



REGULATORY

Two Ombudsmen, One Objective: Consumer Redressal Under The RBI's Integrated And Internal Ombudsman Frameworks

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Introduction

The RBI on 14th January, 2026 released the Internal Ombudsman Directions for Credit Information Companies¹, and only days after on 16th January 2026 released the Integrated Ombudsman Scheme². The RBI's dual ombudsman framework combines strengthened internal accountability with a centralised external adjudicatory mechanism. This is achieved through the simultaneous operation of the Integrated Ombudsman Scheme, 2026 and the Internal Ombudsman Directions, 2026 applicable to Credit Information Companies. While both instruments pursue consumer protection, they differ sharply in institutional design, jurisdiction, powers, and regulatory philosophy.

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Regulatory Objective and Philosophical Orientation

The Integrated Ombudsman Scheme, 2026 is conceived as a statutory-backed regulatory scheme, external, non-adversarial dispute resolution mechanism. With the primary objective to provide customers with an expeditious and cost-effective forum once institutional grievance redress within the regulated entity when it has failed. The Scheme explicitly positions the RBI Ombudsman as a quasi-judicial authority capable of issuing binding awards, including monetary compensation.

In contrast, the Internal Ombudsman Directions, 2026 are anchored in a preventive and corrective regulatory philosophy. The Internal Ombudsman are not designed as an alternative forum for consumers but as an internal appellate layer within Credit Information Companies. With the purpose to ensure that complaints are not rejected or partially resolved without independent, senior-level scrutiny. Reflecting how fairness and natural justice within institutional decision making before disputes spill over into the external ombudsman system.

Institutional Design and Independence

A key point of divergence lies in institutional positioning. The RBI Ombudsman is appointed by the Reserve Bank and functions entirely outside the regulated entity's organisational hierarchy, free from internal disputes or rivalry between the company. The Ombudsman's independence is structural, functional, and financial, with staffing and infrastructure borne by the RBI itself. This externality enhances the credibility of awards and ensures neutrality in disputes involving large financial institutions.

The Internal Ombudsman, in contrast, is institutionally embedded within the Credit Information Company, though insulated through eligibility criteria, tenure security, and reporting lines to the Consumer Protection Committee of the Board. While administratively reporting to the Managing Director or CEO of the Credit Information Company. The Internal Ombudsman is functionally accountable to the Board level committee, creating a controlled but independent internal review mechanism.

Jurisdiction and Scope of Complaints

The jurisdictional reach of the Integrated Ombudsman Scheme is significantly broader. It covers complaints against banks, eligible NBFCs, non-bank prepaid payment instrument issuers, and credit information companies, provided the grievance involves a "deficiency in service" and satisfies maintainability conditions such as prior exhaustion of internal remedies and limitation requirements. Importantly, the Scheme places no monetary ceiling on the value of the dispute, although compensation for consequential loss is capped.

The Internal Ombudsman Directions operate within a narrower and more specialised jurisdiction, limited to complaints against Credit Information Companies that have already been examined internally and are proposed to be rejected or only partially resolved, which are then raised before the Internal Ombudsman. The Internal Ombudsman does not entertain fresh complaints from the public and does not adjudicate matters pending before courts or tribunals. Its jurisdiction is thus derivative and supervisory rather than original.

Powers, Remedies, and Nature of Outcomes

The powers conferred upon the RBI Ombudsman under the Integrated Ombudsman Scheme are decisive, adjudicatory, and externally enforceable. The Scheme vests the Ombudsman with authority to enable settlements and to determine rights and liabilities where conciliation fails. This is evident from three distinct features.

The Ombudsman has unrestricted jurisdiction over the quantum of dispute, a marked departure from earlier schemes that imposed monetary thresholds. While the amount involved in the underlying transaction may be unlimited, the Scheme carefully calibrates the remedial ceiling providing compensation for consequential financial loss which is capped at ₹30 lakh, an additional ₹3 lakh permissible for non-pecuniary harm such as harassment, mental anguish, and loss of time.

The Ombudsman's authority to issue an "Award" constitutes the most coercive aspect of the Scheme. An Award may direct specific performance of contractual or regulatory obligations, order monetary compensation, or both. Importantly, the Ombudsman may proceed ex-parte where a regulated entity fails to furnish information or participate meaningfully, thereby preventing strategic non-cooperation from frustrating consumer redress.

The binding character of an Award is conditional yet strong. Once the complainant accepts the Award in full and final settlement, it becomes enforceable against the regulated entity, subject only to a limited appellate review. This conditionality preserves complainant autonomy while ensuring that regulated entities cannot evade compliance once acceptance is communicated. The Ombudsman thus functions as a quasi-judicial authority, though deliberately insulated from the technicalities of a court or tribunal.

By contrast, the Internal Ombudsman operates within a non-adjudicatory, corrective paradigm. These Directions do not empower the Internal Ombudsman to issue binding awards or enforceable orders. Instead, the power architecture is designed to influence outcomes through institutional authority, transparency, and regulatory signalling.

