BANK CHARGES: PENALISING THE POOR

How Banks Are Stealing Our Savings

Financial Accountability Network

NO BANK CHARGES

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NO BANK CHARGES is a campaign by Financial Accountability Network, India (FAN India) to demand the removal of all bank charges.

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BANK CHARGES PENALISING THE POOR

How Banks are Stealing Our Savings

The Indian banking sector is under a prolonged and severe crisis. Bad loans continue to grow and banks remain under-capitalized with profits in the red. As a result, credit growth remains muted, reinforcing the low jobless growth that India is suffering from.

The BJP government and the RBI have failed to meet this crisis. Coupled with an avaricious corporate sector, they share responsibility for driving public sector banks (PSBs) to shambles. In fact, most actions of the BJP government and RBI have only accentuated the banking crisis while corporate sector seems to have gotten away scot-free and is now picking up stressed assets on the cheap at the Insolvency and Bankruptcy Code (IBC) auction.

With elections imminent, the BJP government has in all effect washed its hands off the mess.

Financial Accountability Network, India (FAN India)

Source: inc.in

Fiscally conservative and with social expenditure already cut to the bone, the BJP government refuses to spend any further to re-capitalize the banks. RBI too is complicit in this debacle and has followed the neo-liberal policies of the BJP government with hardly a protest.

Banks, especially Public Sector Banks are now caught in the middle of this, between the BJP government and RBI on one side and a defiant and unrepentant corporate sector on the other. With little wiggle room to come out of the mess, banks with the sanction of the BJP government and RBI are shifting the burden of the banking crisis onto the only truly blameless party; the public depositors.

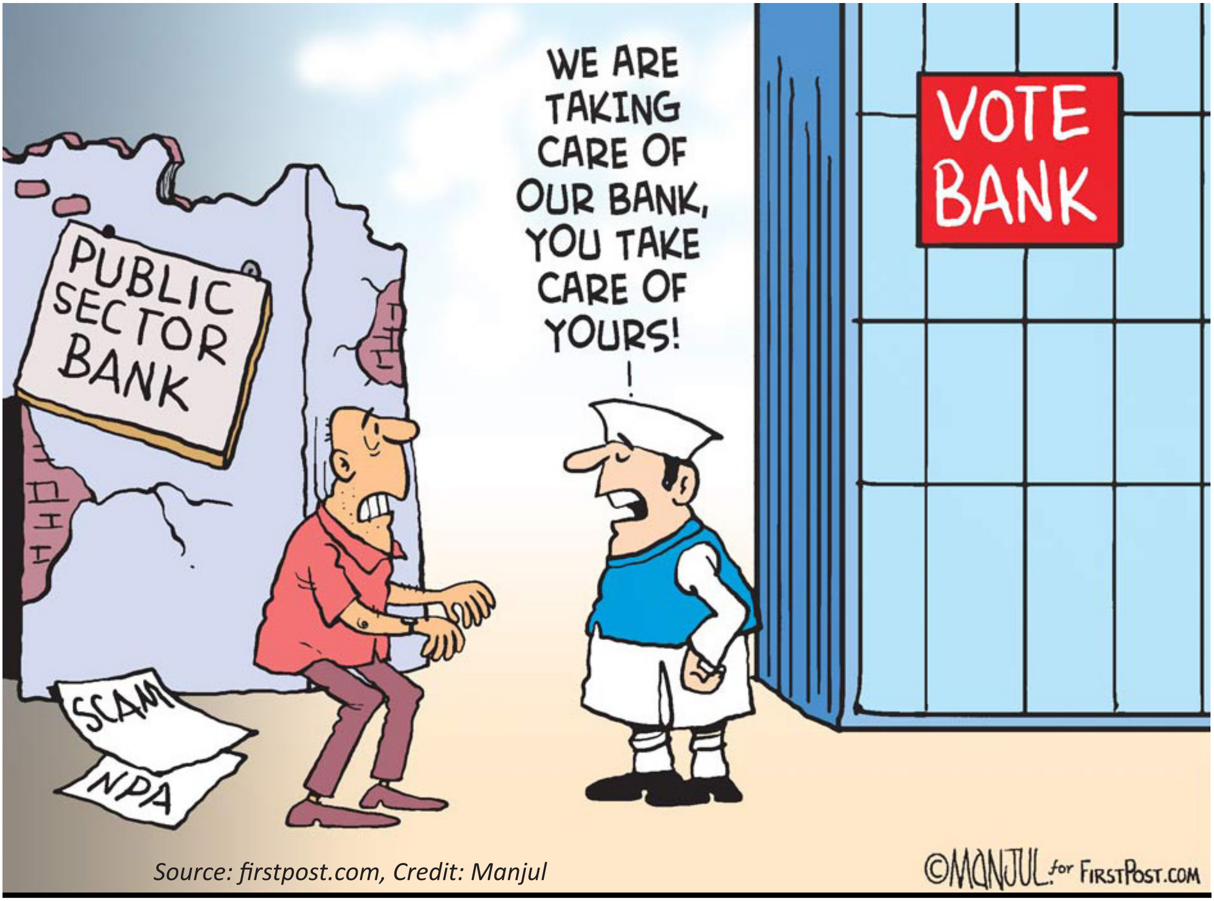
Levying charges, fees and penalties across the board - on ATM transactions, on cash withdrawals, on non-maintenance of minimum balance - banks are seeking to counter depressed profits from lending and other activities by unobtrusively squeezing depositors and that too the lowest rung of depositors.

