

Your rights in Rasrang: ATM card: Bank's responsibility to protect against unauthorized transactions

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In today's digital age, ATM cards have become an essential means of financial transactions. There is no doubt that ATM cards provide a lot of convenience, but they also pose the highest risk of becoming a victim of fraud. It is important for consumers to know what their rights are in case of unauthorized ATM withdrawals and what legal remedies are available in this regard.

Who is responsible for ensuring security? Ensuring the safety of their customers' funds is the primary responsibility of banks. The Reserve Bank of India has instructed banks to implement robust systems for the prevention and detection of ATM fraud. This includes security measures such as encryption, secure PIN management and real-time transaction monitoring. In the case of *Praveen Kumar Jain vs HDFC Bank Ltd (2023)*, the National Consumer Disputes Redressal Commission (NCDRC) ruled that if the bank fails to act on the complaint of unauthorized transaction within the prescribed time limit, it will

have to pay the disputed amount to the customer. This makes it clear that the responsibility of prompt investigation and resolution of ATM fraud cases lies with the banks.

No financial loss to customers RBI's circular on financial security of customers provides a safeguard for consumers. As per these guidelines, if the unauthorised transaction is due to the negligence of the bank or any internal fraud, then the customer will not incur any liability. Even if the security is breached by a third party, if the customer informs the bank within three working days, then he will not suffer any financial loss. In the case of State Bank of India vs Bhagwat Prasad Chandra (2024), the State Commission of Chhattisgarh found that the bank had committed gross negligence by linking the customer's account to the Aadhaar number and unlinked mobile number of an unknown person and issuing an ATM card without request. The Commission upheld the order of the District Forum, which held the bank liable for unauthorised withdrawal due to 'deficiency in service'.

Customers should report to the bank on time If the customer does not want to suffer any financial loss in case of fraud, then he should immediately inform the bank about any unauthorized transaction. Delay in informing the bank increases the risk of financial loss. As per RBI guidelines, banks should provide customers with the facility to report unauthorized transactions through various means 24x7. In Punjab National Bank vs Preet Kaur (2024), the Uttarakhand State Commission said that promptly informing the bank and filing a police complaint shows that there was no negligence on the part of the customer. The Commission directed the bank to refund the amount of unauthorized withdrawal along with interest.

Preservation of evidence is a must Banks should preserve ATM records and CCTV footage related to the disputed transaction as crucial evidence. If the bank fails to produce such evidence, its defence in the case of 'deficiency in service' becomes weak. In Punjab National Bank vs Suraj Bhan (2024), the Haryana State Commission held the bank's case weak on the ground that it could not produce CCTV footage of its side to prove that the customer made the withdrawal from the ATM. Customers should also preserve a copy of their complaint and the entire correspondence with the bank, as these may be helpful while filing a consumer complaint.

Compensation for mental agony Apart from the disputed amount, consumer commissions have also awarded compensation for mental agony and harassment caused to customers due to unauthorised withdrawals and faulty grievance redressal process of the bank. In State Bank of India vs Bhagwat Prasad Chandra (2024), the Chhattisgarh State Commission awarded Rs 20,000 as compensation under Section 39(1)(d) of the Consumer Protection Act, 2019.

(The author is also the Secretary, CASC.)