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Abstract

This paper aims to measure and understand the performance of Indian financial sector regulators vis-a-vis grievance redress. This is based on learnings from international best practices. It looks at the structure and policy apparatus of redress systems of financial regulators and the challenges consumers face while accessing them. Regulators differ in their approaches to grievance redress mechanisms, face conflicts of interest, and follow complicated processes. They also take too long to resolve grievances and do not have a defined point of closure. The regulations are often not accessible to consumers, and when they are, they are difficult to understand. This implies a need to simplify the procedure, better inform consumers, and include enforcement provisions to enable greater grievance redress.

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1 Introduction

The Indian consumer finance market has grown exponentially over the last two decades. Basic Savings Bank Deposit Accounts (BSBDAs) increased from 73.5 million in December 2010 to 600 million in December 2020.[1] National Pension Trust subscribers have doubled from 6.5 million at the end of FY2014 to 14.3 million at the end of FY2021.[2] Similarly, yearly life insurance policies increased from 26.73 million in FY2016 to 28.84 million in FY2020.[3] Though this has had significant contributions to the economy, it can lead to greater frictions and increasing grievances.[4] For example, the RBI has seen increased complaints against banks, non-banking finance companies, and digital transactions.[5] Adequate redress of these grievances is crucial. A good redress mechanism develops trust in Financial Service Providers (FSPs) and the financial sector.[6] A consumer's ability to raise grievances and have them redressed effectively is central to consumer protection.[7] Unless this is done, consumers may lose trust in the market, eroding the strides towards financial inclusion. Simply put, consumers should feel confident that they will get a just and equitable remedy in case of a grievance.

Ideally, FSPs should find it in their interest to serve consumers. In some countries, the FSPs manage their own systems of grievance redress. For example, the Insurance and Financial Services Ombudsman (IFSO) in New Zealand was set up by a group of financial sector firms in 1995 to provide complaints handling services to participant firms. However, in other markets, such incentives may not be aligned. This may be addressed by regulatory frameworks and dedicated redress agencies. Examples include the Australian Financial Complaints Authority (AFCA) in Australia, the Financial Ombudsman Service (FOS) in the United Kingdom, the Consumer Financial Protection Bureau (CFPB) complaints mechanism in the United States

[1] Reserve Bank of India, *Report on Trend and Progress of Banking in India* (2020) ⟨https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/0RTP2020_F3D078985540A4179B62B7734C7B445C9.PDF⟩ accessed 21 July 2021.

[2] NPS Trust, Assets Under Management and No of Subscribers ⟨http://www.npstrust.org.in/assets-under-management-and-subsribers⟩ accessed 21 July 2021.

[3] Insurance Regulatory and Development Authority of India, *Handbook on Indian Insurance Statistics* (2020) ⟨https://www.irdai.gov.in/ADMINCMS/cms/Uploadedfiles/Hand%20Book%202019-20.pdf⟩ accessed 22 July 2021.

[4] Government of India, "Report of the Task Force on Financial Redress Agency" [2016] .

[5] See Table 1. Tinesh Bhasin, "RBI sees 387% rise in complaints against NBFCs, 58% rise against banks" [2021] LiveMint; Reserve Bank of India, The Reserve Bank of India Ombudsman Schemes: Annual Report 2019-20 (8 February 2021).

[6] M Sahoo and Renuka Sane, "A regulatory approach to financial product advice and distribution" [2012] ; World Bank, Complaints Handling within Financial Service Providers: Principles, Practices, and Regulatory Approaches (2019).

[7] Megan Chapman and Rafe Mazer, "Making recourse work for base-of-the-pyramid financial consumers" (2013) 90 Focus Note.

and the various GRM processes among the Indian regulators.

In India, the regulatory complaints system is fragmented, and each regulator has its own system of redressing grievances. Complainants must decipher which regulator to approach in case of a grievance.[8] Various reforms have been made to the GRMs schemes of different regulators. For example, in 2021, the Reserve Bank of India (RBI) mandated increased disclosures concerning the number of complaints received under various categories and the time taken to resolve the same.[9] It also announced an integrated ombudsman scheme to merge the various ombudsmen i.e. banking, digital transactions, and Non-Banking Financial Companies (NBFC), into a single integrated "RBI Ombudsman Scheme".[10] While these reforms may be a step in the right direction, literature suggests that the issues with these GRMs are deeper and more structural.

Studies on grievance redress among regulators in India include comparative studies like that of Srinivas (2017). He compared the Indian regulators' GRM frameworks with those of Australia and noted how certain issues such as recognition and redress from misselling and unlicensed services are not addressed in Indian processes.[11] Others have shown the need for Online Dispute Resolution (ODR)-based solutions, such as Chivukula (2021).[12] In a subsequent article, Chivukula, Prasad, and Chugh (2021) expand on the ODR framework and how it can resolve disputes at four stages of the consumer's journey towards redress.[13] Specifically in the insurance sector, Malhotra and others (2018) observed major issues concerning pendency and conflict of interest concerning the Insurance Ombudsman.[14] In India, financial disputes also enter the realm of the formal courts. Gulati and Sane (2021) look at the record of the consumer courts in India when it comes to resolving financial grievances.[15]

However, there is a need for a broader inquiry into some areas where the GRMs of Indian

[8]Government of India (n 4).

[9]Reserve Bank of India, Strengthening Grievance Redress Mechanism in Banks (27 January 2021) ⟨https://rbidocs.rbi.org.in/rdocs/Notification/PDFs/CEPD3E807AD7C9B34A26B485596498C5FDF2.PDF⟩ accessed 28 July 2021.

[10]The Reserve Bank of India Ombudsman Schemes: Annual Report 2019-20 (n 5).

[11]Madhu Srinivas, A Brief Comparison of Ombudsmen Frameworks (27 April 2017) ⟨https://www.dvara.com/blog/2017/04/24/a-brief-comparison-of-ombudsmen-frameworks-part-2/⟩ accessed 21 July 2021.

[12]Chinmayanand Chivukula, Consumer Grievance Redress in Financial Disputes in India (18 February 2021) ⟨https://www.dvara.com/blog/2021/02/18/consumer-grievance-redress-in-financial-disputes-in-india⟩ accessed 21 July 2021.

[13]Chinmayanad Chivukula, Srikara Prasad, and Beni Chugh, Providing grievance redress for financial disputes through Online Dispute Resolution (7 May 2021) ⟨https://www.dvara.com/blog/2021/07/05/providing-grievance-redress-for-financial-disputes-through-online-dispute-resolution/⟩ accessed 21 July 2021.

[14]Shefali Malhotra and others, "Fair play in Indian health insurance" [2018] Available at SSRN 3179354.

[15]Karan Gulati and Renuka Sane, "Grievance Redress by Courts in Consumer Finance Disputes" [2021] .

regulators fall short of meeting global standards. Therefore, this paper attempts to use objective measures to understand how regulators perform vis-a-vis grievance redress. We ask: what is the structure of the redress system? What is it about the structure and the policy apparatus that creates challenges for consumers? We evaluate their performance by benchmarking them against best practices developed elsewhere. Other countries and international bodies have a long history of dealing with consumer finance and credit cases. These experiences can help assess the performance of current financial regulators in India.

