

CAPITAL SMALL FINANCE BANK LIMITED

Internal Ombudsman Scheme, 2026
[Updated up to May 16,2026]

CAPITAL SMALL FINANCE BANK LIMITED

Head Office: MIDAS Corporate Park, 3rd Floor, 37, G.T. Road, Jalandhar

CIN: U65110PB1999PLC022634 Phone: 0181-5051111, 5052222, Fax: 0181-5053333

E-mail: compliance@capitalbank.co.in www.capitalbank.co.in

Internal Ombudsman Scheme, 2026

1. **Preamble.** With an attempt to strengthen the Grievance Redressal mechanism of the banks and to ensure that customer complaints are addressed at the bank level itself, earlier the Reserve Bank of India (RBI) in May 2015 had established the Internal Ombudsman (IO) mechanism who shall review customer complaints that are partly or fully rejected by the bank. The redressal would be through an authority placed at the highest level of the bank's grievance redressal mechanism.

RBI vide their circular RBI/CEPD/2025-26/382 dated January 14, 2026 has issued new directions with a view to further strengthen the Internal Grievance Redress mechanism within a Regulated Entity (RE) and ensure a proper and speedy resolution of customer complaints by enabling a review before their rejection, by an apex level authority within the Regulated Entity.

2. **Definitions.** In these Directions, unless the context states otherwise, the terms herein shall bear the meanings assigned to them as below:

"Banking Outlet" is a fixed-point service delivery unit as defined under the Reserve Bank of India (Small Finance Banks – Branch Authorisation) Directions, 2025¹ issued by RBI, and as amended from time to time;

"Competent Authority" means Whole Time Director/ Executive Director-in-charge of customer service vertical of the bank;

"Complaint" means a representation in writing or through other modes alleging deficiency in service on the part of the regulated entity with or without seeking relief thereon;

"Credit Information Company (CIC)" means a company as defined in the Companies Act, 2013 and has been granted a certificate of registration under sub-section (2) of section 5 of the Credit Information Companies (Regulation) Act, 2005;

"Customer" means a person who uses, or is an applicant for, a service provided by the bank;

"Deficiency in service" means a shortcoming or an inadequacy in any service, which the regulated entity is required to provide statutorily or otherwise, which may or may not result in financial loss or damage to the customer;

"Deputy Internal Ombudsman (DIO)" means any person appointed under these Directions

"Financial Sector Regulatory Body" means regulatory body for financial sector entities and includes:

- i. The Reserve Bank of India established under the Reserve Bank of India Act, 1934;
- ii. The Securities and Exchange Board of India established under the Securities and Exchange Board of India Act, 1992;
- iii. The Insurance Regulatory and Development Authority of India established under the Insurance

¹ [Master Directions - Reserve Bank of India](#)

- Regulatory and Development Authority of India Act, 1999;
- iv. The Pension Fund Regulatory and Development Authority established under the Pension Fund Regulatory and Development Authority Act, 2013;

“Internal Ombudsman (IO)” means any person appointed under these Directions;

“Regulated Entity (RE)” means a commercial bank or payments bank or small finance bank or a non-banking financial company or a non-bank prepaid payment instrument issuer or a credit information company which are covered under the purview of the Internal Ombudsman framework, or any other entity as may be specified by the Reserve Bank from time to time.

All other expressions, unless specifically defined, shall have the same meaning as assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1934, the Payment and Settlement Systems Act, 2007, the Credit Information Companies (Regulation) Act, 2005, the Credit Information Companies Rules, 2006, the Credit Information Companies Regulations, 2006, or the Reserve Bank - Integrated Ombudsman Scheme (as amended from time to time) or regulations, directions and guidelines issued by the Reserve Bank of India.

