RBI Cyber-Fraud Compensation Scheme

Prelims: *Current events of national and international importance | Government policies and interventions*

Why in News?

Recently, the rising digital payment frauds and low recovery rates prompted the RBI to introduce a cyber-fraud compensation scheme.

- It is a ***new consumer protection measure*** by the Reserve Bank of India.
- **Aim –** To provide ***financial protection to victims of small-value digital frauds*** and enhance trust in digital payment systems.
- **Objective –** Protect consumers against financial losses from unauthorised digital transactions.
- Clarify liability and redressal mechanism for banks and payment service providers.
- **RBI Observations – Card & Internet Frauds (2024-25) –**More than 13,000 cases reported in the banking sector, involving Rs 520 crore.
- **National Cyber Crime Portal Complaints (2025) –** Up by 25% compared to 2024, reaching 24.03 lakh cases.
- **Small-Value Frauds –** Account for more than two-thirds of fraud cases but less than 15% of total monetary losses.
    - 65% of frauds involve amounts smaller than Rs 50,000.
- **Key Features – Maximum Compensation –** Rs. 25,000 per case or 85% of loss, whichever is lower.
- **Eligible Victims –** Customers facing small-value unauthorised digital fraud, including cases where OTP was shared.
- **Shared Liability –**
    - RBI around 70% of compensation
    - Banks around 15%
    - Customer around 15% to encourage vigilance.
- **Funding Source –** Potentially ***RBI's Depositor Education and Awareness (DEA) Fund,*** with banks contributing their portion of the compensation.
- **Eligibility –** Victims of digital fraud via UPI, cards, and net banking.
- **Condition –** One-time compensation per individual for their lifetime. Timely reporting and submission of proof required.
- **Implementation –** RBI will issue draft guidelines, with banks implementing them for fast and automatic compensation.
- **Significance –**
- Strengthens consumer protection in digital finance.

- Reduces the financial vulnerability of small victims.
- Encourages wider adoption of secure digital payments.

Reference

IE | RBI Cyber-Fraud Compensation Scheme

