

**Customer Protection-Limited Liability of Customer in Unauthorized Electronic Banking Transaction**

**Strengthening of systems and procedures**

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), and
- ii) Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

**Limited Liability of a Customer**

✓ **Zero Liability of a Customer**

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

- Contributory fraud/ negligence/deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
- 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

✓ **Limited Liability of a Customer**

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

- In cases where the loss is due to negligence by a customer, such as where he/she has shared the payment credentials, the customer will bear the entire loss until he/she reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.
- 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 the customer notifies the bank of such a transaction within **four to seven working days** of receiving a communication of the transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in Table 1 below, whichever is lower

**Table 1: Maximum Liability of a Customer**

Type of Account	Maximum liability (Rs.)
• BSBD Accounts	5,000
• All other SB accounts • 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 Rs.25 lakh	10,000
• All other Current/Cash Credit/Overdraft Accounts	25,000

Further, if the delay in reporting is beyond **seven working days**, the customer would be solely

liable for the loss.

Overall liability of the customer in third party breaches, as detailed as above, where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, is summarized in the table 2 below:

<b>Table 2: Summary of Customer's Liability</b>	
<b>Time taken to report the fraudulent transaction from the date of receiving the communication</b>	<b>Customer's liability( )</b>
Within 3 working days	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	Customer would be solely liable for the loss.

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.

### **Reversal Timeline for Zero Liability/Limited Liability of customer**

On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorized 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). The credit shall be value dated to be as of the date of the unauthorised transaction. Banks may also at their discretion decide to waive off any customer liability in case of unauthorised electronic banking transactions even in cases of customer negligence.

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**THE AHMEDABAD MERCANTILE  
CO-OPERATIVE BANK LTD.**

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