These charges are regressive and arbitrary. They constitute a complete evasion of responsibility by the BJP government, RBI and banks and are tantamount to giving the corporate sector a clean chit. Despite all this and possibly due to the deviously graded and unobtrusive manner in which they have been imposed, these regressive and arbitrary charges, fees and penalties have been ignored in discussions and debates on what plagues Indian banking. All the while, depositors are getting squeezed to compensate for corporate loot and plunder.

One of the reasons why these charges, fees and penalties have slipped under the radar of mass organizations and civil society is that there exists many misconceptions on the practice of banking. Banks are often promoted as financial intermediaries between depositors and borrowers. This is a flat out falsehood. Depositors and borrowers are two distinct type of customers for a bank and each engage with the bank for different services. Depositors seek out banks for safe-keeping their savings. Borrowers seek out banks to acquire loans. Though in practice

Bank recapitalisation: Too little, too late

Source: inc.in



Source: firstpost.com, Credit: Manjul

banks use funds lying in deposits to give loans, in principle banks lend their own money to borrowers and at the bank's own risk. There is a clear division between these banking activities for every bank.

Of late the BJP government has made repeated efforts to blur this line, that is to hold depositors responsible for the bank's lending activities. FRDI bail-in clause sought to do just that and ended up being the prime reason for the bill's demise. The political fallout of the FRDI campaign also made the BJP government wary of such direct measures.

Instead, the BJP government and RBI have authorised banks to generate alternative revenues by quietly fleecing depositors. This rash of bank charges are all aimed at reducing the amount paid to depositors while avoiding the uproar that would result from lowering the rate of interest on savings accounts.

While beneficial for banks, RBI and the BJP government, these have run roughshod over depositors' interests. Having no say over bank lending practices, RBI and government policy, depositors are now made to bear the brunt for failures of banks, RBI and government. Not only have depositors interests been arbitrarily sidelined, these measures particularly attack the lowest economic rung of depositors and increase the costs that working people bear to access their banked money. These charges mark the demise of socially conscious banking, the ideal behind nationalization and a reconfiguration of Indian banking solely on commercial interests.

Banks reducing the amount payable to depositors via charges, fees and penalties to meet overall shortfalls

Source: Down the Rabbit Hole, Credit: Balaji Mohar R

Source: Down the Rabbit Hole, Credit: Balaji Mohar R

in revenue is not something new. In fact the discontinuance of benchmark service charges for the banking sector as a whole in 1999 was the first step in this direction. Back then, the rationale was that banks should be free to levy charges as and how they individually see fit, the only limit being that these charges should be in line with the average cost of providing services to depositors. This in itself is a step away from the socially conscious ideals of bank nationalization. These small steps have in the recent past become giant leaps towards commercialization and profit seeking.

