

SETTLEMENT OF CLAIMS IN RESPECT OF DECEASED DEPOSITORS

6. SETTLEMENT OF CLAIMS IN RESPECT OF DECEASED DEPOSITORS

Urban Co-operative Banks are advised to instruct all their branches to adhere to the extant instructions on the subject to facilitate expeditious and hassle free settlement of claims on the death of a depositor. With a view to facilitating timely settlement of claims on the death of a depositor, banks are advised to provide claim forms for settlement of claims of the deceased's account(s), to any person/s who is /are approaching the bank /branches for this. Urban Co-operative Banks having website may also place the claim forms on their website prominently so that claimants of the deceased depositor can access and download the forms without their having to visit the concerned bank / branch for obtaining such forms for filing claim with the bank.

To facilitate expeditious and hassle-free settlement of claims on the death of a depositor, the following guidelines may be followed:

Access to balance in deposit accounts

6.1 Accounts with survivor/ nominee clause

In the case of deposit accounts where the depositor had utilised 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.

6.2 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.

6.3 Accounts without the survivor/ nominee clause

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.

6.4 Premature Termination of term deposit accounts

(i) In case of term deposits with "Either or Survivor" or "Former or Survivor" mandate, UCBs are permitted to allow premature withdrawal of the deposit by the surviving joint depositor on the death of the other, only if, there is a joint mandate from the joint depositors to this effect.

(ii) UCBs which have neither incorporated such a clause in the account opening form nor taken adequate measures to make the customers aware of the facility of such mandate, cause unnecessary inconvenience to the "surviving" deposit account holder (s). UCBs are, therefore, advised to invariably incorporate the aforesaid clause in the account opening form and also inform their existing as well as future term deposit holders about the availability of such an option.

(iii) The joint deposit holders may be permitted to give the mandate either at the time of placing fixed deposit or anytime subsequently during the term /tenure of the deposit. If such a mandate is obtained, banks can allow premature withdrawal of term /fixed deposits by the surviving depositor without seeking the concurrence of the legal heirs of the deceased joint deposit holder. Such premature withdrawal would not attract any penal charge.

6.5 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 or through ECS transfer in the name of the appropriate beneficiary.

6.6 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.

6.7 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 Customer Service Committee of 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.

6.8 Provisions of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies)

In this connection, attention is also invited to the provisions of Sections 45 ZA to 45 ZF read with Section 56 of the Banking Regulation Act, 1949 (As Applicable to Co-operative Societies) and the Co-operative Banks (Nomination) Rules, 1985.

6.9 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.