- 3. Scope.** To enhance the independence of the Internal Ombudsman and reinforce the oversight on the implementation of the IO scheme for further improving the quality of customer service, RBI has reviewed the present arrangements and have issued revised directions under section 35 A of the Banking Regulations Act, 1949 in the form of IO Scheme, 2026. The scheme covers the appointment/tenure, roles and responsibilities, procedural guidelines and oversight mechanism for the IO and Deputy IO.

All Scheduled Commercial Banks in India having more than 10 banking branches are required to appoint an independent IO. The IO shall examine customer complaints which are in the nature of deficiency in service on the part of the bank. The complaints that are not fully redressed by the bank shall internally be escalated to the IO before conveying the final decision to the complainant. The implementation of the IO Scheme, 2026 shall be monitored by the bank's internal audit mechanism apart from regulatory oversight by RBI.

4. Objectives of the Scheme.

- a. To ensure that all complaints, which are rejected or partially accepted by the Bank, are examined by the IO so that escalation of grievances to Banking Ombudsman are minimized.
- b. To enhance the customer confidence in the Bank's systems, for speedy grievance redressal mechanism and for a more transparent redressal process.
- c. The presence of IO at the apex level of Grievance Redressal Mechanism of the Bank would help enhancing the impartiality of the mechanism, as the grievance resolution would have an independent view point as a precursor to the Banking Ombudsman.

- 5. Appointment of Internal Ombudsman.** The Customer Service Committee of Board will appoint the IO who should fulfil the following prerequisites:

- a. The appointment of IO in the bank shall be contractual.
- b. The IO shall either be a retired or serving officer, in the rank equivalent to a General Manager in the RE under the purview of the IO framework or a Financial Sector Regulatory body (viz,

RBI, SEBI, IRDAI etc.). In case the person is a serving officer, he/she is required to relinquish the same before assuming the charge as IO.

- c. The IO should have necessary skills and experience of minimum seven years of working in areas such as banking, non-banking finance, regulation, supervision, payment and settlement systems, credit information or consumer protection.
- d. The IO shall not have worked/ be working in Capital Small Finance Bank or a holding, associate or subsidiary company of the bank.
- e. The IO shall not be over 70 years of age, before the completion of the tenure.
- f. The Bank may appoint a person as IO who may also be simultaneously working as an IO in other RE subject to prior approval from the Customer Service Committee of the Board.

6. Appointment of Deputy Internal Ombudsman (DIO). The Customer Service Committee of Board will appoint the DIO, if required, who should fulfil the following prerequisites:

- a. The appointment of DIO in the bank shall be contractual.
- b. DIO shall either be a retired or serving officer, not below the rank of Deputy General Manager in the RE under the purview of the IO framework or a Financial Sector Regulatory body (viz, RBI, SEBI, IRDAI etc.). In case the person is a serving officer, he/she is required to relinquish the same before assuming the charge as Deputy IO.
- c. The DIO should have necessary skills and experience of minimum five years of working in areas such as banking, non-banking finance, regulation, supervision, payment and settlement systems, credit information or consumer protection.
- d. The DIO shall not have worked/ be working in Capital Small Finance Bank or a holding, associate or subsidiary company of the bank.
- e. The DIO shall not be over 70 years of age before the completion of the tenure.
- f. The person appointed as DIO shall not be employed in more than one RE simultaneously.

7. Number of Internal Ombudsman/Deputy Internal Ombudsman

- a. While the Bank shall appoint at-least one IO, the Customer Service Committee of the Board shall determine, at least once in a year, the requirement to appoint additional IO(s) or DIO(s) depending on the volume and complexity of the complaints received and ensuring that the IO get sufficient time to apply his/her mind on the principles of fairness, equity and natural justice while reviewing the resolution provided by the bank.
- b. While appointing additional IO/DIO, the Bank shall consider the need for diversity of experience of the incumbents to deal with different types of cases. In such cases, the Bank may clearly define the jurisdiction of each IO/DIO.

