs. Contribution can be done monthly / quarterly / bi annually and an equal amount will be contributed by the Government of India with an option to prematurely exit from the scheme before the age of 60 years. Pension amount receivable would be in the range of Rs. 1,000/- Rs. 5,000 per month.

Pradhan Mantri Jan Dhan Yojana

The main objective of this scheme is to open a zero balance savings account for every unbanked Indian household. Overdraft facility of Rs. 5,000 is also available provided the account is kept active for 6 months after opening. This is meant for those restricted to only those households with no bank account.

Sukanya Samriddhi Yojana (SSA)

With a mission to secure the financial future of the girl child, this small savings scheme was launched under the Beti Padhao Beti Bachao initiative for girls under the age of 10 years. For the year 2015–2016, the interest rate offered is 9.2%.

7.4.3 Credit Card/Debit Card/ATM

Different types of cards are issued by Banks depending on the requirement and financial status of the customer. Cards can be classified on the basis of their issuance, usage and payment by the card holder. There are three types of cards (a) debit cards (b) credit cards and (c) ATM cards.

Credit Card

A credit card is a electronic card issued to the customer under a credit limit. A customer can make online payment via electronic fund transfer for availing any kind of service or goods. A credit card essentially creates a revolving account from which a cardholder can borrow money for payment to a merchant and also withdraw cash. A credit card is not linked to a bank account but is linked to the bank/financial institution which has issued it.

Card holders need to make payment of their credit cards either by paying the full amount or by making partial payment, not less than the "minimum amount", by a specific date, as per their billing cycle. In the former case, interest is typically not charged; while in the latter case, the cardholder is charged an interest. The rate of interest and method of calculating the charge vary between different credit cards as well as for different types of card issued by the same bank. Cash also can be withdrawn using a credit card but interest charges are normally higher than regular interest charges. Some merchants charge a fee for purchases made by a credit card, as many times they are charged a fee by the card issuer.

Debit Card

Debit card is an electronic plastic card which allows access to ones account using this debit card. Debit cards are used to withdraw cash from an ATM when the debit amount is already present in the account and the card holder can use this amount to purchase goods and services at Point of Sale (POS) or an e-commerce online purchase. However, it can be used only for domestic fund transfer from one person to another. Debit cards come with the combo of an ATM also. The withdrawal limit and charges on number of transactions varies from Bank to Bank.

Debit cards are issued to account holders (current/savings/overdraft) and any expenditure made is immediately debited to the customer's account. Many people prefer debit cards as they do not have to carry their checkbook along with them everywhere. As the money is immediately transferred, consumers using debit cards do not have the right to withhold payment in the event of a dispute with the merchant over the goods or services purchased.

7.4.4 Levy of Charges, Interest Rates and Penalties

Banks charges cover the fees or charges made by bank to their customers. These charges are linked to their account. Bank may levy these charges annually or monthly, depending on the type of account the customer is holding. These service charges vary from Bank to Bank, also sometimes banks wave off the service charges depending on the type and transaction in the accounts carried out by the account holder. Following charges may be levied by banks to its customers:

monthly charges for maintaining of an account

charges for specific transactions (other than overdraft limit excesses)

interest in respect of overdrafts (whether authorised or unauthorised by the bank)

charges for ATM transactions via same bank or another bank ATM.

Charges on the Electronic Funds Transfer by using Real time gross settlement (RTGS) or National Electronic Fund Transfer (NEFT).

Interest Rates

Interest rate is charged on the proportion of the amount lent, deposited or borrowed (called the principal sum). The total interest on an amount lent or borrowed depends on the principal sum, the interest rate, the compounding frequency, and the length of time over which it is lent, deposited or borrowed. Interest rate is expressed as a percentage of the principal amount which is calculated on annual basis. This is called as the annual percentage rate.

Interest rates vary according to:

the amount of the principal sum lent or borrowed

the tenure or term of maturity of the principal sum

supply and demand in the market

the perceived default probability of the borrower

7.4.5 Grievance Redressal of the Banking Sector

Banking - Tier wise escalation level for consumer complaints handling

For any complaint of the bank, at the first level, the complaint has to be made to the customer care center or the branch, if it is not resolved, then to the Nodal officer of the bank in writing. The maximum resolution time at the Nodal officer level is 30 Days..

If the consumer has not received any response or is not satisfied with the response from the Bank, the consumer can lodge his complaint with the Banking ombudsman of the zone. The addresses of Banking ombudsman is available on The Reserve Bank of India portal – i.e. www.rbi.org.in, by sending an email or by post. The banking ombudsman can only be approached after the expiry of 30 days of sending the written complaint to the nodal officer of the concerned bank.