We find that regulators differ in their approach to GRM, face conflicts of interest, and follow complicated processes. They also take too long to resolve grievances and do not have a defined point of closure. Lastly, the regulations are often not accessible to consumers, and when they are, they are difficult to understand. This implies a need to simplify the procedure, better inform consumers, and include enforcement provisions to enable greater grievance redress. Though attempts, such as the Financial Sector Legislative Reforms Commission (FSLRC) report in 2013 and the Report of the Task Force on Financial Redress Agency in 2016, have been made to address these concerns, they have not gotten far.[16] We draw upon the foundations of the 2013 report and temper our suggestions based on the changes since then.

The rest of this paper is organised as follows: After this introduction, section 2 gives an overview of the regulatory structure in India. Section 3 and section 4 describe the best practices for grievance redress and the challenges of implementing these in India, respectively. Finally, section 5 provides recommendations on how to address the challenges and section 6 concludes the paper.

2 Grievance redress through regulators in India

Interactions between consumers and FSPs require that parties rely on the enforcement of the terms they agree upon. However, market failures such as externalities, information asymmetry, and differences in bargaining power necessitate enforcement regulations. One way of doing so is to redress grievances. The four financial sector regulators in India have developed separate redress agencies and mechanisms to do so. When they work, consumers should prefer them over other grievance redress systems.[17] However, they have varying capacities to

[16]Financial Sector Legislative Reforms Commission, *Volume I: Analysis and Recommendations* (2013); Government of India (n 4).

[17]Daniel Schwarcz, "Redesigning consumer dispute resolution: A case study of the British and American approaches to insurance claims conflict" (2008) 83 Tul L Rev 735; Nicola Howell, "Shutting the courts out: Developing consumer credit law in the shadow of alternative dispute resolution and the new Australian Financial Complaints Authority" (2019) 30(2) Journal of Banking and Finance Law and Practice 57.

address complaints and have seen different levels of adoption by consumers.

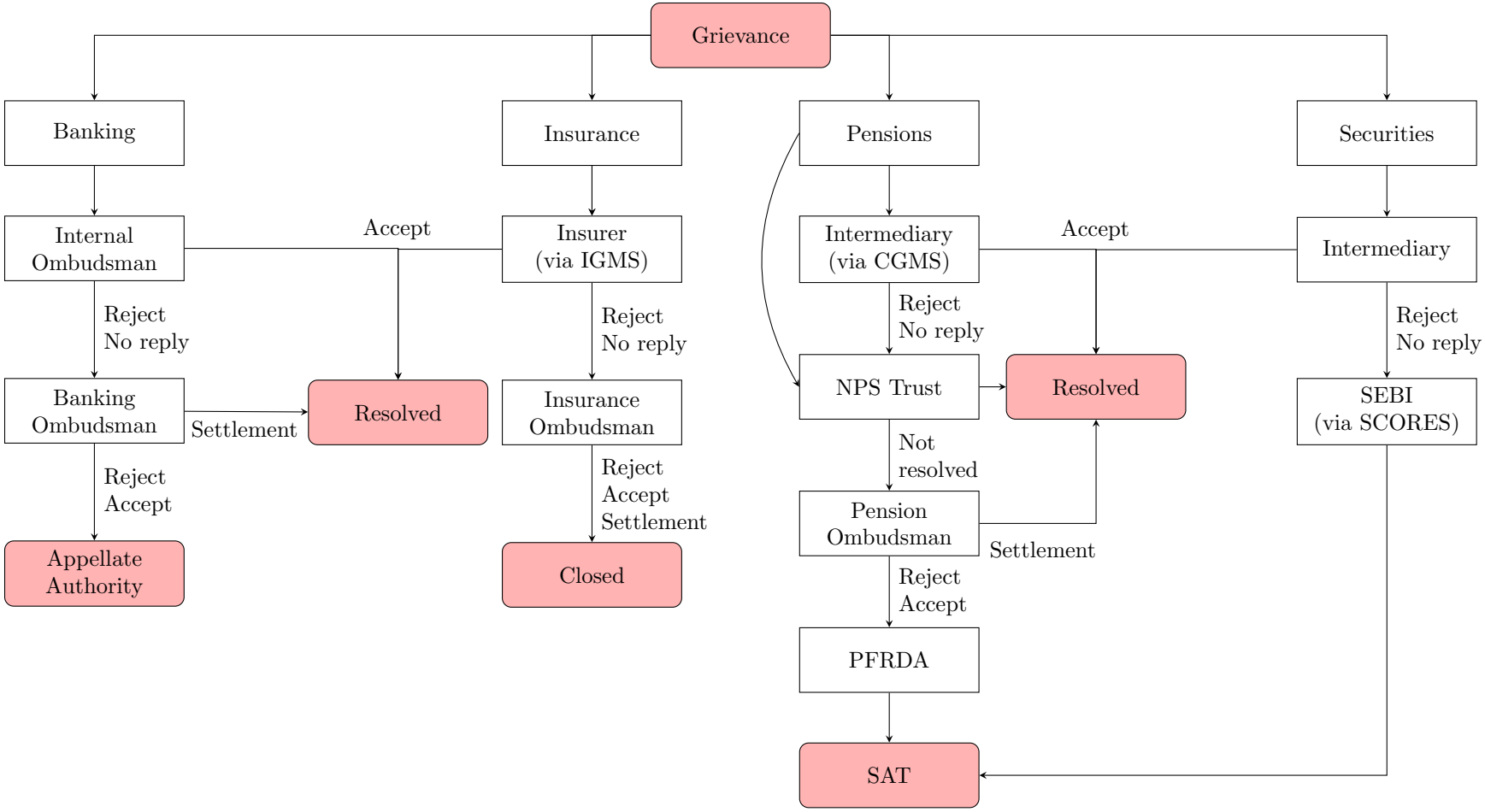
The first financial sector regulator in India, the RBI, was established in 1934.[18] Since then, India has established three more regulators, viz. the Insurance Regulatory and Development Authority (IRDA), the Pension Fund Regulatory and Development Authority (PFRDA), and the Securities and Exchange Board of India (SEBI). These were a consequence of India's liberalisation journey between 1991 and 2002.[19] They were intended to regulate the burst of activities in the concerned sectors. Each regulator aims to enhance "consumer protection" and has set up its grievance redress mechanism. They follow a varied set of GRMs.

While an ombudsman addresses banking and insurance grievances, the securities market is based on a self-enforcement mechanism. On the other hand, claims related to pensions are processed by a Central Record-keeping Agency and an Ombudsman. Complainants must decipher the redress agency to approach in case of a grievance (see fig. 1). One reason for this may be when these schemes originated and the market's nature at the time. For example, the Banking Ombudsman Scheme, which established an ombudsman for banking-related grievances at the RBI, was first introduced in 1995. Financial instruments in 1995 were not as complex as they are today. The odds of cross-sectoral issues were much less.

[18]Reserve Bank of India Act 1934, 2 of 1934.

[19]Ila Patnaik and Ajay Shah, "Reforming India's Financial System" [2014] Carnegie Endowment for International Peace.