The Internal Ombudsman evaluates not merely the substantive outcome of the decision of the complaint before it was escalated to them, but also the fairness, proportionality, and regulatory compliance of the decision-making process. Where deficiencies are identified, the Internal Ombudsman may recommend reversal of rejection, enhanced relief, or compensation in line with RBI norms and internal policies.

While these recommendations are not formally binding, the Directions impose procedural and reputational costs on non-compliance. Any decision of the Internal Ombudsman that is overruled must receive approval from the Competent Authority and be placed before the Consumer Protection Committee of the Board. Moreover, patterns of disagreement between Internal Ombudsman decisions and subsequent RBI Ombudsman outcomes are examined by the RBI as supervisory indicators of systemic weakness.

Procedure and Decision-Making Process

The Integrated Ombudsman Scheme provides for procedural architecture is intentionally summary, flexible, and non-adversarial, reflecting its role as an alternative dispute resolution mechanism rather than a formal adjudicatory forum. The process is initiated only after the complainant has exhausted internal remedies and complied with strict timelines. Once registered, the complaint undergoes scrutiny for admissibility and for substantive engagement. The Ombudsman is empowered to call for documents, seek clarifications, and share relevant material between parties to ensure procedural fairness.

A defining feature of the Ombudsman's power is their active facilitative role. Settlement and conciliation are prioritised, with the Ombudsman issuing advisories, convening meetings, and encouraging partial or full compliance by regulated entities. Where settlement fails, the Ombudsman transitions seamlessly into a determinative role, issuing an Award after granting reasonable opportunity of hearing. This procedural fluidity, combining mediation and adjudication within a single forum, distinguishes the Scheme from conventional dispute-resolution mechanisms.

The Internal Ombudsman process is procedurally distinct, characterised by automation, standardisation, and time-bound internal escalation. Complaints are auto escalated to the Internal Ombudsman through a centralised complaint management system once classified as partially resolved or wholly rejected. The Internal Ombudsman does not conduct hearings in the traditional sense. Instead, decision-making is record-based, though supplemented by the power to seek additional information from internal units, credit institutions, or even the complainant where necessary. Every decision must be reasoned and documented. With strict timelines governing the entire lifecycle of a complaint, ensuring that the Internal Ombudsman functions as a check against procedural delay and frontline discretion. The process culminates in a final communication to the complainant, which must explicitly state whether the complaint was reviewed by the Internal Ombudsman and, where rejection persists, inform the complainant of the right to approach the RBI Ombudsman.

Appellate and Supervisory Oversight

The Integrated Ombudsman Scheme incorporates a formal appellate mechanism. Both complainants and regulated entities may appeal an Award to the Appellate Authority within the RBI, subject to carefully calibrated restrictions. For regulated entities, the right to appeal is limited and procedurally onerous. Appeals require prior approval from senior executive leadership and are unavailable where the Award arises from non-cooperation. This design discourages frivolous appeals and ensures that escalation is a matter of institutional seriousness rather than routine strategy. The Appellate Authority possesses wide remedial powers, including setting aside, modifying, or remanding Awards. Importantly, appellate orders carry the same legal effect as the original Award, thereby preserving finality within the regulatory ecosystem.

The Internal Ombudsman framework replaces appellate review with multi-layered supervisory oversight. Decisions of the Internal Ombudsman are subject to board-level scrutiny, internal audit, and regulatory review by the RBI's Consumer Education and Protection Department. The RBI examines cases where the Internal Ombudsman's decision is not accepted and the complainant subsequently succeeds before the RBI Ombudsman. Such reversals function as regulatory feedback signals, triggering corrective action, policy revision, or supervisory intervention. This oversight architecture transforms individual grievance outcomes into systemic compliance metrics, ensuring that the Internal Ombudsman mechanism is operationally effective, not merely symbolic.

Conclusion

Viewed comparatively, the two instruments are not parallel alternatives but complementary layers of a single grievance-redress continuum. The Internal Ombudsman Directions aim to reduce the volume and intensity of disputes reaching the RBI Ombudsman by improving first level justness of complaints within Credit Information Companies. The Integrated Ombudsman Scheme, in turn, operates as the ultimate guarantor of consumer rights, correcting residual failures and setting normative standard. This change signals a shift in the RBI's role from a passive adjudicator of complaints to an architect of grievance governance across the financial sector. The success of this framework will ultimately depend on how rigorously institutions internalise the culture of accountability that these instruments seek to impose.

For more details, write to us at: contact@indialaw.in

1. Reserve Bank of India (Credit Information Companies – Internal Ombudsman) Directions, 2026, RBI/CEPD/2025-26/386 (CEPD.PRD.No.S1032/13.01.019/2025-26) ??
2. RESERVE BANK – INTEGRATED OMBUDSMAN SCHEME, 2026 ??

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