8. Tenure of Internal Ombudsman/Deputy Internal Ombudsman.

- a. The tenure of IO/DIO shall be for a fixed term of not less than three years and the same shall be indicated on the appointment letter. The total tenure (including extension/re-appointment, if any) shall not exceed 5 years.
- b. The bank shall ensure that the post of the IO does not remain vacant at any point of time. In future, if the bank considers to appoint a DIO, during the temporary absence of the IO, the DIO will function as the IO.
- c. In a rare case where both IO(s) and DIO(s) are on leave/absent, the bank will designate its serving official equivalent to the SVP and above as the IO for a period not exceeding one month, with the approval of the Customer Service Committee of the Board. Such official shall

not have any reporting relationship with the business verticals of the bank during the period in which he/she is designated as the IO.

- d. To fill a vacancy, the bank shall undertake the process of fresh appointment at least three months in advance of the expiry of the tenure of the incumbent IO and ensure that there is a reasonable overlap of at-least one month between the time of demitting of office of the outgoing IO and the incoming IO.
- e. The IO/DIO cannot be removed before completion of his/her term without the approval of the Customer Service Committee of the Board. In case the vacancy arises on account of reasons beyond the control of the bank (such as resignation, incapacitation, illness, death, etc.), the bank shall inform RBI within 10 working days from the date of such vacancy and shall appoint a new IO/DIO as per eligibility criteria specified under clause 5 and clause 6 above within three months from the date of vacancy.

9. Administrative Oversight.

- a. Administratively, the IO shall report to the Executive Director-in-charge of customer service vertical of the bank, and to the Customer Service Committee of the Board functionally.
- b. The DIO shall functionally report to the IO.

10. Secretariat of the Office of Internal Ombudsman.

- a. The Customer Service Committee of the Board shall determine the emoluments/ facilities/ benefits of the IO/DIO appropriate to the stature and position of the IO/DIO being at the apex of the grievance redress mechanism of the bank.
- b. The office of the IO shall be placed in Head/ Corporate Office or at any of the bank's Regional Offices.
- c. Requisite office infrastructure (including information technology) support shall be provided by the bank for the smooth functioning of the office of IO/DIO.
- d. The bank shall provide such number of its officers and staff to the office of the IO as is considered necessary for the smooth functioning of the office of the IO.
- e. In view of low volume of customer complaints and limited area of operation of the bank, the bank shall initially appoint only one IO. However, decision on appointment of additional IO(s) shall depend upon future volume of complaints received by the bank.

11. Internal Audit. The Internal Audit Department of the bank shall conduct an annual audit of the implementation of the Directions covering:

- a. The process of appointment / reappointment of the IO/DIO, adequacy of the human resources and infrastructure provided to the office of the IO in relation to the volume of complaints;
- b. Implementation of auto-escalation of the partially resolved or wholly rejected complaints to the office of the IO within the timelines;
- c. Action taken by the office of the IO with regard to analysis of complaints, reports submitted to the Reserve Bank of India and the bank, raising awareness of the staff of the bank about the grievance redressal processes, and such other processes;
- d. Submission of the information related to appointment of the IO/DIO and submission of periodic report on the functioning of the IO by the bank to the RBI.

The scope of the internal audit shall exclude any assessment of the correctness of decisions taken by the IO/DIO.