Figure 1 The structure of Grievance Redress in India



Source: Banking - *Banking Ombudsman Scheme*, *Ombudsman Scheme for Non-Banking Financial Companies*, and *Ombudsman Scheme for Digital Transactions*
Insurance - *Ombudsman Rules*
Pensions - *PFRDA (Redressal of Subscriber Grievance) Regulations*
Securities - *Investor grievance redress mechanism – new policy measures*

1. *Banking:* Banking grievances are addressed by schemes enacted by the RBI. The *Banking Ombudsman Scheme* was first introduced in 1995 as per the *Narasimham Committee's* recommendations.[20] Revised in 2006 and 2017, the scheme delineates the duties and powers of the ombudsman and the procedure required to file a complaint.[21] The RBI has also introduced the *Ombudsman Scheme for Non-Banking Financial Companies* (2018) and the *Ombudsman Scheme for Digital Transactions* (2019).[22] However, ombudsmen under the schemes are not the first step in grievance redress. They are activated for one of the following reasons: a) if the bank does not reply to a complaint within one month, b) rejects the complaint, or c) if the consumer is not satisfied with the reply given by the bank. In such a case, the consumer may approach the concerned ombudsman - a senior official appointed by the RBI - to redress complaints. The ombudsman attempts to make the parties reach a mutual settlement. However, if a settlement cannot be reached within one month, the ombudsman must pass an award. Any person aggrieved by the ombudsman's decision can approach the Appellate Authority - an RBI Deputy Governor. The RBI also conducts frequent reviews of the grievance redress mechanisms and issues guidelines to improve the same. For example, in 2019, it introduced the Complaint Management System (CMS), an automated platform for customers to lodge their complaints with ombudsmen.[23]

2. *Insurance:* In insurance, the Ombudsman Scheme was enacted in 1998 but was later superseded in 2017.[24] Its scope is limited to complaints regarding the payment and settlement of claims. Like the Banking Ombudsman Scheme, a consumer can only approach the ombudsman if the insurer does not reply within one month, rejects the complaint, or if the consumer is not satisfied with the reply.[25] The ombudsman acts as a mediator to arrive at a mutually acceptable recommendation. However, if no settlement is possible, the ombudsman has to pass an award within three months. It is for the consumer to accept the award. If unsatisfied, the consumer may approach consumer or civil courts. However, the insurer is obligated to accept the award of the ombudsman and does not have the right to appeal.[26] The Delhi High Court affirmed

[20]Banking Ombudsman Scheme (1995).

[21]At the time of enactment, the Banking Ombudsman Scheme only covered commercial and scheduled co-operative banks. Banking Ombudsman Scheme (PRS No 6317, 2006).

[22]Ombudsman Scheme for Non-Banking Financial Companies (PRS No 3590, 2018); Ombudsman Scheme for Digital Transactions (PRS No 3370, 2019).

[23]Reserve Bank of India, "Launch of Complaint Management System by RBI" [2019] (3025) .

[24]Redressal of Public Grievances Rules (GSR 670(E), 1998); Ombudsman Rules (GSR 413(E), 2017).

[25]Non-reply also triggers the Integrated Grievance Management System (IGMS) - launched by the IRDA in 2010. IRDA subsequently sends notice to the insurer to take action.

[26]Law Comission of India, "Revision of the Insurance Act, 1938 and the Insurance Regulatory and Devel-

this position in 2010, observing that this is because the insurers themselves designed the Ombudsman scheme (through the then Executive Council of Insurers (ECOI) and "bound themselves to unconditionally honour the award".[27]

3. *Pensions:* The pensions regulator - the PFRDA - was first established by an executive order in 2003. It only gained statutory backing in 2014. Consequently, the GRM was established by the *PFRDA (Redressal of Subscriber Grievance) Regulations*, 2015.[28] A consumer can file a complaint via the Central Grievance Management System (CGMS) - a central portal that directs complaints to the concerned intermediary (FSP). Intermediaries are bound to have a grievance redress policy. The grievance then has to be resolved in one month. Here too, the consumer may escalate the complaint in case the intermediary does not reply within one month, rejects the complaint, or if the consumer is not satisfied with the reply. However, the escalation is to the National Pension System Trust who follows up with the intermediary. If there is no resolution after one month of approaching the Trust, or the complaint is against the Trust, the consumer may approach the ombudsman. The ombudsman acts as a mediator to arrive at a mutually acceptable recommendation. However, if no settlement is possible, it has to pass an award within three months. If the ombudsman's award aggrieves either party, they can approach PFRDA, which may amend the award. Finally, any appeal against an order passed by PFRDA lies with the Securities Appellate Tribunal (SAT). Thus, the regulations provide *five* levels of redress.[29]

4. *Securities:* Consumers with grievances related to securities can approach SEBI by making a complaint offline or through the web-based SEBI Complaints Redress System (SCORES). SCORES redirects the complaint to the concerned FSP if the consumer has not already done so. When consumers receive an unsatisfactory or no response from the FSP, SCORES routes the complaint to SEBI. SEBI uses its statutory powers to act on the grievance under § 15C of the *Securities and Exchange Board of India Act*.[30] Last, its orders can be appealed to the SAT.

Though the regulatory complaints system in India is fragmented, this does not mean that

opment Authority, 1999" [2004] (Report No 190) .

[27]Now the Council for Insurance Ombudsmen (CIO). *Vinod Kumar Aneja v New India Assurance* WP (C) 10638 of 2006.

[28]PFRDA (Redressal of Subscriber Grievance) Regulations (PFRDA/12/RGL/139/1, 2015).

[29]SAT is a statutory body established to hear and dispose appeals against orders passed by SEBI, IRDA, and PFRDA.

[30]Securities and Exchange Board of India Act 1992, 15 of 1992.

Table 1 Complaints received in 2019 and 2020

In 2020, over 570,000 complaints were filed with concerned redress agencies - increasing 36.54% from the year before.

Regulator	2019	2020	Y-o-Y growth (%)	Total Pending
RBI				
Banking	195901	308630	57.54	24498
Digital Transactions	470	2481	427.87	230
NBFC	3991	19432	386.90	908
IRDA	22664	27257	20.27	8722
PFRDA				
CGMS	152816	157456	3.04	4569
Ombudsman	-	20	-	9
SEBI	42202	55526	31.57	3540
Total*	418044	570782	36.54	42467

Source: Annual Reports
The number of complaints received by the Pensions Ombudsman for 2019 is unavailable.
* The complaints received by the Pensions Ombudsman are not included in the *Total*.

consumers do not use them. Over the past decade, the number of complaints against FSPs has been increasing. In 2020, over 570,000 complaints were filed with concerned redress agencies - increasing 36.54% from the year before. The Banking Ombudsman has had a positive year-on-year change in complaints for seven years. In this period, it has witnessed a compounded annual growth rate of 20.67% in complaints. Moreover, regulators claim that they have high disposal rates and can manage the increasing workload.[31]

3 Best Practices

Indian regulators were established to improve consumer protection. However, their grievance redress mechanisms are relatively new. One way to evaluate their performance is to benchmark them against best practices developed elsewhere. Other countries have had a long history of dealing with consumer finance and credit cases. Examples include the AFCA in Australia, the FOS in the United Kingdom, and the CFPB complaints mechanism in the

[31]For example, see The Reserve Bank of India Ombudsman Schemes: Annual Report 2019-20 (n 5) However, this is because most cases are disposed as non-maintainable. In 2019-20, the Banking Ombudsman disposed 45.76% of the complaints as non-maintainable. This was 41.02% for the insurance ombudsman. Thus, even though these complaints were disposed, the consumers did not get a hearing about their grievances.

