



# Rights Of Bank Customers Under Consumer Protection Laws In India: Scope, Remedies, And Emerging Challenges

Mr. Irappa Medar S. \*\*

\*\* Mr. Irappa Medar S., Assistant Professor of Law, Vaikunta Baliga College of Law, Udupi, Karnataka

*"A customer is the most important visitor on our premises.*

*He is not dependent on us. We are dependent on him.*

*He is not an interruption on our work. He is the purpose of it.*

*He is not an outsider on our business. He is a part of it.*

*We are not doing him a favor by serving him.*

*He is doing us a favor by giving us an opportunity to do so."*

- Mahatma Gandhi

## Abstract

Banking has moved from a relationship-driven service to a technology-intensive public utility. With this shift, the potential for customer harm—through service lapses, unfair practices, mis-selling, unauthorized electronic transactions, and opaque contract terms—has increased. India's consumer protection framework treats banking as a “service” and empowers customers to seek redress before consumer commissions, in addition to sectoral grievance mechanisms such as the Reserve Bank of India (RBI) Ombudsman.

This article examines

- (i) the legal basis for bank customers' rights under consumer law;
- (ii) what constitutes “consumer” status in banking disputes;
- (iii) major heads of liability—deficiency, unfair trade practice, and unfair contracts;
- (iv) remedies and procedure under the Consumer Protection Act, 2019; and

(v) the relationship between consumer forums and RBI's Integrated Ombudsman Scheme.

It also highlights recent trends in digital fraud litigation, evidentiary burdens, limitation, and the exclusion of purely commercial borrowers from the consumer definition. The article concludes with reform-oriented recommendations for strengthening customer-centric banking governance.

## 1. Introduction

A bank customer today relies on a complex ecosystem of branch operations, outsourced service providers, payment networks, core banking platforms, mobile applications, and third-party intermediaries. Any weak link—whether negligent cheque handling, ATM disputes, KYC errors, cyber fraud, or mis-selling—can cause financial and mental distress. Historically, disputes with banks were addressed through civil suits, internal grievance redress, or writ jurisdiction in exceptional cases. Consumer protection law changed the landscape by offering a relatively accessible, summary adjudicatory mechanism, enabling customers to claim refund, compensation, correction of records, and other reliefs.

The Consumer Protection Act, 2019 (CPA 2019) continues the core consumer-law philosophy: banking services are not immune from scrutiny merely because banks are regulated or because disputes arise from contractual terms drafted by banks. At the same time, consumer law does not convert consumer commissions into banking regulators; they are primarily dispute-resolution bodies addressing individual wrongs, not policy issues such as industry-wide interest rate ceilings. A recent Supreme Court judgment reiterates this boundary while recognising that banking services fall within the consumer “service” umbrella.<sup>1</sup>

This article focuses on “rights of bank customers” in the sense of enforceable entitlements that emerge from consumer law—especially rights to fair dealing, timely service, transparency, safety in digital transactions, and effective grievance redress.

## 2. Consumer Protection Law as a Source of Banking Customer Rights

### 2.1 Banking as “service”

Under CPA 2019, “service” includes service of any description made available to potential users and is broad enough to include banking facilities.<sup>2</sup> This statutory framing matters because once banking is treated as “service,” any shortcoming in performance can qualify as “deficiency,” and any deceptive or exploitative method can qualify as “unfair trade practice,” enabling consumer-commission jurisdiction.

<sup>1</sup> Supreme Court of India, Civil Appeal No 5273 of 2008 (Judgment dated 20 December 2024) (reportable).

<sup>2</sup> Consumer Protection Act 2019, s 2 (definitions), including ‘service’.

## 2.2 Additional (not exclusive) remedy

Consumer protection law typically operates as an additional remedy. Sectoral mechanisms (RBI grievance systems, internal bank escalation, arbitration clauses in certain contexts) do not automatically bar consumer forum jurisdiction unless a specific legal bar applies. As a practical matter, customers often pursue the RBI Ombudsman route first due to cost-free and online access, and approach consumer commissions where compensation and broader relief are needed.

## 3. Who is a “Bank Customer” as a “Consumer”?

### 3.1 The statutory definition and the “commercial purpose” exclusion

CPA 2019 defines “consumer” primarily as a person who buys goods or avails services for consideration, but excludes those who obtain goods/services for “commercial purpose,” subject to the well-known “self-employment” livelihood exception (in appropriate fact situations).<sup>3</sup> In banking disputes, this definition becomes crucial for borrowers, business entities, and corporate account holders.