The crux of the bad loan crisis underway today stems from the decade of high growth during UPA I and II. Loans were issued willy nilly without adequate security or risk assessment. Some of these loans went bad due to the dis-ingenuity of corporate defaulters while others due to the global economic downturn post the 2008 financial crisis. The BJP government has taken great pains to repeatedly stress on this sequence of events, hoping to place blame alone on the Congress.

This story however deliberately glosses over the BJP government's sizable contribution to the banking crisis, the first of which was the hare-brained financial inclusion policy promoted personally by Prime Minister Modi. The large number of Jan Dhan accounts, now numbering at near 32 crore, that the BJP government forced banks to open and maintain has greatly increased the operational costs of banks. The fact that over half these accounts have little or no balance and are by and large non-operational has only further stressed bank profits.

The RBI clearly recognized the potential losses that banks would face from a large number of Jan Dhan accounts without any savings in them. This is evidenced by guidelines issued in July 2015, which asked banks to keep penal charges for non maintenance of minimum balance both reasonable and proportionate to the shortfall. These charges are applicable to all accounts, even Jan Dhan accounts as proven by a study conducted by Prof. Ashish Das of IIT Bombay. He found that banks were converting no-fee Jan Dhan saving accounts to fee-based regular saving accounts silently when an account holder carries out a 5th debit transaction in a month.

The RBI then added it's own bit of stress to the banking sector. Conducting an Asset Quality Review (AQR) in August 2015, the RBI probed various loans given by banks discovering that a large number were non-performing and hidden. Changes to bad loan declaration and provisioning norms post AQR made the quantity of bad loans explode and banks reel. The provisioning norms for potential losses were quite draconian as well, in some instances even amounting to 100% of the loan value.

These provisions greatly cut into bank profits and combined with reduced lending after AQR, many banks were pushed into the red. The IBC later set up to help banks recover some of these bad loans has been a wash-out with recovery near exceeding 1/3rd. The RBI also placed 11 PSBs under prompt corrective action, restricting their ability to lend and accept deposits, or in effect function.

The next blow to the banks came in form of demonetization. Delegitimizing over 86% of the currency in circulation forced large sections of the people to deposit their unbanked savings and exchange new currency for old. Banks and bank employees worked overtime exchanging notes, accepting deposits and refilling ATMs in efforts to soften the blow on working people. These efforts cost banks dearly in operational costs and many bank employees are yet to be paid for the overtime they put in.

At the same time bank deposits were flushed with cash increasing interest payment and other costs. Cash in deposit accounts may have returned soon to pre-demonetization levels, but that is more of a failure of the BJP's delusions of a cashless economy than any conscious effort of the BJP government or RBI.

Besides these two measures, the BJP government has also forced the banks, especially PSBs, to help in implementing a variety of other government schemes. These include the Aadhaar registration and bank account linking process and the highly criticised crop insurance scheme among others, all of which have increased the operational costs of banks.

Under such levels of stress the banks are being forced to lash out at depositors. Finding it insufficient to

Source: indiatomorrow.net, Credit: Yusuf merely penalize non-maintenance of minimum balance to compensate for other losses, banks little over a year ago started charging customers for even cash transactions at branches (home branch or otherwise). Number of cash deposits and withdrawals, without charge, are limited to five or six times a month and an amount ranging from Rs 10 to Rs 150 per transaction is being charged by different banks.

Added to this, there have also been limits imposed on the number of uncharged ATM transactions. Depositors are even being charged for banking services which earlier had no charges like changes in address or mobile number, SMS alert service, update of KYC-related documents etc. Even the number of onsite ATMs have reduced across banks, indicating sector wide cost cutting efforts aimed at reducing the depositor's access to her funds.

The rationale of these actions is evident from the statement of SBI Managing Director in September 2017. He said that SBI was planning to raise Rs 2000 crore as a penalty for non-compliance of minimum balance in saving accounts, part of which would be used to compensate the extra costs incurred to banks due to linking of 40 crore savings accounts to Aadhaar.

