

## **RBI finds flaws in banks' sale of third-party products**

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*Lack of trained staff, no system for recording complaints are among 'failings'*

Thiruvananthapuram, January 29:

Incognito visits by RBI officials at branches of private and public sector banks have revealed 'failings' in the marketing/cross-selling of third party products such as insurance and mutual funds.

This has prompted banks to review the system of third-party product sales and apply better care and due diligence while dealing with them, sources told *BusinessLine*.

### **Terms not explained**

For instance, the RBI inspectors could not verify whether detailed terms and conditions of the insurance policy and charges were properly explained to customers at many of the bank branches.

At a few others, the premium for the policy was found to have been debited to customer accounts without the written mandate of the customer.

Also, a majority of the branches did not inform customers about the availability of similar products from other service providers, the inspections revealed.

In a few banks, cross-selling of the third-party product was made mandatory as part of the terms and conditions of their own product.

Many branches did not give customers the option to buy products from other service providers. They insisted on insurance cover from companies with whom the banks have a tie-up.

### **No complaints record**

A few branches entertained complaints from customers with respect to forced selling/mis-selling of third-party products but most do not have the appropriate mechanism to capture such complaints.

Many of them did not have a separate system for recording such complaints.

The RBI inspection revealed that there was no qualified/trained staff to market insurance products in some braches. No record of business sourced on account of third parties was being maintained.

Bank branches are also not taking any specific due diligence on the needs and capabilities of the customer, much less recording it. No record of due diligence reports was available at most branches.

Some branches did not care to match the suitability and appropriateness of the products to the requirements/profile of the customer. The objective of sales appeared to have been achievement of targets and nothing more.

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