### 3.2 Borrowers and commercial loans: the Supreme Court’s clarification

A major contemporary controversy is whether a borrower availing a loan for business expansion is a “consumer.” In many judgements, the Supreme Court held that a borrower who took a project loan for a purely commercial purpose would not fall within the consumer definition under the earlier CPA 1986 framework (and the logic remains relevant to the CPA 2019 commercial-purpose exclusion). The Court’s reasoning underscores that consumer protection is not intended to become a forum for large-scale commercial credit disputes, unless the facts fit within the consumer definition.

This does not mean that all borrowers are excluded. A retail borrower (home loan, education loan, personal loan) ordinarily remains a consumer; likewise, a small borrower may still qualify depending on purpose and facts. The key is to assess: (i) the end-use (personal/livelihood vs commercial), (ii) scale and organisational form, and (iii) evidence of commercial purpose.

### 3.3 Account holders, card holders, depositors, and remittance customers

Savings/current account services, remittances, card services, lockers, NEFT/RTGS/UPI issues, and cheque collection are classic consumer-banking relationships. Even where the bank argues that a customer signed standard-form terms, consumer law can still test whether service was delivered with due care and whether the bank complied with regulatory instructions.

<sup>3</sup> Consumer Protection Act 2019, s 2 (definition of ‘consumer’ and the commercial-purpose exclusion).

## 4. Core Rights of Bank Customers Recognised through Consumer Law

### 4.1 Right to diligence and reasonable care (Deficiency in service)

“Deficiency” in consumer law essentially captures shortcoming or inadequacy in the quality, nature, or manner of performance that is required by law or contract. In banking, deficiency may arise from delay, negligence, failure to follow internal controls, or non-compliance with RBI directions.

The Supreme Court has addressed limitation and procedural discipline in consumer matters involving banks, emphasising that limitation goes to the root and must be considered even if not raised. In *State Bank of India v B S Agricultural Industries (I)*, the Court stressed that consumer fora must examine limitation seriously, which directly affects customers’ ability to enforce rights.<sup>4</sup>

### 4.2 Right to transparency and fair dealing (Unfair trade practice and unfair contracts)

Banking disputes often involve misrepresentation (e.g., hidden charges, card upgrades without consent, misleading loan terms, mis-selling). Consumer law’s “unfair trade practice” concept targets deceptive methods. CPA 2019 also introduces stronger recognition of “unfair contracts,” reflecting concern with one-sided standard form terms. Even under the earlier regime, the Supreme Court cautioned that consumer commissions should not assume industry-wide unfairness without evidence, especially in matters that are essentially regulatory policy.

### 4.3 Right to safe digital banking and protection against unauthorized electronic transactions

Digital fraud has become a major driver of consumer litigation. RBI’s circular on “Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions” lays down key protective norms, including timelines, customer reporting, and a crucial evidentiary principle: the burden of proving customer liability in unauthorized electronic transactions lies on the bank.<sup>5</sup>

This RBI framework complements consumer law by strengthening the customer’s right to compensation where the bank cannot establish negligence or where system lapses are apparent. In consumer disputes, banks are increasingly required to show robust authentication logs, timely alerts, dispute-handling proof, and compliance with RBI instructions.

### 4.4 Right to effective grievance redress and ombudsman access

RBI’s Integrated Ombudsman Scheme, 2021 (RB-IOS 2021) adopts a “One Nation One Ombudsman” approach and consolidates earlier schemes, enabling jurisdiction-neutral complaint filing and cost-free redress for deficiency in services by RBI-regulated entities.<sup>6</sup> The Scheme’s design supports a customer right to accessible redress, though it does not replace consumer-commission remedies, especially where higher compensation or complex evidence is needed.

<sup>4</sup> *State Bank of India v B S Agricultural Industries (I)* (2009) 5 SCC 121.

<sup>5</sup> RBI, ‘Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions’ (6 July 2017), para 12 (burden of proof on bank).

<sup>6</sup> RBI, ‘Reserve Bank – Integrated Ombudsman Scheme, 2021’ (Press Release, 12 November 2021).