United States. This is coupled with international bodies that provide guidelines for developing redress mechanisms.[32] These experiences can help assess the performance of current financial regulators in India. Regulators should learn from such case studies while acknowledging the nuances in the Indian context and accounting for extant and potential market failures.

Conflict of interest: The redress agency's independence from the regulator and the industry is essential for its success. The International Network of Financial Services Ombudsman Schemes (INFO) - the worldwide association for financial redress agencies - recommends that a redress agency remain free from the influence of regulators, industry, and the government to function freely.[33] If this is not done, there is potential for conflict of interest. For instance, while the regulator may perceive rising consumer complaints as an indicator of inefficiency in regulation, the redress agency may perceive it as an increase in access.[34] This may give rise to a conflict of interest in prioritising and allocating resources towards dispute resolution.[35] Similarly, if the industry is involved in the functioning of the redress agency, it may lead to possible conflicts of interest. An agency dependent on funding from the parties it is meant to adjudicate upon, may not pass corrective decisions.

Processes: Since redress agencies are established to adjudicate disputes between consumers and FSPs, they should hear as many disputes as possible. However, the number of complaints is not indicative of proper redress. Instead, complaints should go through settlement or adjudicatory processes and reach a decision. However, if complaints are non-specific or improperly presented, they may be dismissed early (without going into merits). This has efficiency gains. This creates a trade-off between redress and processes. Redress agencies must specifically define cases where complaints may

[32] *See*, for example, World Bank Group, *Technical note: Complaints Handling within Financial Service Providers, Principle Practices and Regulatory Approaches* (2019); INFO Network, *Effective approaches to fundamental principles* (2014); World Bank Group, *Resolving disputes between consumers and financial businesses: Fundamentals for a financial ombudsman, A practical guide based on experience in western Europe* (2012); Organisation of Economic Cooperation and Development, *G20 High Level Principles on Financial Consumer Protection* (2011).

[33] INFO, *Guide to setting up a financial services ombudsman scheme* (2018).

[34] Vrinda Bhandari and Renuka Sane, "A critique of the Aadhaar legal framework" (2019) 31 Nat'l L Sch India Rev 72; World Bank, Diagnostic review of financial consumer protection (2017).

[35] In the UK, the FOS - the dispute resolution body - is an independent agency outside the financial regulator.

> The ombudsman service is run independently from the Financial Conduct Authority (FCA) - and we have a distinct and separate role.

FOS, Frequently asked questions ⟨https://www.financial-ombudsman.org.uk/faqs/all/information-ombudsman-fca⟩ accessed 6 May 2021, It also does not depend on the regulator for its budget.

be dismissed early to avoid confusion in the minds of consumers.[36] There should be limited scope for discretion. Consumers should not be deprived of their right to seek redress due to complicated processes that they cannot understand. Moreover, when disputes are heard, agencies should clearly define the process to be followed. Details must be provided to reduce the scope of confusion and uncertainty.[37] These can be assessed based on a broad range of globally used criteria that measure processes, such as resolution ratio (complaints resolved out of the complaints received), etc.[38]

Turnaround time: For effective redress, complaints should be resolved as soon as possible. Delay can act as a barrier to effective redress.[39] One way of addressing this is to prescribe turnaround times i.e. definite timelines for the various stages of grievance redress. Definite timelines provide confidence and clarity to complainants and encourage accountability. This accountability also ensures speedy remedy. For example, in the United Kingdom (UK), the FOS provides *typical timescales* for three defined stages of redress.[40] However, providing timelines is not enough. They need to be supplemented with enforcement tools to ensure that consumers are not kept waiting for redress and that complaints are resolved as soon as possible.

Point of closure: A GRM with well-defined outcomes helps the consumer get clarity on how complaints will be resolved. The consumer should have a chance to reflect on the impact of the outcome and take appropriate action.[41] For example, the FOS lays out possible outcomes that consumers may expect when they file a complaint in the UK. These include the forms of compensation (monetary and non-monetary), the limits of liability, etc.

Enforcement: While the powers of redress agencies may differ depending on the national context, some features are necessary to render dispute resolution functions. These

[36] INFO (n 33); Financial Conduct Authority, Dispute Resolution Complaints (2020).

[37] Examples may include: (i) how a complaint is initiated, (ii) how it can be tracked. FOS, How long it takes ⟨https://www.financial-ombudsman.org.uk/consumers/expect/how-long-it-takes⟩ accessed 24 June 2021.

[38] George V Carmona, "Strengthening the Asian Ombudsman Association and the Ombudsman Institutions of Asia" [2011] Strengthening the Ombudsman Institution in Asia: Improving Accountability in Public Service Delivery through the Ombudsman.

[39] Peter Cartwright, "Understanding and protecting vulnerable financial consumers" (2015) 38(2) Journal of Consumer Policy 119.

[40] These are: (i) when you first send us your complaint, (ii) When your case is ready to be allocated to a case handler, and (iii) When you will receive an initial assessment.

[41] World Bank Group, *Resolving disputes between consumers and financial businesses: Fundamentals for a financial ombudsman, A practical guide based on experience in western Europe* (n 32).

include binding and enforceable decisions. When a decision is binding, it has a dual effect. First, it helps the redress agency command compliance from the service providers. Second, it earns the confidence and faith of aggrieved consumers. No matter how efficient the dispute resolution process is, a complainant gets relief only when parties honour the decision. However, if a service provider refuses to comply with the decision, it needs to be enforced. Usually, redress agencies apply to the appropriate court for enforcement or refer the matter to the regulator. In the UK, the *Financial Services and Markets Act* provides that the ombudsman's order is legally enforceable in court on the application of the complainant.[42]

Adequate disclosure: Information asymmetry is one of the primary challenges faced by consumers. Unless consumers are aware of their rights, dispute resolution systems will not serve much purpose. The success of a GRM can be attributed to its public awareness and utilisation. Awareness of the GRM is essential for the mechanism to be used and trusted.[43] Therefore, redress agencies should provide clear and known procedures. One way to address this is by using commonly understood languages to disseminate information like the complaint process, etc.[44] The information should be intelligible i.e written clearly and cogently. Lastly, consumers should be explicitly informed that if their complaints remain unaddressed after the internal dispute resolution, they can approach the redress agency within the stipulated timeline and how they can do so.[45]

Ideally, consumers should be able to obtain redress for any grievance that arises. They should not be hindered by an inability to access the redress agency. The agency should also be independent of conflict of interest and have clear processes. Resolution should be arrived at as soon as possible with corresponding penalties if this is not done. Further, in settling disputes, a redress agency is expected to address the balance of powers between the parties.[46] While these principles need not translate into a favourable decision for consumers, the parties should be on a level playing field.

