



YOUR MONEY

REVISED LOCKER PACT

Sign agreement with your bank and buy cover for valuables

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Customers who have not yet signed the revised locker agreement with their banks should do so promptly. They risk losing access to their lockers if they delay further.

The Reserve Bank of India (RBI) had directed banks in August 2021 to sign updated locker agreements with customers by January 1, 2023. The deadline was extended twice: first to December 31, 2023, and then to March 31, 2024. Some banks have now reportedly sought a further extension until December 2025.

Risk of access suspension

Customers may face service interruption. "The operation of the locker could be paused until the agreement is signed," says Adhil Shetty, chief executive

officer (CEO), Bankbazaar.com.

Banks cannot unilaterally vacate lockers. "But they are now seeking regulatory approval to issue a final notice to the roughly 20 per cent of customers who have not signed the new agreement. If they still do not comply, banks are asking for authorisation to seal their lockers," says Vishal Dhawan, chief financial planner, Plan Ahead Wealth Advisors.

Customer-friendly provisions

The updated locker agreement provided by banks has several customer-friendly clauses. "It aims to clarify the responsibilities of both banks and locker holders," says Dhawan. Banks typically require customers to open a fixed deposit (FD) when availing of a locker. Previously, there was no

Coverage and limits in locker insurance

- Locker insurance covers risks such as fire, theft, terrorism and natural disasters
- Insurers reimburse replacement costs up to the agreed coverage limit
- Some home insurance policies include locker protection, but typically with sub-limits
- Title deeds, manuscripts, property and investment documents, insurance policies and passports are usually covered through rider
- Have proper documentation, including FIR, receipts, and photographs, in place to ensure smooth claim processing

limit on the FD amount banks could demand. "Under the new agreement, the bank may ask for an FD sufficient to cover three years' rent and the charges for breaking open the locker, ensuring it can cover dues in case of default," says Shetty.

Banks' liability for loss of locker contents due to their negligence is now capped. "It is capped at 100 times the annual locker rent. So, if the rent of your locker is, say, ₹5,000 per year, the bank's liability is capped at ₹5 lakh," says Shetty.

Losses caused by natural disasters (Acts of God) are not covered. Banks are expected to take necessary precautions, but are not liable for damage from events such as floods or earth-

quakes. "Banks are also not liable for losses due to customer negligence, such as leaving the locker open and exiting the locker room," says Dhawan.

The agreement prohibits the storage of illegal or hazardous materials. "The agreement gives banks the authority to act if they suspect misuse of the locker," says Abhishek Kumar, Securities and Exchange Board of India (Sebi) registered investment advisor and founder of Sahaj-Money.com. Banks must maintain a transparent waiting list of customers who wish to access the locker facility. They must also alert customers whenever their locker is accessed.

Sign promptly

Customers must sign the agreement promptly to avoid disruptions. They should read it thoroughly and understand their rights and obligations. "They should also update their KYC (know your customer) and nominee details," says Kumar.

The agreement must be executed on valid stamp paper, the cost of which should be borne by the bank. Customers should obtain a signed copy for their records.

Purchase locker insurance

Given banks' limited liability, those storing high-value items like jewellery in lockers should purchase locker insurance. "Choose a sum insured that matches the value of your locker contents. Also, check if you need to provide valuation certificates for high-value items," says Kumar.