

FAIR PRACTICE CODE – MICROFINANCE LOANS

The Fair Practice Code (FPC) is a policy framework designed to ensure transparency, fairness, and ethical behavior in lending practices of banks providing microfinance loans. The code is here under in line with RBI guidelines issued from time to time.

1. General:

- a. The Bank will not indulge in any unfair practice either in the preparation, processing and sanction of loan proposals or in the recovery of loans.
- b. The Bank will make known to the borrower the amount of loan sanctioned along with the terms and conditions thereof.
- c. The Bank will ensure that all the terms and conditions of the loan sanction are conveyed in writing to the borrower.
- d. The Bank will give acknowledgement for receipt of loan applications either through physical or digital mode.
- e. The Bank will verify the loan applications within a reasonable period of time and communicate the sanction or rejection of the loan.
- f. The Bank will comply with all the regulatory requirements in good faith.

2. Loan Application:

- a. The loan application form will include necessary information with all the terms and conditions for the purpose of informed decision can be taken by the borrower.
- b. The loan application form will indicate the documents required to be submitted along with the application form.
- c. If any additional details/documents are required, the same will be intimated to the borrower immediately.
- d. The Bank will ensure that all the information furnished by the borrower is treated with utmost confidentiality.
- e. The Bank will provide timely and accurate data to the CICs (Credit Information Company) and use the data available with them to ensure compliance with the

level of indebtedness. Besides, the Bank will also ascertain the same from other sources such as declaration from the borrowers, their bank account statements and local enquires, to avoid multiple or over-lending.

3. Interest Rates

The Rate of Interest for Microfinance Loans would be made available through and in anyone or all of the following media/mode:

- a. In the Bank's website.
- b. Through prominent display in the Notice Board at the branches.
- c. Notice to the borrower.

4. Loan Appraisal and Terms / Conditions:

- a. The Bank will conduct proper due diligence to assess the need and repayment capacity of customer based on information from the applicant, credit bureau and/or field level intelligence before disbursing a loan.
- b. The Bank will use a valid Credit Information Report before sanctioning any loan.
- c. The Bank will convey in writing to the borrower by means of a sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions thereof.
- d. The Bank will include only such charges in the loan amount as are disclosed to the borrower.
- e. The Bank will furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of loans.

5. Disbursement of Loans including Changes in Terms and Conditions:

- a. The Bank will disburse the loan commensurate with the customer's ability to repay.

- b. The Bank will give notice to the borrower of any change in the terms and conditions, including disbursement schedule, interest rates, service charges, prepayment charges, etc.
- c. The Bank will ensure that all the disbursements of loans are made only after the borrower has fulfilled the terms and conditions of the loan sanction.
- d. The Bank will release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the bank may have against borrower.
- e. The Bank will ensure that the decisions taken by the bank in respect of the loan applications and disbursements thereof are conveyed to the borrower in writing.

6. Grievance Redressal Mechanism:

- a. The Bank will have a grievance redressal mechanism in place to resolve any complaints or grievances that the borrower may have with respect to the loan.
- b. The Bank will provide the borrower with the details of the grievance redressal mechanism and the escalation matrix for raising complaints.
- c. The Bank will ensure that all complaints or grievances are resolved in a timely and effective manner.