
EVOLUTION OF SERVICE SECTOR OMBUDSMAN IN INDIA

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ABSTRACT

The development of the service sector ombudsman in India signifies a notable transformation in the nation's consumer protection and grievance resolution framework. In recent decades, sectors including banking, insurance, telecommunications, and energy have implemented independent ombudsman processes to resolve consumer complaints and guarantee transparent and equitable service delivery. This article examines the historical evolution, significant milestones, problems, and current trends of ombudsman systems in India, emphasising its consequences for consumers and service providers. It also underscores pertinent case laws that have influenced consumer rights and the evolution of the ombudsman institutions in India.

Introduction

The notion of an ombudsman—an autonomous body responsible for addressing consumer grievances and guaranteeing equity in service provision—has developed throughout time in India. In the service sector, where consumer complaints have escalated alongside the expansion of companies like banking, telecommunications, and insurance, the necessity for organised grievance redressal processes has become increasingly imperative. This article delineates the development of the service sector ombudsman in India, analysing significant milestones, obstacles, and current trends. The Ombudsman system was originally instituted in Sweden in 1809 under the Swedish Constitution. The Swedish Parliament (Riksdag)¹ established the position of "Justitieombudsman" (Parliamentary Ombudsman) to oversee the enforcement of laws and regulations by public authorities and to safeguard individuals against injustice. The 1809 Constitution of Sweden mandated the Ombudsman to function as an autonomous entity, reporting directly to Parliament. The primary role was to examine grievances on public administration malfeasance and guarantee adherence to legal statutes².

Driven by Sweden's achievements, numerous other nations throughout Europe and beyond have implemented analogous ombudsman frameworks. Finland, having attained independence from Russia in 1919, instituted its own Parliamentary Ombudsman to guarantee state accountability and safeguard individuals' rights. In 1955, Denmark established its own Parliamentary Ombudsman, so reinforcing the role of Ombudsmen as essential protectors of people's rights. By 1962, Norway and New Zealand established the Ombudsman system, acknowledging its significance in ensuring administrative equity and safeguarding persons against governmental overreach. These nations, by embracing the Ombudsman model, facilitated the international proliferation of the system and its transformation into a global institution³.

As global services proliferated in industries such as banking, insurance, telecommunications, and healthcare, the ombudsman concept transcended its origins in public administration. Dedicated ombudsman agencies were established to address consumer grievances in private

¹ Riksdag, The Swedish Parliament, Riksdag Website, <https://www.riksdagen.se/en/> (last visited Apr. 28, 2025).

² Gregory, Roy & Giddings, Philip, *Righting Wrongs: The Ombudsman in Six Continents* (IOS Press 2000).

³ Rowat, Donald C., *The Ombudsman: Citizen's Defender* 58 (University of Toronto Press 1965).

service industries. Australia and Canada were trailblazers in the establishment of industry-specific ombudsmen in the 1980s and 1990s.

International entities like the World Bank and the United Nations promoted the establishment of ombudsman institutions as components of governance and accountability efforts. The adaptability of the ombudsman model facilitated its integration into diverse political, legal, and economic frameworks globally. Currently, nearly every prominent nation possesses a variant of a service sector ombudsman. Ombudsmen have become essential in safeguarding consumer rights and guaranteeing equitable service provision across banking, insurance, healthcare, and telecommunications sectors. The creation of service sector ombudsmen in India, exemplified by the Banking Ombudsman (1995), closely aligns with worldwide trends and illustrates the widespread appeal of this citizen-protective mechanism⁴.

Early Developments and the Necessity for Consumer Safeguards (Pre-1990s)

Before India's economic liberalization in the 1990s, consumer protection received less attention. The nation's service sectors were predominantly monopolistic, constraining the necessity for formal grievance resolution mechanisms. The Consumer Protection Act of 1986 (CPA) was among the initial legislative frameworks designed for consumer protection. The CPA established Consumer Disputes Redressal Forums at the District, State, and National levels, which functioned as initial grievance redressal processes across multiple sectors, including services⁵. In *L. V. R. and Sons v. The State of Andhra Pradesh*⁶, case underscored the increasing necessity for consumer protection and established the groundwork for the Consumer Protection Act. The Andhra Pradesh High Court adjudicated in favour of a consumer who experienced inadequate service, affirming the necessity of safeguarding consumer rights, which subsequently prompted advancements in grievance redressal systems.

Introduction of Sector-Specific Ombudsman Systems (1990s to Early 2000s)

During the 1990s, India adopted economic liberalization, leading to heightened competition and privatization, especially in the banking and telecommunications industries. Consequently, consumer complaints increased in these areas, underscoring the necessity for sector-specific

⁴ Walter Gellhorn, Ombudsmen and Others: Citizens' Protectors in Nine Countries, 42 Colum. L. Rev. 719 (1942).