The consumer cannot approach the banking ombudsman directly i.e. without writing to the nodal officer of the concerned bank. In such cases, the complaint can be rejected. The decision of the ombudsman is binding on the Bank.

The consumer has the option to move to the consumer forum in case his grievance or issue persists or he has not got the desired resolution.

Check Your Progress 3

1) Discuss the major activities carried out by Banks.

....

....

....

2) Explain the different government schemes services offered through Banks.

....

....

....

7.5 TYPES AND KINDS OF FINANCIAL SERVICES

Financial services are the economic services which are provided by the financial institutions on the basis of movement of funds. Presently financial services includes banks, credit card companies, insurance companies, accountancy companies, consumer-finance companies, stock brokerages, investment funds and some government-sponsored enterprises. Earlier financial services were restricted to banks only in the form of opening accounts, deposits, offering loans and accounts.

Financial services generally mean services provided by banking and non banking finance companies (NBFC). These financial institutions and banks are regulated by RBI (Reserve Bank of India), Insurance companies IRDAI (Insurance regulatory development Authority), and other entities regulated by SEBI (Securities and Exchange Board of India).

In India, major financial reforms took place in the year 1991, with the prime aim of economic growth and eradication of poverty. India's economic development introduced many changes in Government policies and impacted industry and trade.

The involvement of the financial services sector led to India having an overall economic growth. The development of the system pertaining to the financial sector was the key to this growth. With the opening up of the financial market, a variety of products and services were introduced to suit the needs of the customer. The Reserve Bank of India (RBI) played a dynamic role in the growth of the financial sector of India.

Financial services are those services which are required for the improvement of the finance related problems in a well-organised manner and therefore eliminate the worry of people regarding their money. Given below are the various types of financial services which one can expect from financial institutions in India.

We have already studied about the banking and Insurance Sectors. The other financial sectors are as follows:

Stock Market – A stock market or share market is the combination of buyers and sellers of shares and these are in the electronic form. In the first decade of this century, all shares in the physical form were converted to the electronic form. These shares may be listed on a stock exchange or may be traded privately. Stock market activity relates to trading – which includes buying and selling shares with the involvement of agents or brokers. This division of financial services is regulated by Securities and Exchange Board of India (SEBI). The commonly known stock exchanges are the BSE (Bombay Stock Exchange) and NSE (National Stock exchange).

Mutual Funds – A mutual fund is a professionally managed investment fund that pools money from many investors to purchase. While there is no legal definition of the term "mutual fund", it is most commonly applied to so-called open-end investment companies, which are collective investment vehicles that are regulated and sold to the general public on a daily basis, based on the Net Asset value (NAV) calculated on a daily basis.

Chit Funds

Chit fund evolved originally as Grain Chit or Dhanya Chittu (Pana Chittu). It started with common villagers, and later on traders and other salaried people joined the Chit Fund schemes. As the size and value of these funds expanded, RBI recommended the Banking commission to study its working and give recommendations. In the year 1969, the state of Kerala officially authorised the Chit Fund business. The need for borrowing money has arisen, and a quick and hassle free way to get money is through chit funds. Hence Chit Fund schemes fulfilled a very important need. Dr. Raj Committee in 1974 recommended a draft bill on the Banking Commission of RBI. On these recommendations, the Chit Fund Act was regulated in 1982, and it became the responsibility of the State Governments to take care of the Chit Fund business in a particular state. A Chit Fund has to be mandatorily registered with the Registrar of Chit Funds of the state. The different state Acts are:

Cochin Curis Regulation Act of 1932

Travancore Chitties Act 1945

Kerala Chitties bill of 1972

Tamil Nadu Chit Funds Act, 1961, and the same was adopted by Delhi since 1964.

AP Chit Funds Act, 1971

In Japan since 1960, the Finance law which is a part of the chit fund is still active. It is also active in other countries like Taiwan, Korea Nepal Bangladesh and Africa.

Although Chit Funds are regulated by States, a Central legislation for Chit Fund schemes will make it more effective. There is no effective dispute redressal mechanism and it needs to be introduced. There is also a need to form a system mechanism for education at the consumer and investor level. If anybody is offering an extraordinary return, the consumer needs to take care before investing. There are three kinds of Chit Funds: 1) Simple Chit 2) Business Chit 3) Prize Chit.

