

Safe Deposit Locker Guidelines

The Reserve Bank of India (RBI) has come out with new guidelines on how banks should operate their safe deposit lockers, these new provisions are expected to enhance transparency for customers.

RBI has said that the bank would not be liable for loss of/damage to locker contents due to natural calamities or customer negligence. What is more, the central bank has said that a bank must clearly inform locker customers that the bank is not responsible for insuring the contents of the locker. Perhaps to prevent coercive insurance selling, the RBI has also said that banks cannot sell locker contents' insurance to their locker customers.

The revised instructions will come into force with effect from 1 January 2022 (except where otherwise specified) and be applicable to both new and existing safe deposit lockers and the safe custody of articles facility with the banks," the central bank said in a notification.

While operative guidelines will be implemented by banks from January 1, 2022, however, to be eligible for the new compensation, the safe deposit locker holder will have to sign a new locker agreement with the bank.

"Banks shall ensure that any unfair terms or conditions are not incorporated in their locker agreements. Further, the terms of the contract shall not be more onerous than required in the ordinary course of business to safeguard the interests of the bank. Banks shall renew their locker agreements with existing locker customers by January 1, 2023," added the notification.

Here is a look at the revised guidelines for bank lockers and their impact on locker users, as per the RBI notification.

1. When the bank will compensate customers

As per the new RBI rules, any loss of the locker content arising out of the

bank's negligence. The RBI notification says: "It is the responsibility of banks to take all steps for the safety and security of the premises in which the safe deposit vaults are housed. It has the responsibility to ensure that incidents like fire, theft/ burglary/ robbery, dacoity, building collapse do not occur in the bank's premises due to its own shortcomings, negligence and by any act of omission/commission. As banks cannot claim that they bear no liability towards their customers for loss of contents of the locker, in instances where the loss of contents of the locker are due to incidents mentioned above or attributable to fraud committed by its employee(s), the banks' liability shall be for an amount equivalent to one hundred times the prevailing annual rent of the safe deposit locker."

2. When the bank will not be liable

The bank shall not be liable for any damage and/or loss of contents of locker arising from natural calamities or Acts of God like earthquake, floods, lightning and thunderstorm or any act that is attributable to the sole fault or negligence of the customer, stated the new rules. Banks shall, however, exercise appropriate care to their locker systems to protect their premises from such catastrophes.

3. Banks' liability will be 100 times the annual rent of lockers

The liability of banks will be limited to 100 times its annual rent in case of fire, theft, building collapse or fraud by bank employees. "As banks cannot claim that they bear no liability towards their customers for loss of contents of the locker, in instances where the loss of contents of the locker are due incidents (like fire, theft/ burglary/ robbery, dacoity,) or attributable to fraud committed by its employee(s), the banks' liability shall be for an amount equivalent to one hundred times the prevailing annual rent of the safe deposit locker," it said.

4. More transparent locker allotment

The process of new locker allotment has been a pain point for customers due to the lack of transparency and opaque practices of banks. Many banks did not share the proper inventory position with a new locker seeker and

used this as a tool to nudge customers into buying investment products. However, the new guidelines is expected to change this.

In order to facilitate customers making informed choices, banks shall maintain a branch wise list of vacant lockers as well as a wait-list in Core Banking System (CBS) or any other computerized system compliant with Cyber Security Framework issued by RBI, for the purpose of allotment of lockers and ensure transparency in allotment of lockers. The banks shall acknowledge the receipt of all applications for allotment of locker and provide a wait list number to the customers, if the lockers are not.

5. Compensation

policy

The banks will have to put in place a Board-approved policy outlining the responsibility owed by them for any loss or damage to the contents of the lockers due to their negligence. “The bank shall not be liable for any damage and/or loss of contents of locker arising from natural calamities or Acts of God like earthquake, floods, lightning and thunderstorm or any act that is attributable to the sole fault or negligence of the customer,” it said.

6. Locker

rent

Banks are allowed to obtain a Term Deposit, at the time of allotment, which would cover three years’ rent and the charges for breaking open the locker in case of such eventuality, RBI said.

Banks, however, should not insist on such Term Deposits from the existing locker holders or those who have a satisfactory operative account, it said