The BJP government is not only shifting the burden of the banking crisis onto depositors but is also forcing depositors to subsidize its supposedly pro-people schemes.

The Indian banks are facing a bad loan crisis of epic proportions. Bad loans amounted to over Rs. 10.35 lakh crore in March 2018 and around 50% of these belong to the top 100 borrowers. In fact near 75% of all bad loans are over Rs. 100 crore, indicating clearly that the bad loans primarily belong to the top 1%.

To squeeze and fleece depositors to compensate for the actions of the largest corporate houses in the country is regressive and unconscionable. As expressed by Chief Minister of Kerala, "This plundering of the assets of the common man and the poor is happening at a time when the banks are continuously providing relief to defaulting big shots. The poorest of the poor are being plundered to make up for the losses inflicted on banks by the super rich".

What boggles the imagination is not just that such a thing is happening, but also the scale. As of March 2018, Rs. 11,500 crore has been collected by 21 PSBs and 3 private banks as penalties for non-maintenance of minimum balance. At the same time just the PSBs have written off Rs. 3.17 lakh crore of bad loans. The penalties would only compensate less than 4% of this figure. The sheer regressiveness of these measures is only topped by their utter inability to fix the issues surrounding the banking sector and that is simply unacceptable.

The banks need to be recapitalized and for that government must spend. Only then will credit flow improving not just bank profits but overall economic growth. Lending practices need to tightened and proceedings against defaulters need to be given teeth as well. Else this cyclical process of bad loans-write offs-auctions-recapitalization will happen again. The rest are only bit-part measures.

It is time that the BJP government and the RBI admit that they have bungled banking reform and have left the banking sector teetering on the brink of collapse. These charges, fees and penalties are unjust and inadequate and cannot substitute for direly needed measures like sufficient recapitalization and reform of lending and recovery practices. RBI and the government need to recover large corporate debts by taking stringent actions against defaulters and making the lending policies more transparent and accountable. This passing the burden of corporate debts to working people must be stopped.

Why
the need to oppose Bank Charges?

Price hike in essential goods and inflation has always been a major concern for people, especially from middle and working class. We have seen protests by various political parties and civil society groups when prices of essential goods sore up and rightly so. But when it comes to financial services, one hardly sees such outrage. Banks provide service and have charges for some of these services. This is considered normal and accepted, so as to compensate for the bank's operational costs.

In the recent past banks have been charging on almost each and every service provided, including those that were previously free of charge. This is not just a regular revision in the charges to meet the operational costs of the banks. This is clearly an attempt by the banks passing the burden of loss created by the corporates on to the common people of the country.

Banking services has now become a part of most of our lives either as a voluntary choice or forced as it is mandatory by governmental policy. Hence, today banking can no longer be called as a "middle class" problem. Hence the following questions and answers try to break down these charges and why this is a dangerous policy that needs to be opposed.

1. What are the bank charges?

To access the banking system through various platforms/processes, banks provide different kind of services to depositors. Bank charge is a fee that banks charge depositors to access these banking services. Recently, banks have started charging depositors for each and every transaction done by them including those that were previously free of charge. Account holders have to pay to avail the services provided by the banks. For eg: To deposit or withdraw cash from bank branches, account holders have to pay an amount ranging from Rs 10 to Rs 200 or more. ATM services are also no longer provided free by banks. All the services through ATMs are being charged.

2. What are the services that banks charge for?

a. Minimum Balance Penalty

Saving account holders have to pay a monthly or quarterly fine if they are unable to maintain the minimum balance in their bank accounts. SBI has started penalising the account holders for not maintaining minimum balance since April 2018 and with that other banks who were not charging the account holders earlier, have also started putting the fine for the same. Now banks are also raising the amount of minimum balance required in the bank accounts, meaning they want to collect more penalty from customers. Bank of India and Bank of Baroda have raised the balance needed to maintain in saving accounts in previous 2-3 months.