[42]Financial Services and Markets Act 2000.

[43]United Nations Development Programme, *Supplemental Guidance: Grievance Redress Mechanisms* (2017).

[44]Complaints Handling within Financial Service Providers: Principles, Practices, and Regulatory Approaches (n 6).

[45]World Bank Group, *Resolving disputes between consumers and financial businesses: Fundamentals for a financial ombudsman, A practical guide based on experience in western Europe* (n 32).

[46]Chris Gill and others, "Models of alternative dispute resolution (ADR)" [2014] A report for the legal Ombudsman - Queen Margaret University.

4 Areas where regulators fall short

Regulations need to be correctly designed and enforced to inspire consumer confidence. In the absence of prudent regulations, consumer confidence is undermined since they are not adequately protected from abuses. Consumers need to be assured that financial markets operate according to rules that are fair, transparent, and free from conflicts of interest and other agency problems. Often, evaluation of regulators in this regard is based on subjective evaluation and is hence incomplete. We attempt to use *objective* measures to understand how regulators perform vis-a-vis consumer protection. Our analysis is restricted by the variation in regulation on a metric of concern. For example, though it is difficult to understand the speed with which complaints are disposed, we evaluate the regulations concerning the turnaround time to judge regulators on the theoretical best-case scenario. However, some regulators do not have regulations concerning turnaround time. Similarly, we are also restricted by the variation in information provided by regulators in the public space.

4.1 Conflict of interest

Any system of adjudication shall be impartial. Indian redress agencies violate this principle. First, they are funded and appointed by the concerned regulators. This raises a conflict since the interests of the redress agency and regulator may not be aligned. Second, they are not necessarily independent from the parties that they adjudicate upon. Instead, they may be led by the concerned industry.

International best practices suggest that redress agencies should be independent of regulators. However, in India, this is not the case. As table 2 shows, officers of the redress agencies are appointed and funded by the regulator. The Banking Ombudsman is an officer of the RBI, whose budget and expenditure are also approved by the latter.[47] This is also true for the NBFC and Digital Transaction Ombudsmen.[48] On the other hand, while the salary of the Insurance Ombudsman is fixed, members of its secretariat and the budget of the office are financed by the IRDA and the insurance industry.[49] These terms are also true for the Pensions Ombudsman, whose budget and expenditure are determined by the PFRDA.[50] Notably, in the Insurance and Pension Ombudsmen case, the appointee is not an officer of the regulator but any person who matches the listed criteria.

[47]Rule 6 and 7, Banking Ombudsman Scheme (n 21).

[48]Rule 6 and 7 Ombudsman Scheme for Non-Banking Financial Companies (n 22); Ombudsman Scheme for Digital Transactions (n 22).

[49]Rule 12, Ombudsman Rules (n 24).

[50]Regulation 21, PFRDA (Redressal of Subscriber Grievance) Regulations (n 28).

Table 2 Conflict of interest

In India, officers of the redress agencies are appointed and funded by the regulator.

Regulator	Type	Funding	Appointment
RBI	Independent official	From the regulator's budget	By the regulator from among its staff
IRDA	Independent official	From the regulator and CIO's budget	By regulator - separate office, drawn from a list of categories
PFRDA	Independent official	From the regulator's budget and the SEP fund	By the regulator - separate office, drawn from a list of categories
SEBI	Department within the regulator	From the regulator's budget	By the regulator from among its staff

Source: Banking - *Banking Ombudsman Scheme*, *Ombudsman Scheme for Non-Banking Financial Companies*, and *Ombudsman Scheme for Digital Transactions*
Insurance - *Ombudsman Rules*
Pensions - *PFRDA (Redressal of Subscriber Grievance) Regulations*
Securities - *About us – SCORES*.

Apart from regulatory independence, natural justice demands that no one judge their case - *nemo judex in sua causa*. Hence, redress agencies should also be independent of industry members. Here, there is considerable variation in the status of various agencies. The Banking, NBFC, and Digital Transaction Ombudsmen operate at an arm's length from the banking sector. On the other hand, the CIO administers the Insurance Ombudsman scheme. A majority of CIO's membership are representatives of insurance companies i.e. the parties that find themselves before the ombudsman. The role of the CIO goes beyond administration but also includes the appointment, removal, and funding of the ombudsman.[51] It administers the applications and shortlists eligible candidates for the selection committee. It also has a veto power to reject any candidate nominated by the selection committee.[52] The Lok Sabha Committee on Subordinate Legislation noted the "substantial role" of the ECOI in selecting the Insurance Ombudsman and said:

> As per the prescribed composition of the ECOI, 7 of the 9 of its members, including the Chairman, represent the insurance industry. The criteria for selection of Insurance Ombudsman

[51]For a note on the conflict of interest as per the provisions in 2018, see Malhotra and others (n 14).
[52]Rule 7B, Ombudsman Rules (n 24).

> and panel of eligible candidates are also prepared by the ECOI. The Committee, therefore, gather[s] an impression that all these provisions read together depict the Insurance Ombudsman as an agent of insurers leading to conflict of interest in the discharge of his/her duties to act impartially, fairly and independently in protecting the interests of the policyholders. As a result, the Committee feel that the Insurance Ombudsman Rules 2017, in their present shape, disregard the principles of natural justice particularly rule against bias.[53]

Other redress agencies, such as the Pension Ombudsman, also face challenges. While *prima facie*, the ombudsman is independent of the industry, it receives funding from the PFRDA, which receives funding from the industry.[54] Thus, here too, the ombudsman may face a conflict of interest while adjudicating upon industry members.

In most cases, the conflict can be attributed to funding. Redress agencies are either funded by the regulator, which may have an incentive to reduce the number of complaints, or by industry members. Here, combining the funding structure options can balance the workload, uncertainty, and consumer confidence. Budgetary grants along with other fees for FSPs could be allowed based on the national context.

4.2 Complicated processes

Consumers approach redress agencies when the FSP has been unable to provide a remedy. Often, they see this as the forum giving them a fighting chance against a bank, an insurer, etc. The redress agency is expected to level the playing field between the parties and consider factual realities.[55] However, this may not always be the case. Redress agencies follow complicated processes. This can lead to a situation where the consumers are unable to secure the remedy they expected.

Redress agencies have highly technical procedures. For instance, all complaints before the Ombudsmen need to be in writing.[56] This is compounded by the fact that consumers are not permitted to engage lawyers when making a complaint.[57] They must deal with the com-

[53]Lok Sabha, Parliament of India, *Departmentally Related Parliamentary Standing Committee on Subordinate Legislation* (2020).

[54]Section 41 (1) establishes a Subscriber Education Protection Funds (SEPF). Among other sources, the SEPF is funded through companies. The fund is utilised for paying salaries and allowances and other expenses of the office of the Ombudsman. Pension Fund Regulatory and Development Authority Act 2013, 23 of 2013.

[55]Naomi Creutzfeldt, "What do we expect from an ombudsman? Narratives of everyday engagement with the informal justice system in Germany and the UK" (2016) 12(4) International Journal of law in Context 437.

[56]For example, see regulation 22 PFRDA (Redressal of Subscriber Grievance) Regulations (n 28).

