

FAIR PRACTICES CODE FOR MICROFINANCE LOAN

Preamble

This is a **voluntary code**, adopted by the Bank for the Microfinance Loan. It will act as a benchmark service standard in Bank's dealings with individual customers. The code is expected to help the Microfinance Loan Borrowers in knowing their rights and also measures they should take to protect their interests.

As a voluntary document, the code promotes competition and encourages market forces to achieve higher operating standards to benefit customers. In the code, "you / your" denotes the Microfinance Loan Borrower and "we / us / our" denotes the Bank.

Unless stated otherwise, all parts of this code apply to all the Microfinance Loan Product and services, whether we provide them across the counter, over the phone, on internet or by any other method.

Commitments outlined in this code is applicable under normal operating environment. In the event of *force majeure*, we may not be able to fulfil the commitments under this code.

A. We promises & Undertake to:

- To provide in a professional manner, efficient, courteous, diligent and speedy services in the matter of Micro Finance.
- Not to discriminate on the basis of religion, caste, gender, descent or any of them.
- Making sure Bank's products and services meet relevant laws and regulations.
- To provide customers with accurate and timely disclosure of terms, costs, rights and liabilities as regards loan transactions.
- To attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal cells within the organization.
- To comply with all the regulatory requirements in good faith.
- To spread general awareness about potential risks in contracting loans and encourage customers to take independent financial advice and not act only on representations from banks.
- Ensuring that our dealings with you will rest on ethical principles of integrity and transparency
- Not engaging in any unlawful or unethical consumer practice.

B. Fair Practice

1. Product Information:

- 1.1. You would be given all the necessary information adequately explaining the range of Microfinance loan products available with the us to suit your needs.
- 1.2. On exercise of choice, you would be given the relevant information about the Microfinance loan product of your choice.
- 1.3. You would be explained the processes involved till sanction and disbursement of loan and would be informed of timeframe within which all the processes will be completed ordinarily at our bank.

1.4. You would be informed the procedure involved in servicing and closure of the loan taken.

2. Interest Rates

2.1. Interest Rates for Microfinance loan products would be made available through and in anyone or all of the following media, namely:

- a) In the Bank's Web site
- b) Over phone, if Tele Banking services are provided
- c) Through prominent display in the branches and at other delivery points
- d) Through other media from time to time

2.2 You would be entitled to receive periodic updates on the interest rates applicable to your accounts.

2.3 On demand, you can have full details of method of application of interest.

3 Revision in Interest Rates:

3.1 We would notify immediately or as soon as possible any revision in the existing interest rates and make them available to you in the media listed in Para 2.1.

3.2 Interest Rate revisions would be intimated within 7 working days from the date of change through notifications in the Bank's Website/ media/ notice board at branches.

4. Default Interest/Penal Interest:

4.1 We would notify clearly about the default interest/penal interest rates to you.

5. Charges:

5.1 We would notify details of all charges payable by you in relation to your loan account.

5.2 We would make available to you all the details relating to charges generally in respect of your Microfinance loan products in the media specified in Para 2.1.

5.3 Any revision in charges would be notified in advance and would also be made available in the media as listed in Para 2.1.

6. Terms and Conditions for Lending:

6.1 We would ordinarily give an acknowledgement of receipt of loan request & a copy of the application form duly acknowledged would also be given, as soon as you applied for Microfinance Loan.

6.2 We require to carry out necessary due diligence before arriving at credit decisions, timely and adequate availability of credit. It is, however, reiterated that there should not be any compromise on due diligence requirements. We may also make suitable disclosures on the timelines for conveying credit decisions through our websites, notice-boards, product literature, etc.

6.3 We should verify the loan applications within a reasonable period of time. If additional details / documents are required, we should intimate you immediately.

6.4 We should convey in writing, the main reason/reasons which, in our opinion after due consideration, have led to rejection of the loan applications within stipulated time.