Following are the issues of Chit Fund:

Unregistered chit funds: Many of the Chit Funds schemes are not registered at all

It is a state subject and not under any National Regulator like SEBI or R.B.I.

There should be some kind of restriction on the investment by chit fund companies. Proper utilisation of funds, areas for investment, monitoring of these funds etc needs to be checked depending on the size of the corpus.

False promises by agents for high commissions to investors results in misrepresentation of the act. Hence agents need to be registered.

Effective mechanism for the settlement of disputes of chit fund is very much required in India.

Consumers need to be educated to take complete information like whether the chit fund company is registered or not, in what form they are investing money and for what purpose. Most of the scams are in the name of chit funds, but these entities are not doing any chit fund activity.

MUDRA Bank Loan Scheme

MUDRA stands for Micro Units Development and Refinance Agency (MUDRA). It is a new scheme established for the purpose of providing financial support to the small and micro business sector. This scheme was announced by the Finance minister in Parliament during the Union budget of 2015. The MUDRA bank scheme provides loan requirement from Rs. 50,000 to Rs. 10 lakhs for the development of micro units.

MUDRA bank loan scheme can be availed for any of the 3 stages–SHISHU, KISHOR & TARUN and maximum amounts which are allocated are up to Rs. 50,000 in SHISHU, Rs. 10,00,000 in KISHOR and Rs. 50,00,000 in TARUN. However, disbursement of this amount depends on the status if the unit – if the micro unit is in its initial stages or in the development stage. Also interest rate of this type of loan depends on the type of business and the bank.

Eligibility for MUDRA Bank Loan

Any Indian citizen above the age of 18 years involved in a micro business unit such as manufacturing, processing, trading or in the service sector and whose credit need is less than Rs.10 lakhs can approach a Bank, Financial Institutions or a Non banking Financial Company (NBFC) for availing of MUDRA loans under Pradhan Mantri Mudra Yojana (PMMY). The traders of vegetables & fruits are also covered under MUDRA Schemes. MUDRA bank loan scheme is associated with Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and cannot be availed for Education loan, home loan and vehicle loan.

PMKYV is initiative of the Govt. of India with an aim to offer skill based and Industry relevant training to Indian youth. On successful completion of this training and assessment, trainees will be offered a financial reward and a government certification which will help them in securing a job for a better future. After completion of Pradhan Mantri Kaushal Vikas Yojana (PMKVY) candidate can start its own business and apply for MUDRA Loan via any of the financial institutions, as Banks and financial Institutions prefer to provide loans to skilled and trained people.

Check Your Progress 4

1) Discuss various types of financial services available.

....

....

....

....

7.6 VALUE ADDED TAX (VAT)

VAT (Value Added Tax) is a indirect tax imposed by the Government on goods which are sold within a State. It means that the buyer and seller have to be in the same State. VAT system is invoice-based. Each seller in the product chain includes a VAT charge on the buyer’s invoice. It is a type of consumption tax levied on the sale of products whenever a value is added at the time of production and at the final stage, the amount of VAT is paid by the user. VAT rate varies from State to State. Presently VAT is followed in over 120 countries. The VAT model differs from country to country. The erstwhile State sales tax system is replaced by VAT in India.

VAT is regulated by the respective State Act. Every state has a separate and distinct VAT act for their state. As of 2 June 2014, VAT has been implemented in all the States and Union Territories of India except Andaman and Nicobar Islands and Lakshadweep

There are two methods for collection of VAT in India. In the first method, tax is indicated separately on the tax that has already been paid on purchase of the goods, and the tax that is payable on the sale is shown separately in the invoice. Therefore, the difference between the tax paid on purchase and the tax payable on sale as per the invoice is the VAT.

In the second method, tax is collected and charged on the aggregate value of the tax payable on sale and purchase, by applying the rate of tax applicable to the goods. Therefore, the difference between the sale price and purchase price would be VAT. It means VAT is the tax which consumers ultimately pay, which is collected at each stage.

7.6.1 Value Added Tax – Levy and Non-payment Effects

VAT is an indirect tax which levied on sale of goods when these goods or commodities are eventually sold to the consumer. VAT is an integral part of the GDP of any country.

While VAT is levied on sale of goods paid by producers to the government, the actual tax is charged from consumers or end users who purchase these goods either from producers or retailers. Thus, it is an indirect form of tax which is paid to the government by customers but via producers or retailers of goods. VAT is a multi-stage tax which is levied at each step of production of goods which involves sale/purchase. Any person earning an annual turnover of more than Rs. 5 lacs by supplying goods is accountable to register for VAT payment. VAT is levied both on local as well as imported goods.