[57]For example, see rule 9 Banking Ombudsman Scheme (n 21).

plexities on their own. This is especially important because complaints may be dismissed if it is found that the consumer has not pursued the matter with *reasonable diligence*.[58] This can include not filing documents that one intends to rely on when initiating the proceedings. Though this may seem reasonable, there is no provision on what would happen if the consumer learns about or gets access to certain documents only after the proceedings have been initiated. This can be especially difficult in financial transactions, which can often be opaque, and where consumers do not have complete information.[59]

Table 3 Measuring processes

The resolution, appeals, backlog, and rejection rations measure the: (i) ratio between the resolved and received complaints, (ii) the number of appeals out of the resolution, (iii) ratio between the pending and resolved complaints, and (iv) the number of rejections out of the resolution, respectively.

Regulator	**Ratio**			
	Resolution	**Appeal**	**Backlog**	**Rejection**
RBI				
Banking	95.97	0.02	8.27	60.69
Digital Transactions	92.87	0.00	9.98	76.91
NBFC	95.51	0.01	4.89	78.20
IRDA	109.39	-	29.25	41.02
PFRDA				
CGMS	99.69	-	2.91	-
Ombudsman	55.00	-	81.82	-
SEBI	71.36	5.58	8.93	-

Source: Annual Reports
The number of appeals received by the IRDA and PFRDA are unavailable. Rejected complaints are unavailable for the PFRDA and SEBI.

One way to assess the complexity of the procedure is to evaluate metrics in table 3.[60] Contrary to an analysis of the regulations, *prima facie*, it appears that redress agencies handle the grievances. They have a high resolution and low appeal ratio. This means that most complaints are resolved and not appealed. However, this does not take into account the form of dismissal. Apart from the resolution ratio, redress agencies also have a high rejection ratio. This means that complaints are not heard on merits and dismissed due to technicalities.

[58]For example, see rule 13 (e), Banking Ombudsman Scheme (n 21).
[59]John A Consiglio, *Insights on Financial Services Regulation* (Emerald Group Publishing 2020).
[60]For a detailed explanation, see Carmona (n 38).

Unfortunately, the rejection ratio can only be calculated for banking and insurance redress agencies due to restrictive data.

In 2019-20, approximately 16% of all complaints filed with the Banking Ombudsman were declined as *not represented properly*. Close to half of all complaints are dismissed each year due to non-maintainability. The Insurance Ombudsman, similarly, rejected 41.02% of the complaints in that year. The Lok Sabha Committee on Subordinate Legislation noted that the rate of rejection of complaints by the Insurance Ombudsman was as high as 74% in 2017-18.[61] Though not conclusive evidence, this suggests that consumers can often not understand the proper way to follow the regulations and get redress. This implies a need to simplify the procedure and better inform consumers to enable grievance redress. Most complaints are rejected because they are not presented properly or are filed outside the territorial jurisdiction.[62]

When a consumer approaches the redress agency, the latter should help file the complaint since consumers may be unable to traverse the technical web. They should direct consumers to the correct territorial centre if needed and not reject the complaint. These changes can have meaningful gains for the consumers. The likelihood of a complaint being rejected on technical grounds could reduce.

4.3 Turnaround time

The turnaround time is the difference between the submission of a complaint and its resolution. Prescribing a turnaround time helps consumers get a sense of how long it takes to resolve a grievance. As table 4 shows, regulators disagree on explicitly prescribing the time it takes to handle complaints. This means that some regulators (RBI) do not self-restrict their performance. However, it does not stop them from prescribing standards for the FSPs themselves.[63] Hence, the GRM follows a double standard depending on who is processing the complaint. When the FSP is involved, it must comply with a set standard. However, when the redress agency addresses the matter, there may not be any time requirement for resolving complaints.

[61] Lok Sabha (n 53).

[62] The Lok Sabha Committee on Subordinate Legislation pointed out that the jurisdiction of the Insurance Ombudsman should be exhaustively spelt out to cover all possible situations. ibid.

[63] In September 2019, RBI issued timelines for crediting the money back to the consumer in failed transactions and prescribed compensation for delays. Notably, though these were to be effective from October 2019, they have been repeatedly postponed. The latest directive extended the compliance deadline to 30 September 2021. Sucheta Dalal, "Aadhaar-enabled Digital India, Minus Safety of Cash and Grievance Redress" [2021] Moneylife.

Table 4 Turnaround Time

As table 4 shows, over 50% of the pending complaints are more than 3 months old. This is 68% and 31% for the Digital Transactions and NBFC ombudsmen, respectively.

Regulator	Maximum time for resolution	Age of pending complaints (in months)	
		0 - 3	**More than 3**
RBI			
Banking		11142	13356
Digital Transactions	NA	74	156
NBFC		627	281
IRDA	3 months	2807	5915
PFRDA			
CGMS	1 month	-	-
Ombudsman	3 months	-	-
SEBI	No time mentioned		

Source: Annual Reports
The age analysis of complaints received by PFRDA and SEBI is unavailable.

1. *Banking:* Neither of the three schemes under the RBI prescribe turnaround times for the concerned ombudsman. Hence, the only way to gauge the time taken is through annual reports. While the reports detail the turnaround time for the *Banking Ombudsman*, they are silent about the *Digital Transaction* and *NBFC Ombudsmen*. In the former, the average time for disposal of complaints was 47 days in 2018-19 - down from 53 days the year before. Though the time increased to 95 days in 2019-20, the RBI attributed this to the shift to a uniform CMS in June 2019. In the latter half (January to June 2020), the time to dispose complaints fell to 45 days. However, this is only part of the picture. While disposed complaints were resolved in 45 days, other proceedings are still pending. As table 4 shows, over 50% of the pending complaints are more than 3 months old. This is 68% and 31% for the Digital Transactions and NBFC ombudsmen, respectively.[64]

2. *Insurance:* The Insurance Ombudsman scheme prescribes an explicit timeline for grievance redress. If the parties can settle, the ombudsman must certify the terms within one month of the resolution. On the other hand, if no settlement is reached,

[64]The Reserve Bank of India Ombudsman Schemes: Annual Report 2019-20 (n 5).

they must pass an award within three months of receiving the complaint.[65] However, this does not resemble the status of complaints. In her sample of 100 cases from the ombudsman office in Delhi, Justice Deepa Sharma (2011) shows that it took an average of 10.5 months to dispose complaints.[66] Over 33% of the complaints have been pending for more than a year. This is as high as 62% for the ombudsman office at Ahmedabad, where close to 1600 complaints have been pending for over a year.[67]

3. *Pensions:* The *PFRDA (Redressal of Subscriber Grievance) Regulations* provide turnaround times for the intermediary (FSP), NPS Trust, and the ombudsman.[68] Complaints must be addressed by the intermediary and the NPS Trust within a specified turnaround time, totalling 60 days. If there is no resolution, parties may approach the ombudsman. As in insurance, the ombudsman must certify the terms within one month of the resolution. On the other hand, if no settlement is reached, they must pass an award within three months of receiving the complaint. PFRDA does not provide any information on the actual time taken to dispose complaints. However, in 2020, the ombudsman could only dispose 11 of the 20 complaints before her.[69] This is in comparison to 300,000 and 27,000 complaints before the Banking and Insurance Ombudsmen, respectively. Hence, while it is not possible to determine the average time for these 11 complaints, the inability to handle the caseload represents the challenges faced by consumers.

