

Inoperative/Unclaimed Deposit Policy of The Kerala State Co-operative Bank Ltd.

1. Introduction:

The major component of the resource of a Bank constitutes its deposits. As such, every Bank takes due effort for its mobilisation and for its maintenance. The need for framing an Inoperative/unclaimed deposit policy arise, on account of Reserve Bank of India's guidelines. Moreover it is always felt that there is inherent risk associated with such accounts. Inoperative accounts, if not specifically protected afford a great temptation for manipulation and defalcation.

2. Definition:

Inoperative/Dormant Account

The Savings Bank Accounts and the current account should be treated as 'dormant', if there are no transactions in the account for 'one' year. In case of no transactions for '2' years (ie. One year after becoming dormant) it shall be categorised as In-operative Account. For the purpose of classifying an account as 'dormant'/'inoperative' both the type of transactions ie. debit as well as credit transactions induced at the instance of the customer as well as third party should be considered. However the service charges levied by the bank or the interest credited by the Bank should not be considered.

In case of fixed deposit, its inoperativeness is accounted from the date of maturity.

3. Unclaimed Accounts:

An account falls to be unclaimed, when there is no operation for a period of 10 years. In case of money deposited for a fixed period, the said term of 10 years shall be reckoned from the date of the expiry of such fixed period.

4. **Objectives:**

Considering the service motive of the Bank, the following are the objectives which underlay the policy of Inoperative/Unclaimed accounts.

1. To play an active role in finding the whereabouts of the unclaimed/inoperative account holders.
2. To avoid the inconvenience faced by inoperative/unclaimed account holders in claiming back their account.
3. To trace the customers or their legal heirs linked with the unclaimed/inoperative accounts.
4. Annual review of accounts in which there are no operations.
5. To serve an interface where the grievance redressal mechanism for inoperative/unclaimed deposit holders, would comply for quick resolution of complaints.

5. **Parameters for operating Inoperative/Unclaimed Deposits:**

- (i) The Bank should take cautious steps to identify those accounts in which there are no operations (ie. no credit or debit other than crediting of periodic interest or debiting of service charges)
- (ii) The Bank should serve a notice to the account holder, stating that the account was left Inoperative for more than 2 years. The bank may also seek the reasons for the same. Moreover the bank may also request the customer to operate the account within a prescribed period of time (ie. Three months).
- (iii) If the account was left inoperative due to the shifting of residence, the bank may request the customer to provide the details of the new bank accounts to which the balance in the existing account could be transferred. As far as possible, so as to retain the customer with the Bank, the Manager should take all reasonable steps and make arrangements to transfer the account to the nearest branch of the new residential place of the customer.

- (iv) After serving the first notice, if the same was returned undelivered, the Bank must take reasonable necessary steps, so as to find out the whereabouts of the customer or his/her legal heirs in the case if the account holder is deceased.
- (v) In case the whereabouts of the customers are not traceable, bank should consider contacting the introducer of the account. The bank should also take all possible efforts, to contact the employer or any other person whose details are available with them. In case if the telephone number/cell number is provided, the bank should also consider contacting such persons by the above said means.
- (vi) In case of Non Resident Accounts, the bank may also contact the account holder through e-mail and obtain their confirmation of the details of the account.
- (vii) In case any reply is given by the account holder stating the reasons for not operating the account, the bank should classify the same as an operative account for one more year, within which period the account holder may be requested to operate the account. However in case the account holder still does not operate the same during the extended period, Banks should classify the same as inoperative account after the expiry of the extended period.
- (Viii) Eventhough the segregation of the inoperative accounts is for reducing the risk of manipulation, defalcation and falsification associated with it, the customers should not be inconvenienced at any cost. The classification is done only to bring to the attention of the dealing staff, the higher degree of risk in operating such accounts. The past transaction in such dormant/inoperative accounts should be monitored & scrutinised at a higher level (Supervisory /Managerial level)

both from the point of view of preventing fraud and making a suspicious Transaction Report. However the entire process should remain unnoticeable by the customer.

- (ix) The Bank will not charge any cost for the activation of inoperative account.
 - (x) Operation in Unclaimed/Inoperative accounts may be allowed after due diligence as per the risk category of customer. Due diligence would also include those activities from the part of the dealing staff, such as verifying the signature and identify of the customer, ensuring the genuineness of the transaction.
 - (xi) Separate list of all inoperative accounts in a Branch as on 31st January each year should be maintained at Branch & such accounts should be scrutinised by the Branch Inspectors/Concurrent auditors .
 - (xii) Interest on Savings Bank Accounts (now @4% or 5% as the case may be) should be credited on the prescribed intervals (half yearly) irrespective of whether it is operative or not. In case of fixed deposits, if they are left as unpaid & unclaimed, the same is eligible for SB interest at 4% at the time of final claim & payment.
6. **Exemption from transfer of an inoperative account to inoperative ledger:**

No account is to be transferred to inoperative account ledger in the following cases.

- a) When operations on an account are stopped under 'garnishee' or other judicial order.
- b) When the nature of an account is such as would not permit other than periodical operations.
- c) Where operations on an account are stopped till the grant of legal representation is received.