b. Cash Deposits and Withdrawals at Bank Branches

Now banks (both, public and private sector banks) have started charging for cash deposits and withdrawals from banks. Saving account holders have to pay to deposit cash as well as to withdraw cash from their own accounts at bank branches (for eg: SBI is allowing 3 cash deposits and 2 cash withdrawals per month without any charge and charges Rs 50+GST for every deposit and withdrawal after that). These type of charges on cash deposits and withdrawals show the recklessness with which banks are charging account holders.

c. ATM and Debit Card Charges

The Banks have restricted the number of free transactions from ATMs and charge Rs20+GST after that. In that also, balance inquiry and mini-statements from ATMs are counted as transactions and are not provided free of charge. ATMs were introduced to reduce the workload of banks by giving debit cards to account holders for cash withdrawal, balance inquiry and other services. For sure, ATMs reduced the burden for banks but the benefit of technology was not transferred to account holders.

Banks are charging account holders in every possible way. First, there is an issuance fee of a debit card, then there is an annual fee for the same. Then there are charges associated with the transactions done through ATMs (varies between Rs 5 to Rs 20 plus taxes for each transaction). Debit cards and ATMs reduced the burden on banks' resources, but it has added extra cost for the people. The use of debit cards and transactions through ATMs have become a costly affair for account holders.

Here is the complied list of services that banks charge for:

- **Cash Deposits and Withdrawals at Bank Branches**
- **Cash Deposits in Accounts Other Than One's Own**
- **Cash Withdrawal from ATMs**
- **Issuance Fee on Debit Cards**
- **Annual Charge on Debit Cards**
- **Balance Inquiry at ATMs**
- **Mini-Statements from ATMs**
- **Regeneration of ATM PIN Code from Branch**
- **Account Closing Charges**
- **Transaction Declined with Debit Cards Due to Insufficient Funds**
- **SMS Alerts that a Customer Gets from Banks**
- **Change in Address**
- **Change in Mobile Number**
- **Changes in KYC Related Documents**

- Cash Deposits at CDMs (Cash Deposit Machines)
- Change of Soiled/Mutilated/Old Currency Notes
- NEFT and RTGS Transfer of Funds
- Surcharges on Uses of Debit Cards for Rail Tickets, Petrol/Fuel/ Gas Stations and Payment of Certain Bills and Govt Services
- Cheque Books
- Demand Draft
- Balance Certificate
- Signature Verification

3. Who all are affected by bank charges?

EVERYONE, with a bank account. But the most affected are the poor, middle class and working-class people.

4. How bank charges are targeting the poor and benefitting the rich?

Banks providing free services to rich people and charging the poor for every service they use. This differential treatment is being done on the basis of the balance in bank accounts. If the balance in account is higher than a certain amount (Rs25,000 and above, varies from bank to bank), account holders are given privileges of FREE services and NO charges. A bundle of banking services is provided free of cost to them. They don't need to pay and there is no limit or restrictions on number of transactions like cash transactions at branches, ATM transactions and various other services.

But majority of bank customers belong to middle and low-income households with monthly income even less than 25,000. It would be impossible for people to maintain huge sums of money as minimum balance, given their financial commitments. To fine for not having minimum balance, is effectively punishing people for being poor.

Similarly, banks are charging people for using bank branches (after a certain number of deposit and withdrawals). This will particularly affect old people, pensioners and those who do not have no knowledge of or access to technology. It would also affect the rural and semi urban people, where infrastructure for internet connection is less.

5. Is inclusive banking a Trap to charge the poor?

As a part of financial inclusion drive and also to avail and receive benefits of the welfare schemes of the government such as LPG subsidy and MNREGA, people were made to open bank accounts. This now, has become a two-edged sword. As many of these accounts remain without balance or unused, putting stress on the bank increasing their cost of maintaining such accounts. On the other hand, these accounts only have four debits and other restrictions. This hinders those poor, who use the banks beyond the purpose of subsidy, as extra transaction would convert these accounts into regular savings account with all the charges and fines, burdening them. Some banks do not allow fifth transaction at all in such accounts. This goes against the idea of Inclusive banking.

6. Instances of unfair charges and penalties on bank users: -

- The limit on ATM transactions. 5 free transactions in home bank ATM and 3 free transactions in other ATM. Charges on ATM transactions is unfair and has to be done away with. ATMs were introduced by the banks to help customers avail cash at a convenient location and to manage the crowd coming to the branch. Now, the customers are charged to avail the service!