12. Roles and Responsibilities of Internal Ombudsman/ Deputy Internal Ombudsman.

- a. The IO shall only deal with the customer complaints that have already been examined by the bank's internal grievance redressal mechanism and have been partially resolved or being wholly rejected by the bank.
- b. The IO/DIO shall not represent the bank in legal cases before any court or forum or authority.
- c. The IO shall decide on all the complaints escalated to him. The power for the DIO² to decide the complaints may be defined under a policy approved by the Customer Service Committee of the Board.
- d. The IO/DIO shall recommend suitable compensation to the complainant, as per the compensation prescribed by the Reserve Bank of India in its extant guidelines, if any, and as per the Compensation Policy of the bank, if any, in case there is no prescription from the Reserve Bank of India.
- e. The IO may recommend compensation in accordance with the Reserve Bank Integrated Ombudsman Scheme, as amended from time to time, for any consequential loss and the loss of time, expenses incurred and harassment / mental agony suffered by the complainant, over and above the compensation recommended in clause 12(d).
- f. The office of IO shall, on a quarterly basis, analyse the pattern of all complaints received against the bank, such as product-wise, category-wise, consumer group-wise, geographical location-wise, etc., and provide inputs to the bank for policy intervention, if so warranted.
- g. The IO shall suggest means for taking actions to address the root cause of complaints of similar/repeat nature and those that require policy level changes in the bank.
- h. The IO/DIO shall have 'read-only' access to the Reserve Bank's Complaint Management System to enable them to keep abreast of decisions of the RBI Ombudsman / Appellate Authority. The bank shall seek such access for the IO/DIO from the Consumer Education and Protection Department of the Reserve Bank.

13. Board Oversight

- a. The Internal Ombudsman shall be designated as an ex-officio member or a permanent invitee to the meetings of the Customer Service Committee of the Board.
- b. At quarterly intervals, the IO shall furnish reports (including analysis of complaints) on his/ her activities to the Customer Service Committee of the Board.
- c. The decision of the IO/ DIO can be overruled only with the approval of the Executive Director-in-charge of customer service vertical of the bank.
- d. All such cases where the decision of the IO/ DIO has been overruled shall be placed before the Customer Service Committee of the Board of the bank for review.
- e. Information on the complaints resolved by the RBI Ombudsman in favour of complainant, either partially or fully, shall also be placed before the Customer Service Committee of the Board, on quarterly basis. The information shall be accompanied with an analysis of minimum top five categories of complaints along with remedial measures so as to avoid complaints of a similar nature in future.

14. Procedure for Complaint Redressal by the Internal Ombudsman.

- a. The bank has implemented a fully automated system "Complaint Management System (CMS)"

² The bank presently has not appointed any DIO and if required in future, shall formulate a policy approved by the Customer Service Committee of the Board to define the powers of DIO to decide the complaints.

available in PULSE application, the access to which is available with the IO. While the “view only” rights are available to IO to view all the complaints, the complaints that are partially resolved or wholly rejected by the bank’s internal grievance redress mechanism are auto escalated to the office of IO for review.

- b. The escalation of partially addressed and wholly rejected complaints to IO shall be such that IO gets sufficient time to review the complaints to enable final decision to be communicated to the complainants.
 - i. in case of complaints, for which RBI, National Payments Corporation of India (NPCI), or card network guidelines prescribe a timeline for resolution, sufficiently in advance such that IO gets at least 10 days for review of such complaints to enable final decision to be communicated to the complainants within the timelines prescribed by RBI, NPCI, or card network, as applicable; Annexure to be added either in this policy or reference to be given from another policy of such timelines
 - ii. in all other cases, within 20 days of receipt.
- c. The bank’s CMS system has three categories i.e. ‘Fully Resolved’, ‘Partially Resolved’ and ‘Wholly Rejected’ for recording the decision on the complaints before escalation to the office of IO. Further, the complaints that are outside the purview of the IO under the clauses 14(f)(iii) to 14(f)(v) shall be exempted from such classification
- d. The Standard Operating Procedure (SOP) for grievance handling and escalation matrix of the bank will be as per the Customer Grievance Policy of the Bank, as amended from time to time. All the customer grievances received through mail, website, telephone, from the Banking Ombudsman, through post or any other medium shall be dealt with accordingly.
- e. The complaints pertaining to Payment System will be driven by NPCI and Regulatory guidelines. The closure of complaints in the bank’s CMS system shall be available only with Customer Relations division (Payments and Settlement division for payment related complaints). A complaint which is being wholly rejected or partially resolved shall be reviewed by the NO/PNO or HOF/Team Leader/HOD Payment and Settlement department (depending upon the nature of complaint), before sending it to the office of IO.
- f. The following types of complaints shall not be handled by the IO:
 - i. Complaints related to corporate frauds, misappropriation etc., on the part of the bank that do not impact the customer in any manner;
 - ii. References in the nature of suggestions and commercial decisions of the bank, such as, requests for concessions in rate of interest charged, rejection of loan proposal, modification in sanction terms and conditions, enhancement in credit limit, waiver/write-off of loans, etc. However, service deficiencies in cases falling under ‘commercial decisions’ will be valid complaints for the office of the IO;
 - iii. Complaints / references relating to (i) internal administration, (ii) human resources, or (iii) pay and emoluments of staff in the bank;
 - iv. Complaints which have been decided by or are already pending in judicial / quasi-judicial fora such as Courts, Consumer Disputes Redressal Commission, Arbitration, etc.;
 - v. Disputes for which remedy has been provided under Section 18 of the Credit Information Companies (Regulation) Act, 2005³.

