

Your Money

INVESTOR RIGHTS

'Your call is (un)important to us...'

The sad story of the financial sector complaint redressal system. And what you can still do

Monika Halan

You get a mailer with a 'free' credit card. You do not accept it. But it mysteriously gets activated. You then get billed for the service charges. You call up and protest. They assure you that the mistake will be rectified. But the bills continue to come. Then come the goons. To collect money that you don't owe. It could be a credit card you did not want. Or a personal loan or a home loan. It could be a bill that was not credited by the bank on time. The product and company change names, but the problem is the same: the Indian middle class consumer of financial products has collected a bagful of woes along with more choice, lower prices and new products. The euphoria of getting cheap loans and better banking services is just about getting over, to be replaced by the sense of frustration over cute marketing gimmicks, stealth banking and customer apathy that puts the pre-privatisation power and telecom utilities to shame. Says Faisal Farooqui, CEO of mouthshut.com, a website that aggregates consumer opinions and rates products and services: "Consumers are not aggregated and hence their voices are not heard".



Illustration:

Ajit Kumar

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The customers are complaining but nobody seems to be listening. "People don't know where to complain and how to complain," says Prithvi Haldea, Director Prime Investors Protection Association & League that has recently launched watchoutinvestors.com, a website to help the financial sector consumers get better informed about the companies and those who run them (see interview). Most people try sequentially, first the company, then the association, the regulator and finally the courts. But there are problems in this approach.

The first level of complaint is with the company and most companies boast of a customer relationship cell that is set up to take care of such issues. But the average experience in dealing with customer services is one of frustration and delay for the customer. Most 'customer cells' are for window dressing – the sales team is the one that counts in a company and not the party-poopers in the customer complaints department.

The next level that a person can approach is the industry association. Banks have an association and so do mutual funds. Technically one can complain to them. But given the fact that associations are funded by the same companies, nothing much comes out of involving the associations.

The insurance and banking sectors have tried out another system – that of putting third party arbitrators called Ombudsmen – to solve retail problems. Again the average experience is one of frustration and delay. One calculates the time it will take to follow up on a problem versus losing a couple of thousand bucks, if that much. Most stealth banking practices leak away little bits of the customers money through hidden or clever charges and it takes an activist consumer to take the fight to the next level.

Which is the regulator. Here is where one

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would expect some form of response to come. But the average experience is one of – no prizes for guessing – one of frustration and delay. While Sebi is more proactive in dealing with complaints (the list of investor grievances and their redressal is given on the regulator's website each fortnight), RBI and IRDA tell you that you are important, but the reality is different. RBI emailed this newspaper advice to approach the Ombudsmen or contact the Chief General Manager in-charge of the Department of Banking Supervision. IRDA's reply is still awaited.

The last resort, then, is the court. And the average experience Yes. That again. Fed up of the system, you turn to the non-government sector and look for organisations that work to help you. Sebi's site lists nine such registered bodies and when this correspondent emailed each of these, only one (Kolhapur Investor's Association) bothered to reply. And their executives were all out of town and unable to reply. So that does not work either.

Why they don't bother with customer service

Assume that you are an activist consumer and have managed to ring all the bells you could to get redress. And the court awards the judgement in your favour. You are euphoric. Then you look at the settlement and find that the whole fight was not really worth it. In 2002 Joydeep Nondy of Kolkata felt cheated by the National Insurance Company that did not pay up for the repair of Nondy's fridge, even though he held a Householder's Insurance Policy. He went to the insurance Ombudsman in Kolkata. After a lot of paper work and trips to various offices, Nondy won the case. He got the money he had claimed from the insurance company and got an additional Rs 501 as costs towards costs, mental agony and harassment. That's Rs 501. This amount is an unlikely deterrent for any company. Wherein lies the problem of most consumer cases. Justice is delayed and when compensation, if any is given, it is so small so as not even to cover the legal costs. India has a long way to go before the courts give punitive financial damages like they do in the US. For example, in 2002, CitiGroup was fined \$240 million for cheating customers on deceptive marketing practices and fraudulently charging sub-prime borrowers (or those with bad credit records) high rates of interest, higher costs and fees. That is \$240 million.

What you can do in a limited way today

Given the existing landscape and knowing that it takes years before legal and judicial changes happen, there is precious little you can do as an individual. Yet, to give up protesting is not an option. In fact, to complain and aggregate complaints is easier now than ever before. Says Farooqui: "The internet has emerged as a major tool to put the voice of the average person out." Citibank in 2001 found that out the hard way when the Citibank Suraksha credit card customers were billed for a new insurance scheme that took consent for

- **www.consumercourt.netfirms.com**

Provides guidance and help to take action through the consumer courts. Information on consumer courts and how to prepare a case

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- www.investorfriend.com**

Provides investor alerts such as the list of vanishing companies and details of the investor issues in Parliament

- **www.mouthshut.com**

Provides a platform for consumers to voice opinions on 67,000 products and services. Consumers can also compare across product features and services like cars and microwaves. The first financial product to be added will be credit cards in 2005

- **www.watchoutinvestors.com**

Collects, cleans and tabulates information on regulatory actions of regulators including SEBI, RBI, NSE and BSE. Search on company or promoter name possible. Can list portfolio under 'mywatchout' and get email alerts for such companies in case of new regulatory action

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granted. An email campaign by some angry cardholders spread like a virus alerting the customers. The bank was forced to run ads in the daily newspapers to contain the damage done to the brand.

Viral email and sms campaigns are one way, another is to use websites like mouthshut.com to read other customers reviews on products and services. Though the site does not offer consumer redress, but the ratings of companies and products help potential customers learn from others mistakes. Other internet based initiatives offer to empower you rather than offer to solve your problems. investorfriend.com run by NGO

Midas Touch gives information on all the Parliamentary questions related to the markets and on the vanishing companies. Newly launched watchoutinvestors.com allows you to find regulatory action against either a company name or a person. It also allows you to get alerts if any of the companies or people who list see some regulatory action in the future. By next year you should be able to access the website to direct your complaints in the right format to the right place. Another website consumercourt.netfirms.com gets you information about consumer courts and advice on how to file a case.

The attempts to solve this problem are still in their infancy and the utopia of a one-stop shop for customer redress is far away. But till the laws change, you can use the internet and the mobile phone to make your voice heard.

Prithvi Haldea, Director,

Prime Investors Protection Association & League that has launched watchoutinvestors.com



I have not found Harshad Mehta or the Jain brothers of Asian Can on this site. Why are they not in this database?

Our cut off date is the year 2000. As we move along we'll go back in time to include all the older names as well.

What is the response to the website?

Overwhelming – people are coming and spending three to four hours on the site. There are two major responses, one: a lot of praise and two: huge amount of investor grievances. People have big problems that they are unable to solve and they are looking to us to solve them.

But yours is an effort to educate the investor and arm him with information for future investments, what about his existing issues?

The next phase of the site will be to introduce a clearing house for complaints. People don't know how to complain or who to complain to. They will write pages after pages and forget to give basic details of their problems. Second, they send the complaint to everybody – Sebi, DCA, CLB – without reaching the right person. We will have an efficient post office system, the investor will have to tick boxes and write his problem in short. The software will then take over and direct the complaint to the right person in the right organisation. For example, a capital market-related complaint will go to the relevant mailbox in Sebi, a banking one will go to RBI. We hope to do this by next year.