

July 12, 2005

The Chairmen/CEOs
All State and District Central Co-operative Banks

Dear Sir,

**Settlement of claims in respect of deceased depositors –
Simplification of Procedure**

Pursuant to the announcement in the Mid-Term Review of the Annual Policy of the RBI on November 3, 2003, the Committee on Procedure and Performance Audit on Public Services (CPPAPS) was constituted by the RBI with a view to improving the quality of public services to the common person. The Committee in its Report No.3 on 'Banking Operations : Deposit Accounts and Other Facilities Relating to Individuals (Non-Business)', observed that the tortuous procedures, particularly those applicable to the family of a deceased depositor, caused considerable distress to such family members. While the instruction regarding settlement of claims in respect of the deceased depositors had been issued to the banks vide our circulars RPCD.CO.No.RF.BC 09/07.38.01/2000-2001 dated August 22, 2000 and RPCD.CO.No.RF.BC. 59/07.28.01/2000-2001 dated February 27, 2001, the existing dispensation has been reviewed in the light of the recommendations of the CPPAPS and the following instructions are being issued, in **supersession** of all the earlier instructions on the subject, to facilitate expeditious and hassle-free settlement of claims on the death of a depositor.

2. ACCESS TO BALANCE IN DEPOSIT ACCOUNTS

(A) Accounts with survivor/nominee clause

2.1 As you are aware, in the case of deposit accounts where the depositor had utilized the nomination facility and made a valid nomination or where the account was opened with the survivorship clause ("either or survivor", or "anyone or survivor", or "former or survivor" or "latter or survivor"), the payment of the balance in the deposit account to the survivor(s)/nominee of a deceased deposit account holder represents a valid discharge of the bank's liability provided:

- (a) the bank has exercised due care and caution in establishing the identity of the survivor(s) / nominee and the fact of death of the account holder, through appropriate documentary evidence;
- (b) there is no order from the competent court restraining the bank from making the payment from the account of the deceased; and

- (c) it has been made clear to the survivor(s) / nominee that he would be receiving the payment from the bank as a trustee of the legal heirs of the deceased depositor, i.e., such payment to him shall not affect the right or claim which any person may have against the survivor(s) / nominee to whom the payment is made.

2.2 It may be noted that since payment made to the survivor(s) / nominee, subject to the foregoing conditions, would constitute a full discharge of the bank's liability, insistence on production of legal representation is superfluous and unwarranted and only serves to cause entirely avoidable inconvenience to the survivor(s) / nominee and would, therefore, invite serious supervisory disapproval. In such case, therefore, while making payment to the survivor(s) / nominee of the deceased depositor, the banks are advised to desist from insisting on production of succession certificate, letter of administration or probate, etc., or obtain any bond of indemnity or surety from the survivor(s)/nominee, irrespective of the amount standing to the credit of the deceased account holder.

(B) Accounts without the survivor/nominee clause

2.3 In case where the deceased depositor had not made any nomination or for the accounts other than those styled as "either or survivor" (such as single or jointly operated accounts), banks are advised to adopt a simplified procedure for repayment to legal heir(s) of the depositor keeping in view the imperative need to avoid inconvenience and undue hardship to the common person. In this context, banks may, keeping in view their risk management systems, fix a minimum threshold limit, for the balance in the account of the deceased depositors, up to which claims in respect of the deceased depositors could be settled without insisting on production of any documentation other than a letter of indemnity.

3. Premature Termination of term deposit accounts

In the case of term deposits, banks are advised to incorporate a clause in the account opening form itself to the effect that in the event of the death of the depositor, premature termination of term deposits would be allowed. The conditions subject to which such premature withdrawal would be permitted may also be specified in the account opening form. Such premature withdrawal would not attract any penal charge.

4. Treatment of flows in the name of the deceased depositor

In order to avoid hardship to the survivor(s) / nominee of a deposit account, banks are advised to obtain appropriate agreement / authorization from the

survivor(s) / nominee with regard to the treatment of pipeline flows in the name of the deceased account holder. In this regard, banks could consider adopting either of the following two approaches:

- The bank could be authorized by the survivor(s) / nominee of a deceased account holder to open an account styled as 'Estate of Shri _____, the Deceased' where all the pipeline flows in the name of the deceased account holder could be allowed to be credited, provided no withdrawals are made.

OR

- The bank could be authorized by the survivor(s) / nominee to return the pipeline flows to the remitter with the remark "Account holder deceased" and to intimate the survivor(s) / nominee accordingly. The survivor(s) / nominee / legal heir(s) could then approach the remitter to effect payment through a negotiable instrument.

5. Access to the safe deposit lockers / safe custody articles

For dealing with the requests from the nominee(s) of the deceased locker-hirer / depositors of the safe-custody articles (where such a nomination had been made) or by the survivor(s) of the deceased (where the locker / safe custody article was accessible under the survivorship clause), for access to the contents of the locker / safe custody article on the death of a locker hirer / depositor of the article, the banks are advised to adopt generally the foregoing approach, *mutatis mutandis*, as indicated for the deposit accounts. Detailed guidelines in this regard are, however, being issued separately.

6. Time limit for settlement of claims

Banks are advised to settle the claims in respect of deceased depositors and release payments to survivor(s) / nominee(s) within a period not exceeding 15 days from the date of receipt of the claim subject to the production of proof of death of the depositor and suitable identification of the claim(s), to the bank's satisfaction.

Banks should report to the Board, at appropriate intervals, on an ongoing basis, the details of the number of claims received pertaining to deceased depositors / locker-hirers / depositors of safe custody article accounts and those pending beyond the stipulated period, giving reasons therefor.

7. Provisions of the Banking Regulation Act, 1949

In this connection, attention is also invited to the provisions of Sections 45ZA to 45ZF of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies).

8. Simplified operational systems / procedures

NABARD has been advised to formulate a Model Operational Procedure (MOP) for settlement of claims of the deceased constituents, under various circumstances, consistent with the instructions contained in this circular, for adoption by the banks. The banks are, therefore, advised to undertake a comprehensive review of their extant systems and procedures relating to settlement of claims of their deceased constituents (i.e., depositors / locker-hirers / depositors of safe-custody articles) with a view to evolving a simplified policy / procedures for the purpose, with the approval of their Board, taking into account the applicable statutory provisions, foregoing instructions as also the MOP to be formulated by the NABARD.

9. Customer Guidance and Publicity

Banks are advised to give wide publicity and provide guidance to deposit account holders on the benefits of the nomination facility and the survivorship clause. Illustratively, it should be highlighted in the publicity material that in the event of the death of one of the joint account holders, the right to the deposit proceeds does not automatically devolve on the surviving joint deposit account holder, unless there is a survivorship clause.

10. These instructions should be viewed as very critical element for bringing about significant improvement in the quality of customer service provided to survivor(s) / nominee(s) of deceased depositors.

11. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully,

(C.S.Murthy)
Chief General Manager-in-Charge