Note:

³ [Credit Information Companies \(Regulation\) Act, 2005](#)

- The bank shall forward all rejected / partially resolved complaints under the categories f(i) and f(ii) above to the IO for review of inherent deficiency in service on the part of the bank and to take a view on whether any of these complaints can be exempted under f(i) and f(ii) above as decided by the bank.
 - Complaints received by IO which are outside the purview of the scheme, should immediately be referred back to the bank.
- g. The IO will assess the complaints using the records held by the bank, which include any documents provided by the complainant and the remarks/clarifications given by the bank in response to the IO's specific inquiries. For a speedy redressal of customer grievance, the bank will furnish all the records/ documents, clarification on queries raised by the IO.
 - h. The IO can conduct meetings with the relevant officials of the bank and request any further records/documents held by the bank that are essential for examining the complaint and reviewing the decision.
 - i. The Office of IO can, if he finds it necessary, seek written or oral submission (including additional information and documents) from the complainant.
 - j. The bank will ensure that the final decision is communicated to the complainant within a period of 30 days from the date of receipt of complaint by the bank.
 - k. The IO must document a "reasoned decision", i.e. decision which includes specific reasons, legal basis, and evidence supporting conclusion, in each case.
 - l. Where the IO upholds/concurs the decision of the bank to reject or partially resolve the complaint, the bank will ensure that the reply to the complainant would explicitly state that the said complaint has been reviewed by the IO.
 - m. For complaints that are partially resolved or wholly rejected after examination by the IO, the bank would advise the complainant about the option of approaching the RBI Ombudsman for redress (excluding complaints not covered under the Reserve Bank Integrated Ombudsman Scheme, as amended from time to time) along with complete details of the complaint. The bank in its reply will also mention the URL of Reserve Bank's Complaint Management System portal⁴ for online filing of customer complaints and the physical / email address of the Centralised Receipt and Processing Centre⁵.
 - n. If a complaint is referred to the RBI Ombudsman, the bank would include the IO's decision while submitting the information to the RBI Ombudsman, provided the complaint has already been examined by the IO. However, if the issue was not previously examined by the IO, the bank would seek his/her feedback and submit the same to the RBI Ombudsman
 - o. The bank will incorporate the evaluation of complaints managed by IO into training programs to enhance frontline staff's understanding of complaint trends, including root causes and corrective actions, to promote uniformity in complaint handling. The IO will also participate in such trainings as needed
 - p. While evaluating the IO's performance, the Customer Service Committee of the Board will examine not only the extent of pendency and the efforts made by the IO to establish uniformity in complaint resolution across the bank but also the cases with significant discrepancies between the IO's decisions and those rendered later by the RBI Ombudsman

⁴ [RBI CMS Portal](#)

⁵ Centralized Receipt and Processing Centre (CRPC) Reserve Bank of India, Central Vista, Sector 17, Chandigarh - 160 017 (email: crpc@rbi.org.in)

- q. The bank will broadly circulate the guidelines/instructions concerning the IO scheme to the staff when announcing the appointment of IO throughout the organization (including all branches and administrative offices)
- r. The bank will not disclose the IO's contact information in the public domain, as the IO will not manage complaints submitted directly by customers.

