Digital scam compensation pilot of RBI

Prelims: *Current events of national and international importance | Economy*

Why in News?

The Reserve Bank of India (RBI) has introduced an amendment to its landmark 2017 circular on "Limiting Liability of Customers in Unauthorised Electronic Banking Transactions".

- **New Framework -** It introduces a ***targeted mechanism to reimburse retail customers*** who fall victim to sophisticated digital frauds, while clearly defining the boundaries of customer negligence.
- **Timeline -** The new rules will be implemented as a 1-year pilot project effective from January 1, 2027.
- It also follows an extension from the originally proposed July 1 draft date to allow banks sufficient implementation time.
- **Shift from the 2017 Framework** - Under the 2017 guidelines, banks were held liable to compensate customers primarily if the transactions were completely unauthorized by the user.
- **Fraudulent Electronic Banking Transactions (EBTs) -** The RBI defines these as transactions executed by a third-party using credentials obtained from the customer through fraudulent means, or executed by the customer under explicit coercion or duress.
- **Included Scams**
  - **Digital Arrests -** Where victims are psychologically coerced by fraudsters posing as law enforcement into transferring funds.
  - **Fraudulent OTP Theft -** Where one-time passcodes are deceptively stolen from the customer.
- **The Guardrail of Customer Negligence -** Customers who actively ignore explicit, automated fraud signal warnings such as real-time alerts displayed on a UPI PIN screen indicating a potential scam will **not** be eligible for compensation.
- **Contact Information Mandate -** Failure to update and register the latest mobile number or email address with the bank automatically

constitutes customer negligence, as it prevents the delivery of critical automated fraud alerts.

- **Reporting Window-** For third-party breaches, the timeline for a customer to report a loss has been increased to ***5 calendar days*** (up from the previous standard of three working days).
- **Compensation Mechanism -** The framework strictly applies to losses ***up to Rs.50,000***.
- Scams involving losses above Rs.50,000 are completely excluded from this specific pilot framework.
- Individual victims can claim ***85% of the lost amount***, subject to a strict lifetime cap of Rs.25,000 per customer.
- Consequently, for any scam amount ranging between Rs. 29,412 and Rs. 50,000, the customer will receive a flat, capped compensation of Rs. 25,000.
- Approximately 3/4th (75%) of the compensation amount is funded directly by the RBI, customer's bank and the beneficiary bank (where the stolen funds landed) equally share the remaining 25% of the payout.
- **Settlement Timelines -** The institutional complaint settlement timeline has been extended to ***45 to 60 days*** (with the upper 60-day limit reserved specifically for cross-border or international electronic transactions).

Reference

The Hindu | RBI’s digital scam compensation pilot

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