

## 1. FAIR PRACTICES CODE FOR LENDERS

As directed by the Reserve Bank of India, from time to time through its circulars, the Bank has adopted this Fair Practice Code for Lenders as approved by the Board of Directors. The salient features of the same are:

### 1.1. Applications for Loan

- 1.1.1. In the loan application form/ terms and conditions in the sanction letter, the Bank shall provide comprehensive information including information about fees / charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned / disbursed, pre-payment options and charges, if any, penalty for delayed repayments if any, conversion charges for switching loan from fixed to floating rates or vice versa, existence of any interest reset clause and any other matter which affects the interest of the borrower irrespective of the amount of loan sought by them. Such information shall also be displayed on the website of the Bank for all categories of loan products.
- 1.1.2. The bank shall inform 'all-in-cost' to the customer to enable him/ her to compare the rates charges with other sources of finance. It shall also be ensured that such charges / fees are non-discriminatory.
- 1.1.3. The amount of fees to be refunded under certain circumstances shall be governed by extant RBI guidelines.

### 1.2. Processing

- 1.2.1. The Bank shall provide acknowledgement for receipt of all loan applications. In case of loan applications up to Rupees two lakhs, the Bank shall also indicate the time frame within which the application will be disposed of in the acknowledgement. The timeframe from the date of receipt of completed loan application shall be as per the following table:

<b>Up to Rs.50000</b>	Within 2 weeks
<b>Above Rs.50000 and up to Rs.2.00 lakh</b>	Within 2 weeks
<b>Above Rs.2.00 lakh and up to Rs. 25 lakh</b>	Within 3 weeks
<b>Above Rs. 25 lakh (Includes infra loans under Public Finance)</b>	Within 8-9 weeks

- 1.2.2. The Bank shall verify the loan application within a reasonable period and if additional details/ documents are required; these will be sought from the applicant.
- 1.2.3. For all categories of loans and irrespective of any threshold limits, the Bank shall process the application without delay on its part. In case the application is turned down, the Bank shall convey in writing to the applicant the reasons for rejection

within one month.

### **1.3. Loan Appraisal and Terms and Conditions**

1.3.1.The sanctioning authority shall ensure proper assessment of the credit application as per the extant instructions and credit policy of the bank. The availability of adequate margin and security shall not be a substitute for due diligence on the creditworthiness of the customer.

1.3.2.The bank shall convey to the borrower/guarantor the credit limit along with the terms and conditions thereof and obtain the borrower's/guarantor's acceptance of these terms and conditions given with his/ her full knowledge on record.

1.3.3.In case of approved credit proposals, terms and conditions and other caveats governing credit facilities given by the Bank shall be reduced in writing and duly certified by a Bank official. In case of individual loans, a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all the borrowers at the time of sanction/ disbursement.

1.3.4.The sanction letter / loan agreement will clearly state that the credit facilities will be extended solely at the discretion of the Bank and that drawings under the following circumstances will be solely at the discretion of the Bank:

1.3.4.1. Drawings beyond the drawing power / sanctioned limits.

1.3.4.2. Honouring of cheques issued for the purpose other than specifically stipulated in the sanction.

1.3.4.3. Drawings in an account once it is classified as NPA.

1.3.5.No drawings will be allowed in case of non-compliance of the terms and conditions by the borrower.

1.3.6.Meeting further requirements of the borrower on account of growth in business will be subject to proper review of the credit limits.

### **1.4. Disbursement of loans including changes in Terms and Conditions**

1.4.1.The Bank would ensure timely disbursement of loans sanctioned in conformity of terms and conditions governing such sanction.

1.4.2.Any changes in the terms and conditions of the sanction such as interest and service charges shall be notified to the borrower before effecting the changes.

1.4.3.Any changes in interest rate and service charges shall be effected only prospectively.

### **1.5. Post Disbursement Supervision**

- 1.5.1.The post disbursement supervision, such as submission of periodical reports and periodic inspection, will be stipulated at the time of issue of the sanction letter. The sanction letter would also mention whether the Bank or the borrower will bear the cost of inspection. Such supervision shall be constructive with a view to taking care of any "lender-related" genuine difficulty that the borrower may face, particularly in respect of loans up to Rupees two lakh.
- 1.5.2.Before taking a decision to recall / accelerate payment or performance under the agreement or seeking additional securities, the Bank shall give notice to borrowers, as specified in the loan agreement or a reasonable period, if no such condition exists in the loan agreement.
- 1.5.3.The Bank shall release all securities on receiving payment of loan. However, the Bank may decide to exercise the right to set off any legitimate right or lien for any other claim against borrower. If such right of set off is to be exercised, borrowers shall be given notice about the same with full particulars about the remaining claims and the documents under which the Bank is entitled to retain the securities till the relevant claim is settled/ paid.

### **1.6. General Principles**

- 1.6.1.The Bank shall not interfere in the affairs of the borrowers except where provided for in the terms and conditions of the loan sanction documents, such as periodic inspection, scrutiny of books of accounts, verification of stocks and book debts, and scrutiny of QIS statements.
- 1.6.2.In case any information not disclosed earlier by the borrower has come to the notice of the Bank, the Bank will have the right to elicit the necessary information from the borrower and initiate action to protect its interest.
- 1.6.3.While the Bank may participate in credit-linked schemes framed for weaker sections of the society, the Bank shall not discriminate on grounds of sex, caste and religion in the matter of lending.
- 1.6.4.In the matter of recovery of loans, the Bank shall not resort to undue harassment such as persistently bothering the borrowers at odd hours, use of muscle power etc.
- 1.6.5.In the case of receipt of request for transfer of borrowal account, either from the borrower or from other banks / FIs which propose to take over the loan, the Bank's consent or objection, if any, shall be conveyed within 21 days from the date of receipt of request.

### **1.7. Grievance Redressal**

1.7.1. Though the sanction of the loans will be at the sole discretion of the Bank, borrowers will have an opportunity to appeal against the decision. For this purpose, the applicant/ borrower may contact the relevant contact for grievance redressal as defined in the grievance redressal policy of the Bank (part of the customer service policy of the Bank)

## **1.8. Monitoring and Reporting**

**1.8.1.** Adherence to this code shall be reviewed on an annual basis by Head-Compliance and a report of the same shall be submitted to the Board of Directors

## **1.9. Policy implementation and update**

1.9.1. This policy shall come into force from the date of approval by the board of the Bank

1.9.2. This may be reviewed annually or on an as-needed basis, but shall be effective till subsequent approval by the board of the Bank