4. *Securities:* The SCORES system of SEBI states that the FSP should resolve the first level grievance within 30 days.[70] If it is not resolved within this time, SEBI will follow up directly with the FSP regarding the status of the grievance resolution. There is no time limit for the resolution of the grievance once SEBI commences its follow up procedure.

As seen, complaints take too long to resolve. This is especially concerning since ombudsmen are not the first stage of dispute resolution. The complainant has already spent time before the FSP. This is a cause of concern. In finance and credit cases, a delay is likely to help banks

[65] Rules 16 and 17, Ombudsman Rules (n 24).

[66] This is in line with anecdotal evidence that it takes close to 9 months to resolve a complaint. Justice Deepa Sharma, "Consumer Grievance Redress by Insurance Ombudsman" (2011) 11 Bimaquest.

[67] Executive Council of Insurers, The Executive Council of Insurers: Annual Report 2019-20 (2020).

[68] Regulations 6, 10, 24, and 25, PFRDA (Redressal of Subscriber Grievance) Regulations (n 28).

[69] Pension Fund Regulatory and Development Authority, The PFRDA: Annual Report 2019-20 (2020).

[70] Securities and Exchanges Board of India, Investor grievance redress mechanism – new policy measures (26 March 2018) ⟨https://www.sebi.gov.in/legal/circulars/mar-2018/investor-grievance-redress-mechanism-new-policy-measures_38481.html⟩.

use the deposits that consumers may have made. One way to address these delays would be to mention an explicit timeline, a monetary penalty, and a duty to explain the failure. This is a popular method to enforce rights and force regulators to be accountable. For example, the *Right to Information Act* imposes a penalty if the concerned officer does not provide the information within the prescribed time.[71] This strategy has been a success as it puts a personal onus on the official to comply with the procedure. However, the drafting of such a provision will have to be cautious about balancing speed with justice. The ombudsman should not be incentivized to close the matter without properly adjudicating the dispute.

4.4 Point of closure

Point of closure is the instance where the complaint comes to an end, notwithstanding the final decision. Here, parties have exhausted all the remedies available to them. *Prima facie*, there are two points of closure in consumer cases unless a party decides to go to court - (i) within the FSP, and (ii) within the regulator. Service providers have their own Grievance Redress Mechanism. Regulators have generally left the design of these mechanisms to the providers. They did not have to do this and could have chosen to provide detailed guidelines on internal mechanisms. There are, of course, certain benefits to the current approach. FSPs can customise the mechanism depending on the nature of the products they offer and the clients they cater to. On the other hand, this has led to unpredictability among consumers. Internal processes are significantly different depending on the sector, but there is also variation within the same sector. For example, it is unclear how many escalation levels must exist within a bank's Grievance Redress Mechanism. Consequently, disputes are not settled in an *ad-hoc* manner.

Moreover, even within regulators, there is no consensus on the point of closure. The IRDA has not prescribed any appellate authority for an award by the Insurance Ombudsman. The ombudsman's award is final. Banking consumers, however, have the option of appealing the Banking Ombudsman's decision. Moreover, the point of closure differs for the consumer and the FSP in insurance cases. If an award is passed, the consumer has an option to accept or reject the award. This is not so for the FSP. Even the Law Commission of India (LCI) has observed that this system is unjust since consumers can choose not to follow the award. However, the insurer does not have a right to question the decision. The PFRDA has a five-step procedure which means that, if unsatisfied with the outcome, the complainant can pursue the complaint to the PFRDA and then the SAT. SEBI's orders filed under the

[71] § 20, Right to Information Act 2005, 22 of 2005.

SCORES system can also be appealed to the SAT. These two regulators are different from IRDA and RBI because they offer a direct entry from the regulator's GRM mechanism to the formal legal mechanism.

4.5 Enforcement

As section 3 mentions, unless redress agencies can enforce awards, they are unlikely to garner consumer confidence. In India, all FSPs are obligated to comply with the decision of the concerned redress agency. However, in some cases, regulations do not address the consequence of failing this obligation. Thus, though FSPs need to act as per the decisions, there may be no consequences if they fail to do so.

1. *Banking:* As per rule 12 (9) of the *Banking Ombudsman Scheme*, the bank must comply with the ombudsman's award within one month.[72] There is an analogous provision in the *Ombudsman Scheme for Non-Banking Financial Companies*. However, neither of the two schemes discuss the consequence of not complying with the award within such a period. Hence, it is expected that banks do not do so. Of the 68 awards passed by the Banking Ombudsman in 2019-20, only 38 (56%) were implemented.[73] This was perhaps at the forefront in Chandigarh, where only 1 of the 9 awards was implemented.[74] On the other hand, the *Ombudsman Scheme for Digital Transactions* departs from the convention of the earlier schemes. It prescribes that in the event of non-implementation, the RBI may initiate action as it deems fit.

2. *Insurance:* As with banking, the award of the Insurance Ombudsman is binding on the concerned FSP. The latter must comply with the award within one month and intimate compliance to the ombudsman. Of the 9,528 awards passed by the Insurance Ombudsman in 2019-20, 7,664 (80%) were implemented.[75] However, IRDA officers have issued statements against non-compliance and pinned the reason on the callousness of FSPs.[76] This is the case even when the *Ombudsman Rules* do not contain any penal provisions for the non-implementation of the award. Hence, in 10 years, IRDA has

[72]The period commences after written acceptance of the award by the consumer.

[73]Yogesh Sapkale, "RBI's Banking Ombudsman: "Operation Successful, but the Patient Is Dead"" [2021] Moneylife.

[74]Since the NBFC ombudsman has not passed an award in three years, there is no scope of implementation.

[75]Moneylife Digital Team, "For 10 Years, IRDAI Took No Action against Any Insurer for Not Complying with Orders Passed by Insurance Ombudsman" [2021] Moneylife.

[76]G Naga Sridhar, "Resolution of complaints: Insurers ignoring ombudsmen judgments" [2019] Business Line; Sunil Dhawan, "Now insurers can't ignore insurance ombudsman decision on your policy grievance; Regulator pulls up companies" [2019] Financial Express.

been unable to act against the non-compliance of ombudsman awards.

3. *Pensions:* The one-month timeline to comply with awards is also present in the *PFRDA (Redressal of Subscriber Grievance) Regulations*. However, the regulations also include provisions to ensure such compliance. If an intermediary does implement the award, it is liable to (i) a fine, (ii) suspension or cancellation of the award, or (iii) any action that is deemed fit. The fine may extend to

   > one crore rupees or five times the amount of profits made or losses avoided, whichever is higher.[77]

   Hence, unlike banking and insurance, if FSPs fail to implement the award, the regulator is empowered to take appropriate action and enforce the same.

4. *Securities:* SEBI takes action under § 15 C of the SEBI Act, 1992 whereby it can order various enforcement actions like adjudication, debarment from the securities market etc., for non-redress of investor grievances or not taking SCORES authentication. In case of non-redress of a grievance by an intermediary after having being called upon by the SEBI, it is liable to a penalty (between Rs. one lakh and Rs. one crore).

