



## **Policy on fixing service charges**

(Version 2.2)

**Corporate office Address:**

**Ujjivan Small Finance Bank Ltd.**

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Policy Approval Committee	
Board Committee	Customer Service Committee
Management Committee	Product & Process Approval Committee

Effective Date	Feb 06, 2017
Approver	Board of Directors
Approved on	Jan 10, 2017
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Policy Owner	Head – Branch Banking
Review frequency	Annual
Annual review approved on	October 19,2020
Annual review version 2.2 approved on	May 12,2022

Document version control			
Version	Date	Policy Owner	Changes
1.0	10/01/2017	Business Head - Branch Banking	First version <b><u>-Policy on fixing service charges</u></b>
2.0	25/07/2019	Business Head - Branch Banking	<p><b>4. Governance Structure:</b> The constitution of the PPAC (PPAC)</p> <p><b>5. Principles:</b></p> <ul style="list-style-type: none"> <li>▪ Ensure that the charges are reasonable and are not out of line with the average cost of providing these services</li> <li>▪ The term "all-inclusive interest" includes interest (effective annual interest), processing fees and service charges.</li> <li>▪ As per the RBI guidelines for ensuring reasonableness of Bank Charges, Bank will follow various provisions of the Code of Bank's Commitment to Customers, implementation of which is monitored by the Banking Codes and Standards Board of India (BCSBI).</li> </ul> <p>In adherence to RBI guidelines,</p> <p><b>6. Formulation of Service Charges</b> The PPAC approved proposal would be considered final and conclusive for fixing service charges.</p> <p><b>7. Disclosure of information pertaining to Service Charges</b></p>

			<p>The bank shall 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 shall also be displayed on the website of the bank for all categories of loan products.</p> <p>The bank shall ensure that all information relating to charges/fees for processing are invariably disclosed in the loan application forms.</p> <p>While Framing Product, Bank will ensure that no loan related and adhoc service charges / inspection charges will be levied on priority sector loans up to Rs. 25,000. In case of eligible priority sector loans to SHGs / JLGs, this limit will be applicable per member and not to the group as a whole.</p> <p><b>10.Policy Review &amp; Updates</b></p> <p>Annual review of the charges introduced during the year shall be submitted to the Board for appraisal/approval or ratification and newly introduced charges (if any) during quarter shall be placed before the Board every quarter for appraisal and ratification.</p>
2.1	05/11/2019	Business Head - Branch Banking	<p><b>5. Principles:</b></p> <p>- Bank`s savings bank accounts shall not turn into negative balance on levy of the service charges including non-maintenance of minimum balance charges, as Bank creates lien of such charges in the respective accounts and ensure recovery only on availability of sufficient balance in the accounts</p> <p>- Levy of the Penal/ Non Maintenance of Minimum Balance charges into the applicable Savings bank products of the Bank, shall be slab based i.e. charges shall be a fixed percentage levied on the amount of difference between the actual balance maintained and the minimum balance as agreed upon at the time of opening of account. Bank shall</p>

			<p>place a suitable slab structure for recovery of such charges.</p> <ul style="list-style-type: none"> <li>- Ensure that the uniformity in the levy of RTGS and NEFT charges as prescribed by RBI from time to time. This needs to be adhered even in Business Correspondent Banking outlets too.</li> <li>- Ensure to follow a uniform, fair and transparent pricing policy and not discriminate between their customers at home branch and non-home branches. Accordingly, if a particular service is provided free at home branch, the same should be available free at non-home branches also. There should be no discrimination as regards inter-sol charges between similar transactions done by customers at home branch and those done at non-home branches</li> </ul>
2.2	19-10-2020	Head Liabilities	<ol style="list-style-type: none"> <li>1. Annual review</li> <li>2. PPAC members list has been modified</li> </ol>
2.2	12-05-2022	Head- Branch Banking	<ol style="list-style-type: none"> <li>1. Annual review</li> <li>2. Ownership has been changed as Head-Branch Banking.</li> <li>3. PAC members list has been modified</li> </ol>

	<b>Name of the Member</b>	<b>Signature</b>
Head -Branch Banking	Sumit Thomas	

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## **1. Introduction**

Ujjivan Small Finance Bank (hereinafter referred to as “the Bank”) emphasizes on inculcating a culture of providing responsible finance and building an institution which is best in class in customer service, innovation and efficiency amongst other aspects. Customer Service is a key focus area of the Bank. The Bank focuses on following a holistic approach targeting consistent improvement in customer experience and quality of operations. This policy seeks to cover the guidelines for dealing with the customer service requirements hereby fixing service charges to ensure fair treatment to customers in all aspects with the Bank.