- Maximum withdrawal limit from other banks' ATMs is Rs.10000, and if a customer needs to withdraw higher amount, she would end up using all free transactions from other banks' ATM.

- Banks charge Rs 20 to Rs 30 for every transaction that is declined due to insufficient balance at ATMs and POS (point of sale) Swipe Machines.

7. Tables of charges on different banking services: -

All the charges, fee and penalties mentioned below are exclusive of 18% GST.

A.Charges for Not Maintaining Minimum Balance

Bank Charges	Penalty for not maintaining the minimum balance	Monthly/Quarterly
SBI	15	M
PNB	250	Q
BOB	200	Q
Canara Bank	40	M
HDFC	600	M
Axix	500	M
ICICI	600	M
BOI	200	Q
CBI	240	Q
BOM	120	Q
Kotak Mahindra	500	M

B. Charges on ATM Transactions

Type of Transactions	Charges at Own ATMs (Rs.)		Charges at Other Bank ATMs (Rs.)	
	Financial Transactions	Non-financial transactions	Financial Transactions	Non-financial transactions
SBI	10	5	20	8
PNB	10	10	20	20
BOB	free	free	20	10
Canara Bank	free	free	20	10
HDFC	20	8.5	20	8.5
Kotak Mahindra	free	free	free	free
ICICI	20	8.5	20	8.5
BOI	10	8	20	8
CBI	free	free	20	5
BOM	free	free	20	10

C. Debit Card Issuance Fee

Bank	Fee (Rs.)
SBI	125
PNB	Nil
BOB	Nil
Canara Bank	250
HDFC	150
Kotak Mahindra	NA*
ICICI	NA*
BOI	150
CBI	Nil
BOM	Nil

(Charges Mentioned are for Regular/Classic Debit Cards)

D. Debit Card Annual Charges

Banks	Charge (Rs.)
SBI	125
PNB	100
BOB	150
Canara Bank	120
HDFC	150
Kotak Mahindra	Nil
ICICI	150
BOI	150
CBI	100
BOM	100

E. SMS Alerts

Bank	Charge (Rs.)	Quarterly
SBI	15	Q
PNB	15	Q
BOB	15	Q
Canara Bank	15	Q
HDFC	15	Q
Kotak Mahindra	30/15	Q (daily/weekly)
ICICI	15	Q
BOI	15	Q
CBI	0.10 paisa/sms	
BOM	15	Q

F. ATM PIN Regeneration Charges (from branch)

Bank	Charge (Rs.)
SBI	50
PNB	50
BOB	150
Canara Bank	NA*
HDFC	50
Kotak Mahindra	Nil
ICICI	25
BOI	100
CBI	100
BOM	100

G. ATM Card Replacement Charge

Bank	Fee (Rs.)
SBI	300
PNB	200
BOB	200
Canara Bank	200
HDFC	200
Kotak Mahindra	200
ICICI	200
BOI	150
CBI	200
BOM	100

H. Declined Debit Card Transactions due to Insufficient Balance

Bank	Charge (Rs.)
SBI	20
PNB	NA*
BOB	NA*
Canara Bank	20
HDFC	25
Kotak Mahindra	25
ICICI	25
BOI	20
CBI	NA*
BOM	NA*

*Information Not Available On Bank Website

Financial Accountability Network, India (FAN India) is a collective of civil society organisations, unions, social movements and individuals to raise issues of accountability and transparency of the national financial institutions. The collective also looks critically at the economic and financial policies that have an adverse impact on the people.

Support the campaign:

- Log on to **WWW.FANINDIA.NET** and Send an email to Prime Minister, Finance Minister and RBI Governor demanding the removal of all bank charges.
- Write to us mentioning how bank charges are affecting you and we will take it to the government.
- Send your photo (Whatsapp +91 73032 10990 or Email: nobankcharge@gmail.com) with your Name, Place and Occupation with a statement on how bank charges are affecting you. We will put them on our website and hold photo exhibitions.

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