## 5. Common Categories of Banking Consumer Disputes

### 5.1 Cheque collection and clearing negligence

Cheque handling errors—late presentment, stale cheques, wrong endorsements, wrongful dishonour—remain frequent. The National Consumer Disputes Redressal Commission (NCDRC) has held banks liable for deficiency where delay in presenting cheques resulted in loss to customers, reinforcing the duty of reasonable care in routine banking operations.<sup>7</sup>

### 5.2 Unauthorized card/UPI transactions and cyber fraud

Consumer commissions increasingly treat unauthorized debits as potential deficiency where the customer acted promptly and the bank failed to detect suspicious patterns or provide timely relief. Media-reported decisions show commissions placing responsibility on banks to demonstrate that fraud was not enabled by systemic lapses, particularly where customers had not enabled certain digital facilities or where the bank failed to rebut customer assertions convincingly.<sup>8</sup> While newspaper reports are not legal authorities, they reflect the broader adjudicatory trend aligned with RBI's burden-of-proof principle.<sup>9</sup>

### 5.3 Credit cards: hidden charges, upgrades without consent, and mis-selling

Credit card disputes frequently involve billing errors, disputed transactions, unilateral card upgrades, and add-on products. Such conduct may be treated as deficiency or unfair trade practice when consent and disclosure are inadequate. Courts have also cautioned that consumer commissions cannot act as regulators to fix universal interest ceilings; policy decisions on industry-wide rates fall within RBI's statutory domain, absent proven unfair practice on evidence in an individual dispute.

### 5.4 Loan servicing: statement errors, foreclosure charges, and documentation lapses

Even when the borrower is a “consumer” (retail borrower), banks can be liable for deficiencies such as failure to issue NOC, delay in lien removal, incorrect reporting to credit bureaus, or non-return of securities after settlement. However, where the underlying transaction is purely commercial, consumer status itself may be denied (as discussed above).

### 5.5 Locker disputes and safety of deposits

Locker-related disputes often involve negligence claims and questions about bank duties. While this article does not deeply cover locker jurisprudence, the broader principle remains: once banking is a “service,” the bank’s standard of care is judged against contractual obligations and regulatory expectations.

<sup>7</sup> Illustrative consumer jurisprudence report on cheque handling deficiency (NCDRC—Canara Bank cheque presentation delay).

<sup>8</sup> Illustrative reporting of consumer commission approach in cyber fraud disputes (trend evidence). ([The Times of India](#))

<sup>9</sup> RBI, ‘Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions’ (6 July 2017), para 12 (burden of proof on bank).

## 6. Procedure and Remedies under the Consumer Protection Act, 2019

### 6.1 Jurisdiction and forum structure

CPA 2019 provides a three-tier structure (District, State, National Commissions) and modernises procedure through e-filing, mediation, and enhanced powers. The statute text is accessible via India Code.<sup>10</sup>

### 6.2 Reliefs typically granted against banks

Consumer commissions can grant:

- refund/repayment of wrongfully debited amounts;
- interest;
- compensation for mental agony and harassment;
- litigation costs;
- directions to correct statements/records;
- discontinuation of unfair practice;
- removal of wrongful charges; and
- other appropriate orders depending on facts.

The aim is restorative and compensatory, not punitive regulation—though compensation can be significant where conduct is egregious.

### 6.3 Limitation and delay

Customers often lose claims due to delay. The Supreme Court in *B S Agricultural Industries* underlined that limitation must be addressed as it goes to the root.<sup>11</sup> Customers must therefore preserve evidence and act promptly: complaint to bank, escalation, ombudsman filing (where chosen), and consumer complaint within statutory time.

## 7. Relationship Between Consumer Commissions and RBI Ombudsman Mechanism

### 7.1 RB-IOS 2021: scope and features

RB-IOS 2021 integrates earlier ombudsman schemes and expands coverage, making it easier for customers to file complaints without worrying about scheme selection.<sup>12</sup> RBI explains that the mechanism addresses

<sup>10</sup> Consumer Protection Act 2019 (India Code PDF).

<sup>11</sup> *State Bank of India v B S Agricultural Industries (I)* (2009) 5 SCC 121.

<sup>12</sup> RBI, 'Reserve Bank – Integrated Ombudsman Scheme, 2021' (Press Release, 12 November 2021).

deficiency in services by RBI-regulated entities when unresolved by the regulated entity within stipulated time.<sup>13</sup> RBI's press release emphasises jurisdiction-neutrality and "One Nation One Ombudsman."<sup>14</sup>

## 7.2 Strategic choice: ombudsman vs consumer commission

- **Ombudsman route** is faster, cost-free, and accessible for straightforward disputes and service deficiencies.
- **Consumer commission route** is often chosen where (i) substantial compensation is sought, (ii) there are complex factual issues, or (iii) the customer wants broader remedial directions.