The policy document shall include the regulatory requirements and leading market practices on fixing on service charges.

## **2. Objectives**

The Bank, through its policy, aims to align norms for fixing service charges in line with the reasonable expectations of customers. The Bank’s intention is to provide each customer with a personalised, seamless experience that makes it easier for them to manage banking with the Bank.

The key objectives of this policy are as follows:

- Provide a framework to senior management for outlining reasonable limits for service charges for the products/ services
- Allow flexibility to the senior management for fixing/ modifying service charges
- Promote good and fair banking practices by setting reasonable service charges limits for customer transactions
- Promote transparent disclosure of service charges at the time of selling account and at the time of adding/ modifying any service charges.

## **3. Applicability**

The Policy applies to all the Heads of Departments who are responsible for fixing service charges for products/ services being offered to customers. The policy shall cover all products and services offered, whether they are provided by bank branches or Business Correspondents/ agents acting on behalf of the Bank, whether across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

## **4. Governance Structure**

The first version of the policy shall be reviewed and approved by the Board of Directors (Board) of USFB till the Customer Service Committee of the Board (CSCB) is constituted. The Board/CSCB would review and approve the limits for service charges recommended by the Standing Committee on Customer Service.

The CSCB shall be chaired by the designated independent director of the Board. The Committee shall comprise of the CEO & Managing Director of the Bank and the Heads of following functional areas as its permanent members:

- Service Quality
- Operations
- Internal Audit
- Business verticals (as and when required)
- Channels
- Products and Marketing
- Risk Compliance

The Committee shall include experts and representatives of customers as invitees and may also invite the Chairman of the Board to attend the meetings as and when such need arises. The Committee shall meet at least four times in a year to review and ensure that the service charges prescribed are reasonable and are not out of line with the average cost of providing these services.

The Bank shall also have a Standing Committee on Customer Service to enable an independent feedback to be provided to the CSCB on the quality of customer service rendered by the Bank and recommend the limits for service charges approved by the PPAC. The Committee shall meet once in two months. The Standing Committee on Customer Service shall be chaired by the CEO & Managing Director shall comprise of the Heads of following functional areas as its permanent members:

- Service Quality
- Operations
- Internal Audit
- Business Verticals (as and when required)
- Channels

The Bank shall have a Product Approval Committee (PAC) which shall meet once in two months to approve the service charges proposed by the Product Managers, review outstanding product management matters, and discuss any open issue or as and when required and review products and their management. In the absence of the Convenor and Head, he/she may nominate a representative to convene the PPAC meetings. The Convener and Head of the PPAC shall put forth to the Standing Committee on Customer Service the limits for service charges rendered by the bank.

The following is the constitution of the PAC (PAC):

**Chairperson:** Chief Business Officer

**Convener:** Business Head of respective business verticals

Chief Operating Officer

Chief Risk Officer

Chief Compliance Officer

Head of Legal

**Optional Members**

Chief Information Officer

Head of Digital Banking (Depending on the Product)

Chief Credit Officer (only for asset products)

Chief Financial Officer (whenever business numbers/  
strategy, cost benefit analysis etc. are discussed)

**Invitees**

National Product Manager/ Product Manager of respective  
products

Any other Invitee as deemed necessary by the committee

## 5. Principles

The Bank shall fix service charges based on the following principles:

- Ensure that the charges are reasonable and are not out of line with the average cost of providing these services.
- Bank's savings bank accounts shall not turn into negative balance on levy of the service charges including non-maintenance of minimum balance charges, as Bank creates lien of such charges in the respective accounts and ensure recovery only on availability of sufficient balance in the accounts
- Levy of the Penal/ Non Maintenance of Minimum Balance charges into the applicable Savings bank products of the Bank, shall be slab based i.e. charges shall be a fixed percentage levied on the amount of difference between the actual balance maintained and the minimum balance as agreed upon at the time of opening of account. Bank shall place a suitable slab structure for recovery of such charges.
- Ensure that the uniformity in the levy of RTGS and NEFT charges as prescribed by RBI from time to time. This needs to be adhered even in Business Correspondent Banking outlets too.
- Ensure to follow a uniform, fair and transparent pricing policy and not discriminate between their customers at home branch and non-home branches. Accordingly, if a particular service is provided free at home branch, the same should be available free at non-home branches also. There should be no discrimination as regards inter-sol charges between similar transactions done by customers at home branch and those done at non-home branches
- Ensure that the charges are just and supported by reason
- Ensure that customers with low volume of activities are not penalised
- Provide transparent information in simple and easily understandable language



