



BANKING AND FINANCE

RBI Issues Comprehensive Directions on Settlement of Claims in Respect of Deceased Customers (2025)

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Introduction

On 26 September 2025, the Reserve Bank of India (RBI) issued the Reserve Bank of India (Settlement of Claims in respect of Deceased Customers of Banks) Directions, 2025. These Directions consolidate and standardise the procedures for settlement of claims relating to deposit accounts, safe deposit lockers, and articles in safe custody of deceased customers. The framework seeks to minimise delays, reduce hardship to family members and nominees, and ensure uniform practices across banks.

The Directions apply to all commercial banks and co-operative banks and are required to be implemented no later than 31 March 2026. They do not extend to government-administered savings schemes such as the Public Provident Fund (PPF) or Senior Citizen Savings Scheme (SCSS), which continue to be governed by their respective rules.

Legal Background

The legal foundation for these Directions lies in:

- Sections 45ZA to 45ZF of the Banking Regulation Act, 1949, read with Section 56, which provide for nomination in deposit accounts, safe deposit lockers, and articles in safe custody.
- Section 35A of the Banking Regulation Act, 1949, empowering RBI to issue directions in public interest.
- Sections 45ZC(3) and 45ZE(4) of the Act, empowering RBI to regulate settlement of claims.

The provisions on nomination were intended to facilitate expeditious settlement of claims. However, RBI observed that banks followed divergent practices, often insisting on succession certificates or court orders even where nominations existed. These Directions repeal earlier circulars and establish a uniform, harmonised, and enforceable regime.

Key Features of the 2025 Directions

- **Applicability:** The Directions are applicable to all commercial banks and co-operative banks. They are not, however, applicable to government savings schemes administered through banks, such as the Public Provident Fund (PPF) or Senior Citizen Savings Scheme (SCSS), which will continue to follow their own rules of settlement.
- **Accounts with Nominee/Survivorship Clause:** Where a deposit account has a registered nominee or contains a survivorship mandate (such as “either or survivor”), payment of the outstanding balance to the nominee or survivor constitutes a valid discharge of the bank’s liability. Banks are required to verify the identity of the claimant, confirm the death of the account holder, and ensure that there is no subsisting court order restraining such payment. Importantly, in these cases, banks may not insist on production of legal documents such as a succession certificate, probate of Will, or indemnity bond. The nominee or survivor, however, receives the funds in the capacity of a trustee of the legal heirs, thereby preserving the heirs’ substantive rights.
- **Accounts without Nominee/Survivorship Clause:** In the absence of a nominee or survivorship clause, banks must adopt a simplified procedure for claims within the threshold of ₹15 lakh in commercial banks and ₹5 lakh in co-operative banks. Settlement in such cases may be effected on the basis of a claim form, death certificate, identity proof, an indemnity bond, a no-objection or disclaimer from other legal heirs, and proof of heirship through a certificate or a declaration by an independent person acceptable to the bank. No surety from a third party may be insisted upon for claims within the threshold limit.

For claims above the threshold, settlement requires succession certificates, legal heir certificates, or affidavits sworn before a magistrate. Banks may also seek sureties in such cases. Where a Will exists, claims are ordinarily to be settled on the strength of probate or letters of administration. However, banks may, at their discretion, act on an uncontested and genuine Will without requiring probate. If there is any dispute among heirs or contesting claims, settlement may only be made pursuant to a court order.

- **Missing Persons:** For claims relating to missing persons, the nominee or legal heir must ordinarily obtain a court declaration of civil death under the Bharatiya Sakshya Adhiniyam, 2023. To prevent hardship in smaller claims, banks may, for amounts below ₹1 lakh, accept a copy of the FIR and a non-traceable report from the police in lieu of a court declaration.
- **Term Deposits:** The Directions require banks to permit premature termination of term deposits upon the death of the depositor without levy of any penalty, even if the deposit is within a lock-in period. In joint deposits, the consent of surviving depositors and legal heirs of the deceased is required. However, if the depositors had furnished a clear survivorship mandate, the

survivors may withdraw without the concurrence of the deceased's heirs.

- **Safe Deposit Lockers and Articles in Safe Custody:** Where a nomination or survivorship clause exists, banks must give access to nominees or survivors without insisting on legal documents such as succession certificates or probate. An inventory of contents must be prepared in the presence of witnesses and bank officials before handing them over.

If no nomination exists, banks must follow a simplified procedure, requiring submission of claim forms, death certificate, identity proof, and a legal heir certificate or affidavit supported by a no-objection from other heirs. Disputed cases, however, can only be settled on the basis of probate, succession certificate, or a court order.

- **Time-bound Settlement:** Banks are required to settle claims in deposit accounts within 15 calendar days from the date of receipt of all required documents. In the case of lockers and articles in safe custody, banks must process the claim within 15 days and schedule a date for taking inventory.
- **Compensation for Delay:** The framework introduces strict accountability for delays. In the case of deposits, compensation must be paid in the form of interest at a rate not less than the Bank Rate plus 4% per annum for the period of delay. For lockers and articles in safe custody, banks are liable to pay ₹5,000 per day for each day of delay beyond the stipulated period.
- **Standardisation and Transparency:** The Directions mandate adoption of standardised forms (Annex I-A to I-H), which must be made available in all branches and on bank websites. Banks must also clearly publish the list of required documents and outline the procedure for settlement on their websites. Claims may be lodged at any branch, and banks must provide written acknowledgments. The framework also enables online lodgement and tracking of claims.
- **Special Provisions:** The Directions extend the nomination facility to deposits held in the name of sole proprietorship concerns. They also recognise proof of death issued abroad, provided it is duly certified through apostille, notarisation, embassy attestation, or other recognised means. Banks are further required to conduct awareness campaigns to encourage customers to use the nomination and survivorship facility, thereby reducing future disputes.
- **Repeal and Consolidation:** With effect from the implementation date, several earlier RBI circulars (from 1985 to 2021) on settlement of claims, nomination, and lockers stand repealed. The 2025 Directions thus serve as the sole consolidated framework governing this subject.

Conclusion

The RBI (Settlement of Claims in respect of Deceased Customers of Banks) Directions, 2025 represent a landmark reform in banking consumer protection law. By setting uniform procedures, strict timelines, and penalties for delay, the Directions address a longstanding grievance of depositors' families, delays and inconsistencies in accessing the funds and belongings of deceased account holders.

This harmonised framework strikes a balance between ease of settlement and safeguards against wrongful claims, while ensuring that nominees and heirs are not subjected to unnecessary litigation or procedural hurdles. For banks, it enhances operational clarity; for customers, it strengthens trust in the banking system.

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