- d) Where the account is under lien or charge for advances allowed in another account.
- e) When the account is showing debit balance.

7. **Submission of return:**

Under section 26 of Banking Regulation Act 1949 the Bank need to submit a return called as statement of Unclaimed Deposits which is form 8 of annual returns to Reserve Bank of India. The return constitute the particulars of accounts unclaimed for 10 years. The Branches should compile the return for the period ending 31st December and submit it to H.O before 15th January every year.

8. **Treatment of Inoperative Unclaimed Accounts**

- (i) Separate data base is to be maintained for Inoperative (i) Savings Bank (ii) NR (O) Savings Account and (iii) Current Account. Data base on unclaimed term deposits should be maintained separately.
- (ii) The transfer of accounts to the inoperative ledger as above should be monitored by the Branch Manager.
- (iii) The staff should exercise necessary caution while handling inoperative accounts. When any remittance is received for credit to the inoperative accounts, the same should be brought to the notice of Branch Manager/Officer in charge who will exercise caution before transferring the account from inoperative account.

9. **Closing of Accounts:**

The following procedures should be adopted while closing of unclaimed/inoperative accounts.

a) **Obtaining letter from the customer:**

A letter should be obtained from the customer, requesting the Bank to close the account and the signature on the letter should be verified with

the specimen signature record and put up to Branch Manager for his orders. The details with respect to different types of accounts are given below.

(i) **Individual Accounts:**

A letter of request for closing the account should be obtained from the account holder. The signature in the letter should be verified with the specimen signature.

(ii) **Joint Accounts:**

In case of Joint Accounts, all joint account holders should sign the letter of request to close the account.

(iii) **Death of one of the joint account holders:**

In respect of a joint account holder where one of the joint account holders expires, the account can be closed by obtaining discharge for balance amount in the account, from the surviving depositors. If one of the surviving depositors is a minor, such an account can be closed by obtaining a discharge from the guardian on behalf of the minor.

(iv) **Partnership Accounts:**

In this case, all the partners should sign the letter requesting the closure of account unless prescribed at the time of opening the account.

(v) **Joint Stock Companies/Co-operative Societies:**

In such case all the directors should sign the letter for closing the account and a resolution of the Board should be passed resolving to close the account and a copy thereof duly certified by the Chairman of the meeting at which the said resolution was passed should be obtained by the Bank.

(vi) **Trust Accounts:**

For closing of Trust Account, a letter of request along with a certified copy of resolution signed by all the trustees should be obtained. For closure of accounts of non-corporate bodies, a resolution along with a request letter signed by authorised persons should be obtained.

b) **Ensuring no liability to Bank:**

Whenever an account is closed, the Officer in charge of the section should ensure that no liability to the Branch/Bank exists.

c) **Payment of interest on closure of SB A/cs:**

In the case of savings bank accounts, interest should be calculated as per rules and necessary credit should be given in the account before the closing of the account.

d) **Charges/interest dues to the Bank are to be recovered:**

Any charges/interest due to the bank should be recovered.

e) **Payment of balance amount on closure:**

The account holder should be asked to draw cheques for the balance amount in the account which should be paid in the usual manner. Term deposits may be paid by Pay Order/DD.

10. **Grievance Redressal Forum & Customer Care Cell for Unclaimed/Inoperative Deposit Account Holders Grievance Redressal Forum:**

All efforts shall be taken to reduce the inconvenience faced by the customer. The bank will display the details of unclaimed deposits in the website. The customers may submit their claims to the concerned branch.

The customer can raise complaint to the Branch Manager regarding the disposal of his specific requests.

If the customer is not yet satisfied by the action or response from the Branch Manager, they can contact the General Manager (Banking & Funds Management) who will be the authorised officer for grievances redressal.

The Grievance Redressal Unit of Inoperative/Unclaimed Deposits:

The General Manager (Banking & Funds Management)
The Kerala State Co-operative Bank Ltd.,
Head Office, Cobank Towers,
Vikas Bhavan P.O., Palayam,
Thiruvananthapuram
Phone: 0471 – 2547235, 0471 2311095
e-mail cobankcad@yahoo.co.in

11. **How to claim Inoperative/Unclaimed Accounts:**

On displaying the details of the unclaimed/Inoperative Account holders, the customer can trace his/her account. The customer can also find the home branch where the account is maintained, and initiate the following steps.

- a) The customer can procure the necessary documents and can get it filled and submit the same to the concerned branch where the account is been parked.

..9..

- b) The Branch Manager on receipt of the application form for operation/closure of inoperative/unclaimed account should insist the customer for adhering to the KYC norms as a statutory obligation.
- c) The Branch Manager should obtain the proof of identify and address from the customers and should also verify the signature.
- d) In this regard if the Branch Manager is satisfied with the identity of the customer he/she can proceed with further steps of renewal/closure of Inoperative Account.

12. **Periodic Review**

The Board of Directors of the Bank shall undertake review of the unclaimed deposits/inoperative accounts every year.