- Provide sufficient information so that the customer could be reasonably expected to make an appropriate and informed choice of product
- The term "all-inclusive interest" includes interest (effective annual interest), processing fees and service charges.
- Intimate the customer if the levy of service charges shall result in a shortfall in the minimum balance of the customer
- Advance/ prior notification of service charges via various means like SMS, display in website, etc.
- For basic services to individuals, the Bank shall levy charges at the rates that are lower than the rates applied when the same services are given to non-individuals
- For basic services rendered to special category of individuals (such as individuals in rural areas, pensioners and senior citizens), the Bank shall levy charges on more liberal terms than the terms on which the charges are levied to other individuals.
- Collect for services given to individuals only such charges which have been notified to the customer.
- Inform the customers in an appropriate manner recovery of service charges from the account or the transaction.
- Further the charges related to Products/Services will be in adherence to the RBI norms & guidelines
- As per the RBI guidelines for ensuring reasonableness of Bank Charges, Bank will follow various provisions of the Code of Bank's Commitment to Customers, implementation of which is monitored by the Banking Codes and Standards Board of India (BCSBI).
- In adherence to RBI guidelines, BC shall be prohibited from charging any fee to the customers directly for services rendered by them on behalf of the bank.

## 6. Formulation of Service Charges

The Bank shall have a policy approved by the Board for defining the service charges to be applicable on the various products/ services offered by the Bank

### Methodology/ framework

The Bank shall arrive at the total cost of providing products/ services by using the below mentioned methodology:

All direct costs	XXX
Add	
All indirect/ allocated costs/ overhead costs	XXX
<b>TOTAL COST</b>	<b>XXX</b>

The Board of the Bank shall reckon the total cost of products/ services to price the products/ services. The margin above the costs may be limited in the range of 20%-30% of the total costs. Margin can fall below 20% of the cost however if the margin exceeds 30% then Board approval has to be obtained.

For any change in the above specified limit of service charges, a detailed note shall need to be placed before the Board for approval.

The Product Manager (PM) shall fix the charges for individual product/service in consultation with the Business Head of Branch Banking, Business, Strategy, Operations, Information Technology, Risk & Compliance, Audit, Service Quality, Credit and other concerned departments on the indirect costs associated with the product/ service being offered to ensure that the service charges for the product/ service are in adherence to the prescribed regulatory norms and guidelines. Also, the PM should make sure that the service charges proposed are in line with the limits approved by the Board/CSCB. The PM shall put forth to the PPAC, a proposal on the service charges that the bank would prescribe for a particular product/service. The PPAC approved proposal would be considered final and conclusive for fixing service charges.

## **7. Disclosure of information pertaining to Service Charges**

The Bank shall ensure that there is a transparent mechanism for disclosure of service charges at the time of selling the product/ service which shall be in line with the Bank's Customer Service policy. The bank shall 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 shall also be displayed on the website of the bank for all categories of loan products. If any service charges are levied/ modified subsequent to the customer opening the account/ loan, the Bank shall give a prior notice of at least 30 days to the customers. The notification shall be done either directly or as website / notice publicity. If the customer has reservations on the additional/ modified service charges, the Bank shall allow the customer to close his account within 60 days of the notice. The bank shall ensure that all information relating to charges/fees for processing are invariably disclosed in the loan application forms.

While Framing Product, Bank will ensure that no loan related and adhoc service charges / inspection charges will be levied on priority sector loans up to Rs. 25,000. In case of eligible priority sector loans to SHGs / JLGs, this limit will be applicable per member and not to the group as a whole.

## **8. Reporting Requirements**

The Head of various Departments shall share with the Customer Service Committee a report on service charges applicable to all products and service offered by the Bank on an annual basis. The Head of Departments shall put to the customer service committee a review on the excess and unreasonable charges levied.

## **9. Record Keeping**

The records related to fixing of service charges shall be maintained for a minimum period of 5 years from the date of receipt.

## **10. Policy Review & Updates**

This Board approved policy will be reviewed as and when required or at least on an annual basis for incorporating changes in handling Customer service policy and regulatory updates, if any.

Annual review of the charges introduced during the year shall be submitted to the Board for appraisal/approval or ratification and newly introduced charges (if any) during quarter shall be placed before the Board every quarter for appraisal and ratification.

## **11. Regulatory References**

- RBI Master Circular on Customer Service in Banks dated July 01, 2015
- IBA Model Customer Rights Policy
- IBA Code of Banking Practice
- BCSBI Code of Commitment to Bank's Customers