

**BEFORE THE HON'BLE ADJUDICATING OFFICER,
AT MANTRALAYA, MUMBAI
(DEPARTMENT OF INFORMATION TECHNOLOGY)
UNDER INFORMATION TECHNOLOGY ACT, 2000
COMPLAINT CASE NUMBER 03 OF 2019**

Dated: March 16, 2021

IN THE MATTER OF

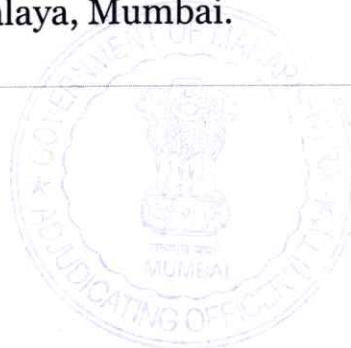
1. **Dhule Vikas Sahakari Bank Ltd.,**
(Through Mr. Atul Prabhakar Upasani) ... **Complainant**

Versus

1. **Axis Bank Limited,**
Dhule Branch ... **Respondent 1**
2. **Mr. Amitabh Chaudhry –**
MD & CEO, Axis Bank Limited ... **Respondent 2**

Attendees:

Adv. Prashant Mali a/w Adv. Tejal Patel for the Complainant;
Adv. Naveen Raheja a/w Adv. Mahesh Kumar for the Respondent no.
1 & Respondent no. 2 ;
Adv. Aditya C. Ghuge, o/b/o Department of Information Technology
as Law Officer, Mantralaya, Mumbai.



This document presents the proceedings of a complaint filed by the Complainant for adjudication under Section 46 of The Information Technology Act, 2000 (as amended in 2008) (referred to as the "Act"). The hearings were conducted in accordance with the principles of natural justice and reasonable opportunity, ensuring that both parties, namely the Complainant and the Respondents, were given equal and sufficient opportunities to present and defend their respective cases. After the conclusion of the hearings and the receipt of responses from all involved parties, a decision has been reached, and this judgment is now being delivered.

I. Brief Facts of the Case as per Complainants are as follows:

1. The Complainant, Dhule Vikas Sahakari Bank Ltd, is a prominent Indian co-operative bank established under co-operative laws, with its headquarters in Dhule City, Maharashtra. The bank does not have any branch offices and provides various financial services, including savings accounts, current accounts, personal loans, home and car loans, two-wheeler loans, educational loans, and fund transfer services such as RTGS and NEFT. The Complainant maintains a Current Account with Axis Bank at its Dhule branch under Account No. 91402008206406 and uses Axis Bank's platform for Cash Management Services (CMS) – RTGS and NEFT.
2. On June 7, 2020, 1 fraudulent transaction and on June 8, 2020 between 10:30 AM and 11:00 AM, an employee of the Complainant logged into the Axis Bank account and discovered 26 unauthorized



online transactions totaling 27 transactions amounting to ₹2,06,50,165. Upon further examination, it was revealed that these transactions occurred between 7:00 AM and 10:00 AM, prior to the commencement of the Complainant's banking operations, which officially begin at 10:30 AM.

3. The Complainant asserts that neither the maker nor the checker received the mandatory OTPs required to complete the transactions. Additionally, no batch numbers were generated for the transactions, which is a critical step in their internal processes. The lack of OTPs and batch numbers suggests a significant lapse in the security measures implemented by Axis Bank.
4. The Complainant immediately reported the unauthorized transactions to Axis Bank, requesting that the account be blocked to prevent further loss. The matter was also reported to the Dhule City Police Station for investigation and necessary action.
5. The Complainant uses Axis Bank's Pay-Pro system for conducting RTGS and NEFT transactions. The system requires a secure login process involving user credentials, OTPs, and a maker-checker authorization mechanism. This ensures that transactions are only completed after verification by both the maker and the checker. However, during the unauthorized transactions, these safeguards were bypassed without any intimation to the Complainant.
6. The Complainant maintains separate registered mobile numbers for receiving OTPs for the maker and the checker. Despite this, no OTPs



were received during the time of the unauthorized transactions. This indicates a failure in Axis Bank's system to enforce basic security protocols. The unauthorized transactions involved 26 RTGS transfers and 1 NEFT transfer, all initiated from the Complainant's Current Account and not from individual customer accounts.

7. The Complainant has alleged that the unauthorized transactions occurred due to a grave contravention of the Information Technology Act, 2000, by Axis Bank. The violations include failure to implement reasonable security practices, as required under Section 43A, and permitting unauthorized access, in violation of Section 43(g). The repetitive nature of the breach is a key factor under Section 47(c). Furthermore, the Complainant cites offenses under Section 85 of the IT Act, which holds companies accountable for such lapses.
8. The incident has caused the Complainant severe financial losses, amounting to ₹2,06,50,165, as well as significant mental distress and hardship. The Complainant seeks appropriate relief for the damages caused, holding Axis Bank responsible for its failure to provide secure and lawful services, and to ensure redressal of the financial and emotional losses suffered.
9. The Complainant seeks compensation for the remaining loss of ₹1,76,06,381, along with 18% interest from June 8, 2020 plus legal charges of ₹3,00,000. The Respondents' failure to ensure the confidentiality of customer data, enhance fraud detection measures,



and comply with banking and IT regulations has led to the current predicament of agony, harassment, and considerable financial loss.

