



How to claim dividend when demat nomination is missing

Legal heirs need to submit a succession certificate when shares value exceeds ₹5 lakh

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Even after six years of her husband's death, Mumbai-based Harjeet Kaur, 60, is yet to receive dividend payouts on the shares her husband had purchased. "He erroneously missed declaring nomination in his demat account," said Kaur.

After her husband's demise, the first task for Kaur was to figure out the process to transfer the shares worth ₹25 lakh in her name. "When I approached the demat desk of State Bank of India to enquire about the transfer process, they asked me to consult a lawyer. The staff didn't know the process to clearly guide me on the next steps. It took me six months just to find the right lawyer for a reasonable fee. Lawyers were quoting higher of 5% of the shares' valuation and ₹5 lakh as fees. For shares worth ₹25 lakh, ₹5 lakh in fees is 20% loss of the investment's value," said Kaur.

"If we hadn't found a lawyer through my son's social circle, we'd have ended up paying ₹5 lakh in fees. The fact that there is no go-to place when one finds themselves in such a situation is a real-time, unsaid problem." The process to get the shares transferred in her demat account took nearly two years, but her struggle is far from over.

"For dividend payouts that have been accumulating in an escrow account these past six years, I have to individually visit offices of all the 18-20 companies that I hold shares in and repeat the whole process with each one of them," said Kaur.

If the nomination is missing, dividend transfer doesn't automatically happen in your demat account even after the shares are transferred. The legal heirs have to go through a cumbersome process of submitting an application along with succession certificates to all the companies.

What should you do

The additional legal documents, apart from the transmission request form, that one needs to submit depend



on the value of the shares or funds. In the case of mutual funds (MFs), where the value of holdings is up to ₹2 lakh, the legal heirs have to submit individual affidavits, proof of relationship with the deceased account holder, and an indemnity bond. When there is more than one heir, some asset management companies (AMCs) or brokers may even insist on a family settlement deed or a no-objection certificate (NOC) as proof that there aren't any disputes among the family members with regard to succession.

When the value of holdings is over ₹2 lakh, an indemnity bond is not enough. AMCs ask for a succession certificate, which is to be obtained by each legal heir. Legal cost of obtaining a succession certificate starts at around ₹1.25 lakh, as per Rajat Dutta, founder and initiator, Inheritance Needs Services. The process can take six months to up to a year.

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Once the heirs submit all the documents, the MF house takes about 30 days to transfer the units.

In the case of shares, the value of holdings beyond which succession certificate is needed is typically capped at ₹5 lakh. However, one should check with their brokers as the rules may vary.

Other documents required to transfer shares are the same as required for MF holdings.

Take note that all the legal heirs are required to open a demat account if they don't already have one, where the shares will be transferred. If the heir has a demat account with a different broker, they need to get the client master report (CMR) signed and attested by their broker. Those who have to get a new demat account can open it with the same broker with whom the deceased has an account to avoid the hassle of getting CMR.

A succession certificate is not needed

if the deceased has left a Will that clearly states how the assets will be distributed among the heirs. However, AMCs and brokers have stringent rules around acceptability of Will.

"If the deceased has left a Will, the last Will is the valid one that is used for transmission to designated beneficiaries," said Dutta.

The last Will is essentially the final document that the testator makes and which has not been modified. Since financial institutions cannot ascertain whether the Will is the last one or not, they ask for a probated Will.

"A Will can be rejected by competent court of jurisdiction or beneficiaries on grounds of its genuineness (being forged or being made under suspicious circumstances) or on technicalities wherein the date is missing, signature is missing, signature is different, attesting witnesses are deceased and their signatures are forged, etc.," said Dutta.

A probated Will is certified under a court's seal and hence holds legal validity.