⁵ Reddy, S., Consumer Protection in India: An Overview, 42 Indian J. Pub. Admin. 145 (1996).

⁶(AIR 1986 AP 39).

grievance redressal processes. During this period, India established the inaugural service sector ombudsman systems.

Banking Ombudsman Scheme (1995)

In 1995, the Reserve Bank of India (RBI) established the Banking Ombudsman Scheme, signifying a pivotal advancement in consumer protection in the financial industry. The banking system experienced swift transformations in the 1990s due to the emergence of private and international banks, resulting in heightened competition and a rise in consumer grievances, including erroneous invoicing, inadequate customer service, and fraud. The Banking Ombudsman Scheme was established to resolve these grievances and offer an alternative to protracted legal proceedings. It provided a platform for consumers to efficiently address complaints with banks. The program was intended to be unbiased, efficient, and accessible, alleviating the necessity for customers to seek recourse through the courts⁷. In *Indian Banks' Association v. Devkala Consultancy Service*⁸ The Supreme Court emphasised the obligation of banks to comply with equitable standards in their interactions with consumers. The case underscored the necessity for the timely and equitable resolution of consumer complaints, a premise consistent with the aims of the Banking Ombudsman Scheme. In *Lucknow Development Authority v. M.K. Gupta*⁹ The decision determined that inadequacies in services, including those provided by public institutions, may be challenged under the Consumer Protection Act of 1986. This established the basis for the financial Ombudsman system, emphasising that financial services fall under consumer protection legislation.

Insurance Ombudsman (1999)

In 1999, the Insurance Regulatory and Development Authority of India (IRDAI) established the Insurance Ombudsman system to resolve customer complaints within the insurance sector. With the expansion of the Indian insurance sector, characterized by the entry of private and foreign insurers, grievances concerning policy conditions, claim denials, and delays in settlements grew more prevalent. The Insurance Ombudsman was created to adjudicate these issues without necessitating judicial involvement, offering a convenient and effective avenue

⁷ Mohan, R., The Banking Ombudsman Scheme: A Review of Its Impact, RBI Occasional Papers (2001).

⁸ 2004 (2 SCC 478).

⁹ (1994) 1 SCC 243.

for recourse¹⁰.

Telecommunications Ombudsman Scheme (2004)

With the significant expansion of India's telecommunications sector, the necessity for a specialized grievance redressal system became apparent. In 2004, the Telecom Regulatory Authority of India (TRAI) established the Telecom Ombudsman Scheme. This initiative was established to address consumer complaints regarding telecommunications service providers, encompassing matters such as invoicing discrepancies, substandard service quality, and network concerns. The growing dependence on mobile phones and internet services highlighted the necessity for an efficient and effective complaint resolution system. The Telecom Ombudsman was crucial in assuring the equitable resolution of consumer complaints, especially in a field characterized by swift technological progress and intense rivalry¹¹.

Institutionalization of the Ombudsman Role (2010s)

By the 2010s, India had substantial growth in services, especially within the digital and fintech sectors. As customer reliance on digital services for banking, shopping, and communication increased, the necessity for efficient grievance redressal solutions escalated. The Indian government and regulatory bodies have formalised the position of ombudsmen across multiple sectors, including emerging fields such as e-commerce and fintech.

Consumer Protection Act of 2019

The Consumer Protection Act of 2019 marked a pivotal advancement in the evolution of consumer protection legislation in India. The revised Act broadened the parameters of consumer protection and included stipulations for online dispute resolution (ODR). It acknowledged the increasing significance of digital platforms in daily consumer transactions and established measures for addressing grievances associated with e-commerce and digital services. It also established new frameworks for consumer protection, including the creation of the Central Consumer Protection Authority (CCPA) and augmented powers for consumer

¹⁰ Chakravarty, S., The Role of Insurance Ombudsman in India, Insurance Journal (2000).

¹¹ N. Kumar, Telecom Ombudsman: A New Era of Consumer Protection, 29 J. Telecomm. Policy 45 (2005)

courts¹².

Digital Ombudsman Frameworks

The swift expansion of digital services, especially in finance and e-commerce, has prompted a transition to digital-first grievance redressal systems. Consumers now submit complaints online, monitor their status, and obtain resolutions electronically. This transformation is especially significant in a nation such as India, where internet penetration has surged in recent years.

The utilisation of artificial intelligence (AI) and machine learning (ML) in ombudsman systems is increasing. These technologies can assess consumer grievances, classify them, and propose solutions, minimising human involvement and expediting the process. AI-powered chatbots and automated customer care systems are more prevalent, facilitating user complaint submission and issue resolution without manual intervention. In *Indian Banks' Association v. Devkala Consultancy Service*¹³ The Supreme Court determined that banks must comply with equitable procedures and treat clients justly, particularly in instances where grievances were lodged over the imposition of charges without proper notification. This ruling underscored the necessity for remedial frameworks such as the Banking Ombudsman to guarantee the protection of consumer rights.