The two mechanisms may also raise practical issues of parallel proceedings. A careful litigation strategy is required to avoid contradictory outcomes and to comply with scheme requirements.

## 8. Evidentiary Burdens and the Digital Banking Era

### 8.1 Burden of proving customer liability in unauthorized electronic transactions

RBI explicitly places the burden on the bank to prove customer liability in unauthorized electronic transactions.<sup>6</sup> In consumer litigation, this principle strengthens customers' rights, but it does not guarantee success—customers must still show prompt reporting, basic prudence, and consistency in their version.

### 8.2 What evidence matters in practice

Banks are expected to produce:

- authentication logs;
- device and IP correlation (where relevant);
- SMS/email alert delivery logs;
- dispute registration timestamps;
- proof of compliance with RBI-mandated timelines; and
- evidence of customer negligence (if alleged).

Customers should preserve:

- SMS alerts, transaction screenshots, bank complaint numbers;
- written emails/letters;
- FIR/cyber complaint acknowledgement (where fraud); and
- account statements.

<sup>13</sup> RBI, 'FAQs: Reserve Bank – Integrated Ombudsman Scheme, 2021'

<sup>14</sup> RBI, 'Reserve Bank – Integrated Ombudsman Scheme, 2021' (Press Release, 12 November 2021).

## 9. Limits of Consumer Jurisdiction in Banking Matters

Consumer commissions cannot be used to pursue broad policy redesign of banking regulation. The Supreme Court's judgment in a credit-card interest-related dispute is instructive: it recognised that banking services fall within consumer "service," but held that regulatory policy decisions like credit card interest rate frameworks are within RBI's domain, and consumer forums must base directions on evidence and not assumptions of industry-wide unfair trade practices.

This distinction is vital for framing consumer complaints: plead and prove **specific deficiency or specific unfair practice** causing personal loss, rather than asking the commission to regulate the banking sector.

## 10. Recommendations for Strengthening Bank Customer Rights

1. **Stronger disclosure norms in retail banking contracts:** clearer fee schedules, consent trails, and plain-language key fact statements (especially for cards and bundled products).
2. **Standardised digital fraud response protocols:** visible escalation matrix, strict internal timelines, and proactive transaction monitoring consistent with RBI expectations.
3. **Interoperable grievance tracking:** common complaint ID usable across bank, RB-IOS portal, and consumer commission filings for better accountability.
4. **Consumer legal literacy:** banks should provide periodic customer awareness initiatives about phishing, reporting channels, and rights—consistent with RBI's emphasis on customer awareness.<sup>15</sup>
5. **Consistent approach on commercial-purpose disputes:** clearer guidance on what constitutes "commercial purpose" in banking to reduce preliminary litigation on maintainability, aligning with the Supreme Court's approach in many cases.

## 11. Conclusion

Consumer protection law remains a powerful tool for bank customers in India. CPA 2019, read with RBI's customer-protection directions and the RB-IOS 2021 framework, establishes enforceable rights to diligence, transparency, fair dealing, safe digital banking, and accessible redress. Courts have simultaneously clarified important boundaries: consumer commissions are not banking regulators, and purely commercial borrowers may fall outside consumer protection. The future of customer rights in banking will be shaped by how adjudicatory bodies apply evidentiary burdens in cyber fraud, how banks implement customer-centric compliance, and how effectively the consumer and ombudsman mechanisms coordinate to deliver timely justice.

<sup>15</sup> RBI, 'Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions' (6 July 2017), para 12 (burden of proof on bank).

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### Table of Cases

1. *State Bank of India v B S Agricultural Industries (I)* (2009) 5 SCC 121.
2. *Canara Bank v Leatheroid Plastics Pvt Ltd* (Supreme Court of India, 20 May 2020) (as available on Indian Kanoon).
3. *Lucknow Development Authority v M K Gupta* (1994) 1 SCC 243.

### Table of Legislation

1. Consumer Protection Act 2019.
2. Consumer Protection Act 1986 (repealed; relevant for older cases and transitional interpretation).
3. Banking Regulation Act 1949 (relevant as regulatory backdrop).

### Table of Regulatory Materials

1. RBI, 'Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions' (6 July 2017).
2. RBI, 'Reserve Bank – Integrated Ombudsman Scheme, 2021' (Press Release, 12 November 2021).
3. RBI, 'FAQs: Reserve Bank – Integrated Ombudsman Scheme, 2021'.

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