II. Dates and Events of the case

1. On the 7th of June 2020, One fraudulent Transaction and on 8th of June 2020, between 10:30 am and 11:00 am, the Complainant's bank account experienced 26 unauthorized online transactions, resulting in a debit of Rupees 2,06,50,165/- (Rupees Two Crore six lakhs fifty Thousand one hundred and sixty-five Only).
2. Subsequently, on the same day, the complainant promptly filed a written complaint to Respondent No. 1, Axis Bank, informing them of the unauthorized transactions.
3. On the 10th of June 2020, Respondent No. 1, Axis Bank, took further action by filing an FIR, reporting the hacking of their system and the theft of data by an unknown person.
4. Additionally, on the 18th of June 2020, the Complainant lodged a formal complaint with the local Police Station, detailing the incident.
5. Simultaneously, on the 18th of June 2020, the Complainant also addressed the matter with the Reserve Bank of India, notifying them of the fraudulent activities.



6. Furthermore, on the 19th of June 2020, the Complainant took the initiative to inform the Central Fraud Monitoring Cell (CFMC) about the fraud through a formal letter.

III. Findings:

1. Reasonable opportunities were given to both the parties to present their case and the matter was heard at length.
2. The Banking Codes and Standards Board of India (BCSBI) guidelines limit customer liability to ₹10,000 in cases of unauthorized transactions. As Axis Bank is a BCSBI member, the Complainant contends that the loss exceeding ₹10,000 should be borne by the Respondent. Moreover, the lack of real-time fraud detection by the Respondent's systems indicates non-compliance with Section 43A of the IT Act.
3. The Advocate for complainant Adv. (Dr.) Prashant Mali highlights that KYC details of the beneficiary accounts, including those held at ICICI Bank and HDFC Bank, should have been verified to prevent unauthorized withdrawals. The Respondent's failure to adhere to RBI guidelines on KYC and anti-money laundering practices facilitated the fraudulent transactions.



4. The Advocate for Respondent No. 1 & 2 Adv. Naveen Raheja a/w Adv. Mahesh Kumar stated that there was “Any Desk” software installed for remote access in Dhule Vikas Sahakari Bank (DVSB). As Per SAP report from DVSB Hacking was done in DVSB’s servers. There was Host to Host mode (H2H) transactions wherein OTP generation was not required.
5. The Respondent with the help of investigation report by KPMG Cyber Forensic Team states that
“While analyzing the remote access connection, it was observed that Five successful remote desktop logon were made on 6th June 2020 from different IP addresses.”
6. Wherein the KPMG stated in their report that
“KPMG has not performed an audit and does not express an opinion or any other form of assurance. Further, comments in our report are not intended, nor should they be interpreted to be legal advice or opinion.”
7. The transaction conducted on June 7, 2020, occurred on a Sunday, which was a bank holiday, directly contradicting the statements made by Respondent No. 1 & 2.
8. On June 10, 2020, Respondent No. 1 filed an FIR (No. 354/2020) at the Dhule City Police Station through its Branch Manager, stating that the hacking appears to have primarily occurred within Axis Bank's systems by unknown individuals.
9. Adv. (Dr.) Prashant Mali Submitted that out of Rupees 2,06,50,165/- (Rupees Two Crore six lakhs fifty Thousand one hundred and sixty-



five Only) Rupees 30,43,784/- (Rupees Thirty Lakh Forty-Three Thousand Seven Hundred and Eighty-Four Only) was Freeze Amount and Claiming for Rupees 1,76,06,381/- (Rupees One Crore Seventy-Six Lakh Six Thousand Three Hundred and Eighty-One Only) plus Legal Charges and Compensation.

10. **In light of the foregoing hearings, in my considered view,** Axis Bank's failure to ensure reasonable security practices and procedures, as mandated under Section 43A of the Information Technology Act, 2000, directly contributed to the unauthorized transactions. The hacking of its systems, as admitted in the FIR, indicates a lapse in implementing adequate measures to protect sensitive customer data. Section 43A imposes liability on entities that handle sensitive personal data and fail to maintain reasonable security safeguards, resulting in wrongful loss or damage. In this case, Axis Bank's negligence in securing its systems led to the compromise of the complainant's confidential information and subsequent fraudulent transactions.
11. Additionally, the absence of robust real-time monitoring and fraud detection mechanisms underscores Axis Bank's failure to comply with the prescribed standards for data protection and security under the IT Act and Reserve Bank of India guidelines. This lack of vigilance not only facilitated the unauthorized transactions but also caused immense financial and reputational harm to the complainant, highlighting the bank's non-compliance with statutory obligations.




ORDER

1. This Adjudication orders Axis Bank i.e. Respondent No. 1 & 2 to reimburse the complainant the **Actual Loss of ₹ 1,76,06,381/-** (Rupees One Crore Seventy-Six Lakh Six Thousand Three Hundred and Eighty-One Only) shall carry compound interest at the rate of 18% from the date of contravention until full payment is made.
2. Additionally **Legal Charges of ₹ 3,00,000/-** (Rupees Three Lakhs only) as prayed and **Compensation of ₹ 50,00,000/-** (Rupees Fifty Lakh Only) for mental agony, pain, and undue harassment.
3. Respondent No. 1 & 2 is further directed to notify the undersigned of their compliance within one month of this order.

Date: January 21, 2025.




PARRAG JAIN NAINUTIA, IAS
Principal Secretary,
Department of Information Technology,
Mantralaya, Mumbai-400 032.