15. Supervisory Oversight

- a. Implementation of the Scheme and the areas regarding customer service and customer grievance redress would be a part of supervisory review by the Department of Supervision of the Reserve Bank of India.
- b. All such cases where the decision of the Internal Ombudsman is not accepted by the bank and the complainant appeals to the RBI Ombudsman, shall be reviewed by the Consumer Education and Protection Department of the Reserve Bank. The review shall be for assessing the effectiveness of the internal grievance redress mechanism of the bank and initiating corrective actions as it may deem fit.

16. Reporting to Reserve Bank of India.

- a. The bank will, within five working days of appointment of the IO or DIO, furnish the details of the official so appointed to the Consumer Education and Protection Department, Central Office, Reserve Bank of India (email: iocepd@rbi.org.in) in the following format:

1	Name of the IO / Dy. IO	
2	Details of the last positions held/ organization	
3	Date of Appointment / Reappointment	
4	Date of Birth	
5	Term (in years)	
6	Brief professional profile, including previous exposure to financial services highlighting those that make them eligible for appointment	
7	Contact details (telephone, email, address)	
8	Date of intimation to the Reserve Bank	

- b. The bank will ensure periodic reporting of information to the Consumer Education and Protection Department, Central Office, Reserve Bank of India, on a quarterly basis as per format provided in *Annexure I*. The report will be submitted **on or before the 15th day of the month** following the quarter to which it relates to.

Report on functioning of the Internal Ombudsman

Report for the quarter ended:

Name of the Bank:

Part I: Information pertaining to the complaints referred to IO/Dy. IO

S. No	Particulars	Number	
1	Number of Internal Ombudsman (IO)		
2	Number of Deputy Internal Ombudsman (Dy.IO)		
3	Number of staff assigned to the office of the IO (excluding Dy.IO)		
4	Number of complaints pending at the end of previous quarter		
5	Number of complaints received during the quarter		
6	Of (4 & 5), number of complaints fully resolved		
7	Of (4 & 5), number of complaints partially resolved		
8	Of (4 & 5), number of complaints wholly rejected		
9	Number of complaints partially resolved or wholly rejected (7+8)		
10	Number of complaints pending at the end of the quarter		
		IO	Dy. IO
11	Of (9), number of complaints referred to the IO / Dy.IO within 20 days of receipt		
12	Of (9) number of complaints referred to the IO / Dy.IO after 20 days of receipt		
13	Of (12), number of complaints referred to the IO / Dy.IO beyond 20 days due to Turnaround Time prescribed by RBI, NPCI or card networks		
14	Of (11 & 12), number of complaints where decision has been provided by IO / Dy.IO		
15	Of (14), number of complaints where IO / Dy.IO has upheld the decision of the bank		
16	Of (14), number of complaints where IO / Dy.IO has not upheld the decision of the bank		
17	Of (16), number of complaints where the decision of the IO / Dy.IO implemented by the bank		
18	Of (16), number of complaints where the decision of the IO / Dy.IO is pending for implementation		

19	Of (16), number of complaints where the bank has disagreed with the decision of IO / Dy.IO, with the approval of the Competent Authority		
20	Number of complaints which were resolved by the RBI Ombudsman and not referred to the IO/ Dy.IO earlier		
21	Number of complaints where the decisions of the IO / Dy.IO were not upheld by the RBI Ombudsman		
22	Number of complaints in which the IO / Dy. IO sought inputs from the complainants directly for resolution of complaints		
23	Number of complaints in which the IO / Dy. IO provided compensation		

Part II: Information pertaining to Root Cause Analysis by the IO

1. Major findings from the Root Cause Analysis
2. Details of the suggestions made by the IO and accepted by the Customer Service Committee of the Board.