Legal and Constitutional Framework

The various Ombudsman institutions obtain legitimacy from sector-specific statutes and regulatory frameworks.

- The Banking Regulation Act of 1949 and RBI regulations confer authority upon the Banking Ombudsman¹⁴.
- The Insurance Act of 1938 and the IRDAI Act of 1999 establish the basis for the Insurance Ombudsman¹⁵.

¹² A. Sharma & R. Kaur, The Evolution of Consumer Protection Laws in India: A Historical and Analytical Review, 15 Indian J.L. & Tech. 112 (2019).

¹³ 2004 (2 SCC 478).

¹⁴ Banking Regulation Act, No. 10 of 1949, India Code (1949).

¹⁵ Insurance Regulatory and Development Authority of India Act, No. 41 of 1999, India Code (1999).

- The Electricity Act of 2003 requires the designation of Electricity Ombudsmen at the state level¹⁶.
- The Telecom Regulatory Authority of India Act, 1997, establishes the authority for processes to resolve telecom disputes¹⁷.
- The Consumer Protection Act, 2019, although not expressly mentioning Ombudsmen, promotes grievance resolution in nascent areas such as e-commerce¹⁸.

Conclusion

The development of the service sector ombudsman in India reflects the nation's wider socio-economic changes. The transition from a monopolistic environment with limited consumer protection to a dynamic, competitive market requiring sector-specific grievance redressal systems has been significant. Ombudsman institutions have substantially improved openness, equity, and customer confidence in various service areas. As India progresses deeper into the digital era, the ongoing enhancement of ombudsman procedures, the adoption of technology, and the establishment of strong enforcement frameworks will be crucial for safeguarding consumer rights and maintaining trust in service delivery systems. In the initial decades following independence, India's economy was predominantly closed and state-regulated, with limited emphasis on consumer empowerment. The service industry, primarily governed by state bodies, encountered minimal competition and, as a result, restricted accountability. Citizen complaints and grievances frequently remained unaddressed, resulting in an escalating sense of irritation and distrust among customers. India progressively implemented ombudsman systems to systematically handle issues through an institutional framework. The Banking Ombudsman Scheme, established by the Reserve Bank of India (RBI) in 1995, represented a crucial development in the formalization of grievance resolution within the service sector. This program recognised that financial services were essential to citizen wellbeing and necessitated specific control procedures.

The efficacy of the Banking Ombudsman model promptly motivated the creation of ombudsman schemes in additional sectors. Insurance, telecoms, and non-banking financial

¹⁶Electricity Act, No. 36 of 2003, India Code (2003).

¹⁷ Telecom Regulatory Authority of India Act, No. 24 of 1997, India Code (1997).

¹⁸ Consumer Protection Act, No. 35 of 2019, India Code (2019).

corporations (NBFCs) established grievance redressal authorities based on analogous frameworks. Each institution was established to be accessible, unbiased, and efficient, offering a cost-effective alternative to formal court action. The liberalisation of the Indian economy in the 1990s substantially transformed the service sector. Private entities infiltrated sectors once monopolized by public enterprises, significantly enhancing consumer options. The rise in competition necessitated elevated standards of service and responsibility. Ombudsman institutions have been crucial in ensuring equilibrium between swift market growth and consumer safeguarding.

In Kerala, a highly progressive state in India, the concept of an ombudsman found significant resonance. The state's elevated literacy rates, robust consumer advocacy, and aggressive judiciary facilitated the effective operation of ombudsman programs. Consumers in Kerala promptly embraced the available grievance redressal procedures, establishing the state as a paradigm for other regions in the effective utilization of ombudsman processes. The RBI's implementation of the Integrated Ombudsman Scheme in 2021 signified a new epoch. This reform consolidated the distinct ombudsman schemes for banking, non-banking financial companies, and digital transactions into a singular, cohesive framework. It sought to streamline the grievance redressal process for consumers while facilitating the expedited resolution of concerns. The deployment of technology has been a significant trend in the development of service sector ombudsmen. The implementation of online complaint registration, digital hearings, and electronic documentation has enhanced the efficiency and user-friendliness of grievance redressal processes. During the COVID-19 pandemic, internet channels emerged as crucial instruments for ensuring access to justice. Training programs for ombudsmen and their personnel have been implemented to provide them with the essential abilities to address contemporary issues. The continual revision of operational rules and the implementation of global best practices have significantly improved the professionalism of Indian ombudsman institutions. The foundation of ombudsman success is public trust. Transparent reporting, independent audits, and proactive public communication tactics are essential for sustaining and augmenting that trust.