



Fair Practices Code for Lenders

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FAIR PRACTICES CODE FOR LENDERS

The Fair Practices Code for UJJIVAN SMALL FINANCE BANK seeks to provide transparency and clarity to the Bank's borrowers with regard to their transactions with the Bank. These guidelines relate only to the domestic banking business of UJJIVAN SMALL FINANCE BANK (The Bank)

The Bank's policy is to treat all the clients consistently and fairly. Its employees will offer assistance, encouragement and service in a fair, equitable and consistent manner. Fair Practice code would be made available to all customers at branches and through our Website.

Non - Discrimination policy

The Bank shall not discriminate between its customers on the basis of race, caste, colour, religion, sex, marital status, age (over that of majority), financial status or physical disability.

Loan application and agreement

The Bank shall ensure that the Loan application forms are comprehensive in respect of all categories of loans irrespective of the amount of loan sought by the borrower. The Bank shall provide a checklist of documents to be submitted (compliant with legal and regulatory requirements) along with the loan application form to enable the customer to submit the application complete in all respects.

In case the Bank offers / approves a credit facility over the telephone, the Bank shall credit the customer's account with the amount only after receiving customer's acceptance in writing or their consent is obtained through authenticated electronic means / after necessary validation. The Bank shall not offer any unsolicited pre-approved credit facility in any form.

The Bank shall have a system of giving acknowledgement for receipt of all loan applications along with explicitly mentioning timeline to process the loan application

Loan assessment and appraisal

The Bank shall conduct proper assessment of credit application of the borrowers and should not use only margin and security stipulation as a substitute for due diligence on credit worthiness of the borrower. The Bank shall convey to the borrower the credit limit along with the applicable terms and conditions. Terms and conditions and other caveats governing credit facilities given by the Bank arrived at, after negotiation with the borrower shall be reduced in writing and duly certified by the authorised official. The Bank shall keep the borrower's acceptance of these terms and conditions given with his full knowledge on record.

Information exchange with CICs with respect to loan applications

The Bank shall explain to the customer the role of Credit Information Companies (CICs), checks undertaken with the CICs and the effect that the information the CIC provides, can have on the customer's ability to avail credit.

The Bank may furnish a copy of the credit information report obtained from the CIC on request from the customer and on payment of the prescribed fee.

The Bank shall provide information about credit availed by the customers to the CIC at periodic intervals on any defaults in repayment and then update the regularisation of the loan account in the next report.

Timelines for Credit Decisions

The Bank shall have a defined procedure for disposal of loan proposals, with appropriate timelines (30 working days from the date of receipt of the loan application for loans up to Rs. 20 lakhs) and institute a suitable monitoring mechanism for reviewing applications pending beyond the specified period. The Bank shall make suitable disclosures on the timelines for conveying credit decisions through their websites, notice-boards, product literature, and such other modes

The Bank shall verify the loan applications within a reasonable period of time and intimate the borrowers immediately in case of additional details/ documents are required.

In case of rejection of any loans, the Bank shall convey in writing, either through SMS or a letter, the main reason/reasons for rejection of the loan applications within stipulated time.

Procedure to be followed on sanction of loan

The Bank shall give a written receipt for all documents to title taken as security/ collateral for any loan. The Bank shall not insist on collateral security for credit limits up to Rs. 1 lakh (excludes loans to MSE customers where higher collateral free limit of Rs. 3 lakhs is applicable).

The Bank shall explain the repayment schedule, viz. amount, tenure and periodicity of repayment at the time of sanction of loans and shall have a defined process for collection of dues. The Bank shall give the customer the option to let equated monthly instalments (EMIs) stay constant and changed tenure or vice-versa when the interest rate changes. The Bank shall explain the methodology for calculation of interest on loans.

The Bank shall furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to the borrower at the time of sanction/disbursement of loans. The loan agreement shall clearly stipulate credit facilities are solely at the discretion of the Bank without having any obligation to meet the further credit requirements of the borrowers on account of growth in business. The Bank shall provide the customer with an annual statement of loan account if requested by the customer. .

The Bank shall 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 Bank).

Transparent and honest dealing with customers

The Bank shall ensure that its advertising and promotional literature is clear and not misleading. The Bank shall ensure that the customer is given clear information about its products and services, the terms and conditions and the interest rates/charges, which apply to them. The Bank shall provide information on the facilities provided to the customer and how the customer can avail of these and whom and how they may contact for addressing their queries.

Disbursement of loans

The Bank shall ensure timely disbursement of loans sanctioned in conformity with the applicable terms and conditions. The Bank shall give notice of any change in the terms and conditions including interest rates and such other service charges, which shall be effected only prospectively.

The Bank shall have a constructive post disbursement supervision mechanism particularly in respect of loans up to Rs 2 lakhs to take care of any genuine difficulties faced by the borrower. The Bank shall take a decision to recall / accelerate payment or performance under the agreement or seek additional securities after giving due notice to borrowers. The Bank believes in following fair practices with regard to collection of dues and repossession of security thereby fostering customer confidence and long-term relationship and thereby ensures that there is no coercive practice followed while collecting the dues.

Fees and charges in respect of loans

The Bank shall disclose, in sanction letter/ agreement, 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, existence of any interest reset clause and any other matter which affects the interest of the borrower.

The Bank shall display information on rates of interest, service charges and other fees on its website for all categories of loan products. The branches of the Bank shall have a copy of the Tariff Schedule, the availability of which shall be notified by way of a notice on the Comprehensive Notice Board.

The Bank shall inform 'all-in-cost' to enable customers to compare the rates charges with other sources of finance. The Bank shall ensure that such charges/ fees are non-discriminatory. The Bank shall inform its customers of changes in interest rates on its loan products by means such as letter, email or SMS.

Takeover of Loans by other Banks

The Bank shall convey any objection in respect of borrowal accounts which are being taken over by banks/ financial institutions within 21 days from the date of receipt of request.

Recovery of Loans

In the matter of recovery of loans, the Bank shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Bank shall not initiate any legal or recovery measures including repossession of the security without giving due notice to the borrower in writing.

The Bank`s approach for recovery should be practical and non-prejudiced. Fair treatment and persuasion are the basic principles of recovery mechanism. Enforcement of security be undertaken only where restructure / rehabilitation has failed or impossible. The Bank shall follow all such procedures as required under law for recovery/repossession of the security.

Fair practices pertaining recovery of loans are further detailed in "Collection of Dues and repossession of Securities" policy, hosted in The Bank`s website.

Release of Security on Closure of Loans

The Bank shall 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 may have against such borrowers. The Bank shall return to its customers all the securities/ documents/ title deeds of mortgaged property within 15 days of the repayment of all dues agreed to or contracted. The Bank shall give notice to borrowers if it decides to exercise the right of set off. The notice shall have 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.

Customer Grievance Redressal

The Bank has established a mechanism for redressal of grievances of borrowers, which is further detailed in Customer Grievance Redressal Policy hosted on The Bank`s website or available with branches of The Bank.

An annual review of the compliance with the Fair Practices Code (FPC) for lenders and the functioning of the grievance redressal mechanism will be presented to the Customer Service Committee of the Board.