- 6.5 Immediately after the decision to sanction the loan, we would show draft of the documents that you require to execute and would explain, if demanded by you, the relevant terms and conditions for sanction and disbursement of loan.
- 6.6 Loan Application forms, Draft documents or such other papers to be signed by you shall comprehensively contain all the terms and conditions relating to the product or service of your choice.
- 6.7 Before disbursement of loan and on immediate execution of the loan documents, we shall deliver a copy of the documents to you.

7. Accounting Practices:

- 7.1 We would provide regular statement of accounts, unless not found necessary by you
- 7.2 We would notify relevant due dates for application of agreed interest, penal interest, default interest, and charges if they are not mentioned in the Loan applications, documents or correspondence.
- 7.3 We would notify in advance any change in accounting practices which would affect the customer before implementation

8. Information Secrecy

- 7.1 All your personal information would be confidential and would not be disclosed to any third party unless agreed by you. The term 'Third party' excludes all Law enforcement agencies, Credit Information Bureaux, Reserve Bank of India, other banks/ financial and lending institutions.
- 7.2 Subject to above Para, your information would be revealed only under the following circumstances;
 - If We are compelled by law
 - If it is in the Public Interest to reveal the information
 - If the interest of the Bank require disclosure.

9. Post Disbursement Supervision:

- 9.1 Post disbursement supervision, particularly in respect of Microfinance loans, should be constructive with a view to taking care of any genuine difficulty that the borrower may face.
- 9.2 Before taking a decision to recall / accelerate payment or performance under the agreement or seeking additional securities, notice should be given to you, as specified in the loan agreement or a reasonable period, if no such condition exists in the loan agreement.
- 9.3 All securities shall be released on receiving payment of loan or realization of loan subject to any legitimate right or lien for any other claim we may have against you. If such right of set off is to be exercised, you shall be given notice about the same with full particulars about the remaining claims and the documents under which we are entitled to retain the securities till the relevant claim is settled/ paid.

10. Recovery Mechanism:

- 10.1 The repayment schedule for Microfinance loan sanctioned by the us will be fixed taking into account your' re-paying capacity and cash flow pattern.
- 10.2 We will explain to the you the upfront method of calculation of interest and how the Equated Monthly Instalments (EMI) or payments through any other mode of repayment will be appropriated against interest and principal due from you.

- 10.3 We would expect that you should adhere to the repayment schedule agreed to and approach to us for assistance and guidance in case of genuine difficulty in meeting repayment obligations.
- 10.4 All the practices adopted by us for follow up and recovery of dues and repossession of security will be in consonance with the law.
- 10.5 You would be contacted ordinarily at the place of your choice and in the absence of any specified place, at the place of business/occupation and if unavoidable at your place of residence.
- 10.6 Identity and authority of persons authorized by us for follow up and recovery of dues would be made known to you at the first instance. Our staff or any authorized representative for collection of dues or/and security repossession will identify himself / herself and display the authority letter issued by us upon request.
- 10.7 We would respect your privacy.
- 10.8 We are committed to ensure that all written and verbal communication with you will be in simple business language and we will adopt civil manners for interaction with you.
- 10.9 Normally Our representatives will contact you between 0700 hrs and 1900 hrs, unless the special circumstance of your business or occupation requires us to contact at a different time.
- 10.10 Your requests to avoid calls at a particular time or at a particular place would be honoured as far as possible.
- 10.11 We will document the efforts made for the recovery of dues and the copies of communication sent to you, if any, will be kept on record.
- 10.12 All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- 10.13 Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.
- 10.14 **The bank's right to general lien and its implications should be adequately made clear to you at the time of availing loan.**

11. Grievance Redressal

- 11.1 The Bank would have a Grievance Redressal Cell/ Department/ Centre within the organization.
- 11.2 The Bank would make available all details, namely;
 - a. Where a complaint can be made?
 - b. How a complaint should be made?
 - c. When to expect a reply?
 - d. Whom to approach for redressal of grievance? etc.,to you individually on demand and through the media listed in Para 2.1.
- 11.3 Response to a complaint whether positive or negative or requiring more time for redressal would generally be given within a maximum period of four weeks from the date of receipt of complaint, unless the nature of complaint is such that requires verification of voluminous facts and figures.