Purpose of levying VAT

India was one of the last few countries to introduce VAT as a form of tax and it was introduced to bring more transparency in the tax process.

7.6.2 VAT Implementation in Various State of India

Since enforcement and collection of VAT comes under the purview of State Governments, different States have different VAT rates and implementation of VAT regulations. Hence, the procedure for tax implementation, rates of VAT, timelines for VAT payment and VAT return filing, all differ from one State to another.

Despite state-specific implementations, VAT in India can be divided into four main subheads.

NIL VAT Rate

In a lot of States, some items belonging to unorganised sectors which are very basic in nature are sold without levying any VAT on them. Examples of this type of items are salt, khadi, condoms etc.

1% VAT Rate

For highly expensive items, the percentage of VAT applicable needs to be kept low otherwise the VAT levied could be too high an amount. For such items, VAT is kept as low as 1%. Gold, silver and other precious stones as well as precious jewelry fall under this category of goods. Most Indian States have fixed VAT for these items at 1% of the amount.

4-5% VAT Rate

A large number of daily consumption goods which are tangible in nature are under this category of VAT. So VAT charged on goods like oil, coffee, medicines etc. is around 4-5% for most States in India.

General VAT Rate

General VAT rates apply to goods which cannot be segregated and put under any of the above listed categories. For goods like liquor, cigarettes etc. Governments charge high VAT rates of 12.5% or 14-15%. Also, many state governments follow a general rate of VAT for goods which cannot be categorised to suit the above classification. Such goods are taxed at 12%, 13% or even 15% in different States.

Nonpayment of VAT

Though VAT rules differ from State to State, non filing of VAT returns and non-deposit of VAT amount in time with VAT authorities is a serious offence which not only fetches criminal liability under section 409 IPC but authorities may also impose penalty up to 10 times of such assessed amount along-with cancellation of VAT registration.

7.6.3 Grievance Redressal Mechanism

For the complaints pertaining to the value added tax can be sent to the commissioner of the VAT department. VAT being state subject and regulations are also decided by State Government hence levying penalties lie under State VAT department.

Check Your Progress 5

1) Discuss the four main subheads VAT

....

....

....

....

7.7 SERVICE TAX

Service tax is in an indirect tax which is levied on the transaction of specific prescribed services by central Government under the Finance Act, 1994. Service Tax is similar to Excise Duty or Sales Tax, and normally, the service provider pays the tax and recovers the amount from the recipient of the taxable service. The percentage of service tax is decided by central government. The person who provides taxable services to the end user on receipt of service charges is liable for paying service tax to the Government of India. However the end user is liable to pay the service tax to the service provider.

If taxable services are provided by foreign service providers with no establishment in India, then the recipient of such services in India is liable to pay the Service Tax. The taxable services are defined in Section 65 (105) of the Finance Act, 1994. Section 66 is the charging section of the said Act. For certain services, a specified percentage of abatement is allowed from the gross amount collected for rendering the services.

Every service provider or person, who has provided a taxable service of value exceeding Rs. 9 lakhs in the preceding financial year, is required to register with the Central Excise or Service Tax office having jurisdiction over the premises or office of such a service provider. In case a recipient is liable to pay service tax he also has to obtain registration. Service Tax is paid on the invoice amount or the billed amount. If invoice is not issued within a period of 14 days then the tax becomes payable on the date of completion of the provision of the service and on the amount mentioned in the invoice. Also, the amount of tax to be paid in a case where the person providing the service receives a payment before 14 days then it will be on the basis of the extent of such payment received by the service provider e.g. wherever any advance is received by the service provider to the provision of the taxable service, the advance amount will form the basis for calculating the Service Tax liability.

7.7.1 Non-payment of Service Tax

If an entity fails to pay service tax, he shall pay in addition to such tax and interest, a penalty which shall not be less than Rs.100/- for every day during which such failure continues or @1% of such tax per month, whichever is higher. However, the penalty amount payable shall not exceed the amount of Service Tax payable.

7.7.2 Grievance Redressal Mechanism

As Service Tax is regulated by the central government complaints can be sent to the Service Tax State Office as per the jurisdiction.

7.8 E-COMMERCE

1) **E-commerce Definition**

   E-commerce (electronic commerce) is the buying and selling of goods and services on the Internet, especially the World Wide Web

2) **Benefits of e-commerce:**

   Convenience — Better Prices

   Variety — Speedy

   Less Expensive — Comparison of Prices

   Crowd Free Shopping

3) **Precautions to be taken while doing online shopping**

   Whenever one shops online, read the fine print carefully.