Regulators have not adopted a uniform approach in including enforcement provisions. This is problematic. Enforcement upholds the sanctity of the GRM process by demonstrating that parties cannot override the decisions of the concerned redress agency. Without enforcement, the award is merely a suggestive measure, and no action can be taken for non-compliance. Thus, consumers may be susceptible to not getting a fair and equitable resolution to their grievances. One way to address this is already evident through the regulations. The *PFRDA (Redressal of Subscriber Grievance) Regulations* include monetary and regulatory penal provisions for FSPs that do not comply with the award. Other regulators may adopt this approach with amendments to the regulations and corresponding provisions in the parent legislation.

4.6 Adequate disclosure

Information asymmetry is one of the primary challenges faced by consumers. This is not unique to cases of consumer finance. As Robinson (2014) notes,[78] many in the public remain

[77] § 28 (3), Pension Fund Regulatory and Development Authority Act 2013.

[78] Nick Robinson, "Closing the Implementation Gap: Grievance Redress and India's Social Welfare Programs" (2014) 53 Colum J Transnat'l L 321.

unaware of available grievance redress mechanisms regarding local administration.[79] Other issues are often the results of this asymmetry. This can take many forms: (i) from disclosures by FSPs about the regulations to (ii) transparency by regulators.

Table 5 Understanding regulations

As per the Flesch Reading ease metric, all regulations fall within the *Difficult* range of text and represent complexity typically found in academic writing.

Regulator	Flesch-Kincaid Grade Level	Flesch Reading Ease	Pages	Words
RBI				
Banking	13.0	44.3	26	5044
Digital Transactions	15.2	34.9	28	5059
NBFC	15.5	37.2	20	4825
IRDA	16.4	28.0	7	3537
PFRDA	16.1	27.2	13	7954
SEBI	10.3	45.3	5	1246

Source: Banking - *Banking Ombudsman Scheme*, *Ombudsman Scheme for Non-Banking Financial Companies*, and *Ombudsman Scheme for Digital Transactions*
Insurance - *Ombudsman Rules*
Pensions - *PFRDA (Redressal of Subscriber Grievance) Regulations*
Securities - *Investor grievance redress mechanism – new policy measures* — circular dated 26 March 2018.

In the first case, while all regulators obligate FSPs to display the GRM and contact details of regulators at their offices,[80] this falls short on two counts. There is no regulation about access in regional languages or informing consumers about changes in the regulations.[81] This means that consumers cannot understand regulations due to language barriers and are not informed of any changes. While it is theoretically possible for consumers to acquire such information, there is no statutory sanction.

Second, even if this were the case, consumers may not understand the regulations. Table 5 shows the *Flesch–Kincaid readability tests* for the regulations.[82] These help evaluate how easy it is to comprehend texts. As is evident, readers should be able to read at a college level

[79]Department-Related Parliamentary Standing Committee on Personal, Public Grievances, Law an Justice, *Public Grievance Redressal Mechanism* (29, Rajya Sabha 2014).

[80]Banking Ombudsman Scheme (n 21); Ombudsman Scheme for Digital Transactions (n 22); Ombudsman Scheme for Non-Banking Financial Companies (n 22); Ombudsman Rules (n 24); PFRDA (Redressal of Subscriber Grievance) Regulations (n 28).

[81]Information is only mandated to be in displayed English and Hindi as per the Official Languages Act 1963, 19 of 1963.

[82]Rudolph Flesch, "A new readability yardstick" (1948) 32(3) Journal of Applied Psychology.

to understand regulations. This is an exceptionally high standard and makes it difficult for consumers to understand the regulations. This is compounded by the length of the regulations, which impacts the time it takes to read them. It is reasonable to expect consumers to give up reading longer regulations (or merely skim through them). The regulations are complicated and require advanced comprehension skills to understand.[83] Moreover, regulators also disagree on the information that should be available in the public domain. While the annual report of the Banking Ombudsman provides information on the receipt of complaints, demographic trends of complainants, operational costs, nature of awards, etc.; the annual report of the PFRDA provides only one data point - the number of grievances raised against different types of entities. Similarly, the SEBI annual report only mentions the number of grievances received and disposed during the year. This hinders consumers and third parties from evaluating the performance of regulators and making informed decisions.

These challenges can influence the decisions of consumers. They can be remedied by (i) obligating firms to provide information that may be significant for consumers to make informed decisions, (ii) mandating that regulations be drafted in a clearer format,[84] and (iii) prescribing a list of information to be presented in Annual Reports.

5 Way forward

Between 2011 and 2013, India reviewed laws governing the financial sector. To this end, a task force was established to evaluate the need for a uniform redress agency for all consumer finance grievances. This was because, as seen, regulators follow a varied set of GRMs. This is the case even when there is potential overlap in the jurisdictions. For example, banks now sell insurance and investment products alongside bank accounts and loans.[85] In such a scenario, it may be confusing for the consumer to know where to seek redress.[86] Thus, the task force recommended creating a unified agency that would provide consumers with a one-stop option to deal with financial service disputes. It would undertake proactive measures to address complaints, impose varied requirements, be independent of any stakeholders, and create a database about the complaints to ensure a feedback loop. The requirement for closer

[83]Rishab Bailey, Smriti Parsheera, Faiza Rahman, and others, "Disclosures in Privacy Policies: Does Notice and Consent Work?" [2018] .

[84]Several jurisdictions advocate a plain language approach in drafting laws. They include prescriptive manuals dedicated to drafting. In the United States, Executive Orders that require regulations to be better drafted also incorporate techniques of plain language drafting. Carl Felsenfeld, "The plain English movement" (1981) 6 Can Bus LJ 408; Ian Turnbull, "Drafting simple legislation" (1995) 12 Austl Tax F 247.

[85]World Bank Group, *Resolving disputes between consumers and financial businesses: Fundamentals for a financial ombudsman, A practical guide based on experience in western Europe* (n 32).

[86]INFO (n 33).

integration of the banking and insurance sector ombudsmen was also felt by the Lok Sabha Standing Committee on Subordinate Legislation which noted:

> that uniformity in various schemes of ombudsman in different segments of the financial market will help the consumers in having a better understanding of complaints redressal mechanism.[87]

The recommendation of a unified agency is not novel and has been implemented across the globe. It is often the best solution - even with its cons. However, such an agency is only established after a unified regulator. For instance, in UK and Netherlands, there is a unified regulator associated with the unified redress agency. Countries first move to a unified regulator and then a unified agency, or simultaneously. Such unification should be considered in depth after examining the expense and capacity requirements.

6 Conclusion

Consumers tend to route their complaints through regulatory redress agencies, reflecting on the quality and effectiveness of redress mechanisms. However, as we have shown, there is a long way to improve the system's credibility. People will access the redress mechanism only when they are assured of a fair outcome. Indian regulators need to consolidate the law regarding Grievance Redress Mechanisms and not treat it as a cursory subject. The FSLRC has significant insights into these issues and proposes useful solutions. This paper shows that the grievance redress landscape requires a clearer approach to regulation.

[87] Lok Sabha (n 53).

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