



RBI Guidelines on Inoperative Accounts and Unclaimed Deposits

For Prelims: [Reserve Bank of India \(RBI\)](#), Inoperative Account, Depositor Education and Awareness (DEA) Fund, [Know Your Customer](#)

For Mains: RBI's Measures in Protecting Consumer Interests, Banking Sector.

Source: [IE](#)

Why in News?

The [Reserve Bank of India \(RBI\)](#) has recently revised guidelines regarding inoperative accounts and unclaimed deposits, aiming to streamline the classification and activation processes.

- The revised instructions apply to all [Commercial Banks and all Cooperative Banks](#) and will come into effect from 1st April 2024.

What are Inoperative Accounts and Unclaimed Deposits?

- **Inoperative Account:**
 - An account with no '**customer-induced transactions**' for **over two years** is deemed inoperative.
 - A customer-induced transaction can be a **financial transaction** initiated by or done at the behest of the account holder by the bank or third party, a **non-financial transaction**, or a [KYC \(know your customer\)](#) updation done in face-to-face physical mode or through digital channels such as internet banking or mobile banking application of the bank.
 - Around **Rs 1-1.30 lakh crore** is estimated to be lying in inoperative bank accounts.
- **Unclaimed Deposits:**
 - Balances in savings/current accounts **inactive for 10 years or term deposits** unclaimed after 10 years from maturity are considered unclaimed deposits.
 - As of March 2023, around **Rs 42,270 crore remains unclaimed in banks.**

What are the Revised RBI Guidelines?

- **Annual Review:**
 - Banks must conduct an **annual review of accounts with no customer-induced transactions** for over a year.
 - In the absence of an explicit mandate to renew term deposits, banks must review such accounts.
 - Banks need to review such accounts, where the customers have not withdrawn the proceeds after maturity or transferred these to their savings/current account to prevent **such deposits from becoming unclaimed.**

- **Communication Protocol:**
 - Banks are instructed to **notify account holders** through letters, emails, or SMS about the lack of operations in the last year.
 - **Alert messages** must explicitly state the account's impending 'inoperative' status if **no operations occur in the next year**.
 - Customers will be required to **submit fresh KYC documents** for reactivation in such cases.
- **Classification Criteria for Inoperative Accounts:**
 - Only customer-induced transactions, not bank-induced ones, are considered for classification.
 - Mandates like standing instructions or auto-renewal with no other operations are also treated as customer-induced transactions.
 - Bank-induced transactions encompass charges, fees, interest payments, penalties, and taxes.
 - The classification of an account as inoperative will be for a particular account of the customer and not with reference to the customer.
- **Exemptions from Inoperative Classification:**
 - Accounts **opened for beneficiaries of government schemes and students** (with zero balance) should be segregated in the core banking solution.
 - This ensures that the 'inoperative' label is not applied due to non-operation for more than two years.
- **Reactivation Process:**
 - Reactivation of inoperative accounts necessitates the submission of KYC documents. This process applies to all branches, including non-home branches.
 - The **Video-Customer Identification Process (V-CIP)** can also be utilized for reactivation if requested by the account holder.
 - **No charges are permitted** for the activation of inoperative accounts.
- **Penalties and Interest:**
 - Banks are **not authorized to impose penal charges** for **non-maintenance** of minimum balances in any account classified as an inoperative account.
 - Accounts **opened for beneficiaries of government schemes and students** (with zero balance) should be segregated in the core banking solution.
 - This ensures that the 'inoperative' label is not applied due to non-operation for more than two years.
 - Interest on savings accounts should be credited regularly irrespective of the fact that the account is in operation or not.
- **Depositor Education and Awareness Fund:**
 - The credit balance in any deposit account maintained with banks, **not operated for ten years or more**, is required to be transferred by banks to the **DEA (Depositor Education and Awareness) Fund** maintained by the RBI.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. If the RBI decides to adopt an expansionist monetary policy, which of the following would it not do? (2020)

1. Cut and optimize the Statutory Liquidity Ratio
2. Increase the Marginal Standing Facility Rate
3. Cut the Bank Rate and Repo Rate

Select the correct answer using the code given below:

- (a) 1 and 2 only
- (b) 2 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

Ans: (b)

Mains

Q. Do you agree with the view that steady GDP growth and low inflation have left the Indian economy in good shape? Give reasons in support of your arguments. **(2019)**

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