

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3553
ANSWERED ON:11.12.2009
CLOSING OF ACCOUNTS BY FOREIGN BANKS
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Will the Minister of FINANCE be pleased to state:

- (a) whether the foreign banks operating in the country confiscate huge funds lying in the accounts of customers who fail to keep a certain amount in their accounts and at some stage they also close their accounts;
- (b) if so, the details thereof;
- (c) whether before closing such accounts customers are given warning neither in written nor in any other forms;
- (d) if so, the reasons therefor;
- (e) the amount of the customers money confiscated by such banks and the number of accounts closed by the banks without giving any warning during the 2007-08 and 2008-09; and
- (f) the corrective measures taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (f): - Reserve Bank of India (RBI) has reported that the RBI has neither stipulated any minimum balance to be maintained in savings bank accounts nor stipulated levy of any service charge, if the minimum balance is not maintained in such accounts. Such stipulations are made by individual banks themselves. In terms of RBI's Master Circular dated July 1, 2009 on `Interest Rates on Rupee Deposits held in Domestic, NRO and `NRE Accounts, RBI has issued instructions to banks advising them that they should inform customers in a transparent manner regarding the requirement of maintenance of minimum balance and levying charges, etc., if the minimum balance is not maintained at the time of opening savings bank accounts. Any subsequent change with regard to maintenance of minimum balance and service charges should also be intimated to the account holders. Further, in terms of the Code of Bank's Commitments to Customers issued by the Banking Codes and Standards Board of India (BCSBI), under normal circumstance, banks should not close the accounts of customers without giving at least 30 days notice. The Code has been developed to :

- (i) promote good and fair banking practices by setting minimum standards in dealing with customer;
- (ii) increase transparency so that customer can have a better understanding of what he can reasonably expect of the services;
- (iii) encourage market forces, through competition, to achieve higher operating standards;
- (iv) promote a fair and cordial relationship between customer and the bank; and
- (v) foster confidence in the banking system.