   Make sure you are aware of shipping charges, delivery time, and cancellation and return policies, as well as the warranty clauses.

Keep your financial information and passwords safe and always make payment through secured gateways like 'https and padlock image' in its url.

If you are shopping on the website for the first time, opt for cash on delivery payment option.

Always check if the website has a landline phone and postal address.

4) **Seller warranty and manufacturer warranty**

Whenever you shop online, the products generally carry either seller's warranty or manufacturer warranty. It means either the online company who is selling will take care of its services or the manufacturer who made the product.

5) **Scope for refund or return policy**

It is preferable that all E-commerce companies should have refund or return policy but there is no such law which enforces it. However, if there is any deficiency, the consumer is protected under Consumer Protection Act and can seek redressal for the same.

6) **Time limit to deliver a product**

The delivery time of order can be varied and depends upon its availability with the company. The same is usually declared on its website by the company at the time of selling.

7) **Scope for compensation if product gets delivered late**

If one is faced with an immediate or actual loss due to late delivery of the product, he can seek compensation under Consumer Protection Act by filing a case in a consumer forum, as there is no regulatory body in India which is handling consumer grievance with regard to E-Commerce.

8) **Scope for complaint against Seller**

If the order is accepted by the company and assured its delivery, even if the amount is not paid, he can complain for it.

9) **Phishing**

With the tremendous increase in the use of online banking, online share trading and e-commerce, there has been a corresponding growth in the incidents of phishing being used to carry out financial frauds. Phishing involves fraudulently acquiring sensitive information (e.g. account details, password, credit card details etc, by dubious means.

10) **Avoid being a victim for e-commerce fraud:**

Be suspicious of unsolicited phone calls, visits, or email messages from individuals asking for personal information.

Do not send sensitive information over the Internet before checking a website's security.

Pay attention to the URL of a website. Malicious websites may look identical to a legitimate site, but the URL may use a variation in spelling or a different domain (e.g., .com vs. .net).

If you are unsure whether an email request is legitimate, try to verify it by contacting the company directly.

Install and maintain anti-virus software, firewalls, and email filters to reduce some of this traffic.

Have robust passwords. Make use of special characters.

Watch and be alert for other signs of identity theft

7.8.1 Distance Selling

Distance selling means sales of goods, services or digital content where there is no face-to-face contact with consumers by using any digital modes which can online, phone and TV shopping.

While selling goods or services digitally seller must provide specific information to consumers, including postal address, pricing, complaint-handling policy, cancellation and refund policies. Details provided in selling mode should be clear, legible and understandable, and be appropriate for the distance sale. It is important that this information is given before consumers enter into an agreement with the selling organisation.

7.8.2 Grievance Redressal for E-Commerce

Consumer disputes for E-Commerce sectors have risen heavily due to wrong practices carried out by some E-Commerce companies, but presently there is no regulator to regulate the policies or wrong practices of the E-Commerce companies.

In case of a consumer dispute, the consumer needs to file a written complaint with the customer care of the company which can be in the form of an e-mail. If the complainant has not received any reply or is not satisfied with the company response, then the complainant can send a written complaint at the postal address of the E-Commerce company in the form of reminder letter.

As a last resort, the consumer can file case in a consumer forum by explicitly mentioning the clause of jurisdiction where he has made the payment.

Check Your Progress 6

1) What is E-Commerce?

....

....

....

....

2) Discuss the grievance redressal mechanism available for E-Commerce.

....

....

....

....

7.9 INFORMATION TECHNOLOGY

MIS - Information on NCH CRM Reports

A Management Information System (MIS) is a computerised database of information organised and programmed in such a way that it produces regular reports for every level of management in an organisation. The main purpose of MIS is to give the Manager feedback on the performance and pointers to monitor the helpline as a whole. Information displayed by the MIS reports typically shows 'actual' data and measures the progress. It is a system which is designed to provide information to help ensure that NCH is functioning optimally. MIS is a key form of measurement that defines performance standards and the 'gap' in expectations in any organisation.

MIS, broadly refers to a computer-based system that provides managers with the tools to organise, evaluate and efficiently manage departments within an organisation. In order to provide past, present and future trends and information, a management information system can include Software that helps in decision making, data resources such as databases, the hardware resources of a system, decision support system, human resource management, project management application and any computerised processes that enable the department to run efficiently.

