

Fair Practices Code for Lenders

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Contents

1. Fair Practices Code for Lenders	3
1.1. Applications for loans and their processing	3
1.2. Loan appraisal and terms/conditions	3
1.3. Disbursement of loans including changes in terms and conditions	4
1.4. Post disbursement supervision	4
1.5. General	4

1. Fair Practices Code for Lenders

The bank would introduce transparent and fair practices as envisaged by RBI in respect of acknowledging loan application, their quick processing, appraisal and sanction, stipulation of terms and conditions, post disbursement supervision, changes in terms and condition, recovery efforts, etc. Detailed guidelines given in para 2.5 of the Master Circular on Loans and Advances dated July 1, 2015 would be followed by the bank.

1.1. Applications for loans and their processing

- a. The bank would introduce comprehensive loan application forms in respect of all categories of loans irrespective of the amount of loan sought by the borrower. The bank would transparently 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, 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. Such information would also be displayed on the website of the bank for all categories of loan products. The bank would abide by Reserve Bank guidelines in this regard.
- b. The bank would not levy charges, in addition to a processing fee, which are not initially disclosed to the borrower. Further, all information relating to charges/fees for processing of the loan application would be disclosed in the loan application forms. The bank would inform all-in-cost to the customer to enable him to compare the rates charges with other sources of finance. It would also be ensured that such charges / fees are non-discriminatory. -
- c. The bank would give an acknowledgement for receipt of all loan applications and scrutinize them within a reasonable period of time. If additional details / documents are required, the bank would intimate the borrowers immediately.
- d. In case of all categories of loans irrespective of any threshold limits, including credit card applications, the bank would convey in writing, the main reason/reasons which, in the opinion of the bank after due consideration, have led to rejection of the loan application, within stipulated time.

1.2. Loan appraisal and terms/conditions

- a. The bank would ensure that there is proper assessment of credit applications received from the borrowers. The bank would not use margin and security stipulation as a substitute for due diligence on credit worthiness of the borrower.
- b. The bank would convey to the borrower the credit limit along with the terms and conditions thereof and keep the borrower's acceptance of these terms and conditions given with his full knowledge, on record.
- c. Terms and conditions and other caveats governing credit facilities given by the bank would be arrived at after negotiation by the bank and the borrower and would be reduced in writing and would be duly certified by the

authorised official. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement would be furnished to the borrower at the time of sanction / disbursement of loans.

- d. The loan agreement would clearly stipulate that credit facilities are solely at the discretion of the bank. This would include approval or disallowance of facilities, such as, drawings beyond the sanctioned limits, honouring 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 would be specifically stated that the bank does not have an obligation to meet further requirements of the borrowers on account of growth in business etc. without proper review of credit limits.
- e. In the case of lending under consortium arrangement, the participating lenders would evolve procedures to complete appraisal of proposals in the time bound manner to the extent feasible, and communicate their decisions on financing or otherwise within a reasonable time.

1.3. Disbursement of loans including changes in terms and conditions

The bank would ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction. The bank would give notice of any change in the terms and conditions including interest rates, service charges etc. The bank would also ensure that changes in interest rates and charges are effected only prospectively.

1.4. Post disbursement supervision

- a. Post disbursement supervision by the bank would be constructive. Before taking a decision to recall / accelerate payment or performance under the agreement or seeking additional securities, the bank would give notice to borrowers, as specified in the loan agreement or a reasonable period, if no such condition exists in the loan agreement.
- b. The bank would release all securities on receiving payment of loan or realisation of loan subject to any legitimate right or lien for any other claim the bank would have against borrowers. 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 would be entitled to retain the securities till the relevant claim is settled/ paid.

1.5. General

- a. The bank would not interfere 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 lender).
- b. The bank would not discriminate on grounds of sex, caste and religion in the matter of lending. However, this would 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 bank would not resort to undue harassment of the borrower viz. persistently bothering the borrowers at odd hours, 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 a bank/financial institution, which proposes to take- over the account, the consent or otherwise i.e., objection of the bank, if any, would be conveyed within 21 days from the date of receipt of request.

The Bank would put in place the appropriate grievance redressal mechanism in the bank to resolve disputes arising in this regard. Such a mechanism would ensure that all disputes arising out of the decisions of the bank's functionaries are heard and disposed of at least at the next higher level. The Management team would also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism .A consolidated report of such reviews would be submitted to the Management team at half yearly intervals.