

Fair Practices Code for lenders

Fair Practices Code for Lending is a code of Customer Rights adopted by our Bank, which aims to achieve harmonization of best practices while dealing with Customers. It aims to provide valuable inputs to Customers and facilitates effective interaction of customers with the Bank in a transparent manner. The Bank's guidelines on "Fair Practices Code for Lending" are given below:

1. **Application for loans and their processing:**
 - a. In case of loan applications received from borrowers under all categories and irrespective of the amount of the loan sought by the borrower, the operative levels should disclose to the borrower all 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, penalty for delayed repayments, 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. It is important to mention that levying of any charges without disclosing the same to the borrower is an unfair practice.
In addition, B/Us should also mention all the charges/interest rate (fixed/floating)/pre-payment penalty/others while issuing sanction letter to the borrower.
 - b. Operative levels should give acknowledgement to the applicant for receiving the loan application form after receiving the prescribed application form along with all relevant information/documents. Time frame of 15 days for disposing of all the loan applications up to Rs.2.00 lacs should also be indicated in the acknowledgement of such applications.
 - c. The verification of the loan applications should be done within a reasonable period of time. If additional details/ documents are required, the borrowers should be immediately informed, in writing also and the same may be kept on record.
 - d. In case of all categories of loans, irrespective of any threshold limit, including credit card applications, operative levels should convey in writing, the main reason/reasons which in their opinion have led to rejection of the loan application.
2. **Loan appraisal and terms/conditions**
 - a) A proper assessment of credit application of the borrowers is to be made by operative levels. The practice of using margin and security stipulation as a substitute for due diligence on credit worthiness of the borrower should be avoided.
 - b) B/Us should convey to the borrowers/guarantors the information on credit limit/s sanctioned along with the terms and conditions thereof and keep the borrower's/guarantors acceptance of these terms and

conditions, given with his/their full knowledge and under his/their signature on record.

- c) B/Us should convey in writing the terms and conditions and other caveats governing credit facilities sanctioned, arrived at after negotiation held with the borrower, duly certified by an authorized official. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement should be furnished to the borrower/s at the time of sanction/disbursement of loans.
- d) As far as possible, the loan agreement should clearly stipulate credit facilities that are solely at the discretion of the Bank. These may include approval or disallowance of facilities, such as, drawings beyond the sanctioned limits, honoring cheques issued for the purpose other than specifically agreed to in the credit sanction, and disallowing drawing on a borrowal account on its classification as a non-performing asset or on account of non-compliance with the terms of sanction. It may also be specifically stated that the Bank does not have an obligation to meet further requirements of the borrower on account of growth in business etc., without proper review of credit limits.
- e) In case of lending under consortium arrangement, branches are advised to complete appraisal of proposals in the time bound manner, so that the final decision on proposal shall be taken within maximum period of 4 weeks after receiving of complete set of information by the competent authority. The decision on proposal should be communicated to the applicant immediately in writing after receiving the same from sanctioning authority.

3. **Disbursement of Loans including changes in terms and conditions:**

The sanctioned loan should be timely disbursed in conformity with the terms and conditions governing such sanction. In case of any change in the terms and conditions including interest rates, service charges etc. the borrower should be immediately informed in writing and the same should be also kept on record. The change in interest rates and charges are to be affected only prospectively.

4. **Post Disbursement Supervision**

- a) Post disbursement supervision in respect of all loans and in case of loans up to Rs.2.00 lacs particularly should be constructive with a view to taking care of any lender related genuine difficulty that the borrower may face.
- b) Before taking a decision to recall/accelerate payment or performance under the agreement or seeking additional securities, a notice to borrowers as specified in the loan agreement should be given for a reasonable period if no such condition exists in the loan agreement.

- c) The securities charged to the Bank should be released on receiving payment of loan or realization of loan within 15 days the repayment of all dues agreed to or contracted, subject to any legitimate right or lien for any other claim bank may have against the borrower. If such right of set off is to be exercised, borrower should be given notice about it with full particulars about the remaining claims and the documents under which Bank is entitled to retain the securities till the relevant claim is settled/paid.

5. General

- a) The operative levels should restrain from interference in the affairs of the borrowers except for what is provided in the terms and conditions of the loan sanction documents unless new information, not earlier disclosed by the borrower, has come to the notice of the Bank.
- b) No discrimination on grounds of sex, caste, and religion in the matter of lending should be made. However, this does not preclude the Bank from participating in credit linked schemes framed for weaker sections of the society.
- c) In the matter of recovery of loans, the operative levels should not resort to undue harassment viz. persistently bothering the borrowers at odd hours and use of muscle power for recovery of loans etc.
- d) In case of receipt of request for transfer of borrowal account, either from the borrower or from other bank/financial institution, which proposes to take over the account, the consent or otherwise i.e. objection of the Bank, if any, should be conveyed within 14 days from the date of receipt of request.
- e) Rejection of loan applications falling under priority sector and SMEs should be done only after seeking ratification of the decision by the next higher authority.

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