National Consumer Helpline which is a project of Ministry of Consumer Affairs has the prime aim to provide advice and guide aggrieved consumers telephonically.

National Consumer Helpline has deployed Consumer Relationship. Management (CRM) software and also has a Website to capture of information with different fields along with the Helpline solution to mange different kinds of MIS. Consumer Relationship Management (CRM) can be used to analyse data to gain meaningful insights. CRM 'report wizard' is a tool that helps NCH users create sophisticated reports as per requirement in different formats.

7.10 LET US SUM UP

Consumer dispute arises whenever a consumer is not satisfied with the product or services offered by the company which can be either due to deficiency, Unfair trade practice, restrictive trade practices or misleading information. Consumers can make use of their consumer rights to get corrective measures on their grievances and issues, and accordingly, disputed can be resolved.

To resolve consumer disputes companies should have an effective grievance redressal mechanism. However, if consumer disputes arises , then the Government of India has set up many agencies like Ombudsman, Regulators Controllers, which act as a component of the alternate dispute redressal mechanism, in which consumer disputes can be sorted without having to file a case in the Consumer forum.

Ombudsman is available in the Banking and Insurance sectors. These two sectors are the leading financial sectors in India, in which Banking Ombudsman and Insurance Ombudsman are like mediators between Consumers and the Financial Institution. Decision of Ombudsman is binding on the consumers and companies or banks. The Ombudsman are set up by Regulators. Regulators have the prime role of making policies, and companies are bound to follow these policies that have been designed.

However, sectors like E-Commerce, Distance Selling, Consumer Durables and Fast Moving Consumer Goods (FMCG) presently do not have any regulator and hence for consumer disputes arising in these sectors, the consumer needs to move to the consumer forum only. Consumer forums are quasi – judicial bodies which are set up at District, State and National Level. Depending on the jurisdiction and compensation amount, a consumer can file a case in the consumer forum accordingly.

National Consumer Helpline which is a project of Ministry of Consumer Affairs provides advises and guides aggrieved consumers for the matters which come up under the Consumer Protection Act, 1986.

NCH makes use of various types of reports and MIS to analyse consumer disputes, frequently occurring problems in various sectors and related types of queries.

7.11 KEY WORDS

Consumer Dispute : It means a dispute where the person against whom a complaint has been made, denies or disputes the allegations contained in the complaint.

Financial Sector : It is a category of stocks containing firms that provide *financial* services to commercial and retail customers; this *sector* includes banks, investment funds, insurance companies and real estate.

Banking Ombudsman : It is a quasi judicial authority functioning under India's Banking Ombudsman Scheme 2006, and the authority was created pursuant to a decision made by the Government of India to enable resolution of complaints of customers of banks relating to certain services rendered by the banks.

Value Added Tax : A tax on the amount by which the value of an article has been increased at each stage of its production or distribution.

Management Information System (MIS): : It refers to the processing of information through computers and other intelligent devices to manage and support managerial decisions within an organisation.

Settlement : A settlement is a resolution between disputing parties about a legal case, reached either before or after court action begins.

7.12 SOME USEFUL BOOKS AND REFERENCES

The references from where information has been taken and cited in this report are listed below. The source material was accessed in the month of July 2016, source material may change over time.

1) https://www.rbi.org.in/

2) http://www.policyholder.gov.in/

3) http://www.pradhanmantriyojana.co.in/

4) http://mudrabank.com/

5) http://www.cbec.gov.in/htdocs-servicetax/service-tax

6) https://www.bankbazaar.com/tax/value-added-tax.html

7) Wikipedia Documents

7.13 ANSWERS TO CHECK YOUR PROGESS EXERCISES

Check Your Progress 1

1) Please refer Section 7.2

Check Your Progress 2

1) Please refer Section 7.3

Check Your Progress 3

1) Please refer Section 7.4

2) Please refer Sub-section 7.4.2

Check Your Progress 4

1) Please refer Section 7.5

Check Your Progress 5

1) Please refer Sub-section 7.6.2

7.14 TERMINAL QUESTIONS

1) Define a Consumer as per the CPA 1986 and what is a Consumer Dispute?
2) What are the primarily financial sectors?
3) Define the role of Ombudsman in resolving consumer disputes?
4) Please explain if Regulators have the role in resolving consumer disputes?
5) What penalty can be imposed if VAT is not paid?
6) How MUDRA loan scheme is helpful in development of micro business?
7) What is the process to file a life insurance claim?
8) Define the types of accounts available in Banks?
9) Define Chit Fund?
10) What is role of National Consumer Helpline?