

## **Fair Practice Code- Microfinance Loans**

Reserve Bank of India vide its notification No DOR.FIN.REC.95/03.10.038/2021-22 dated 14.03.2022 issued Master Directions on Master Direction on Regulatory Framework for Microfinance . In the light of the guidelines advised by RBI, the Fair Practice Code for our Bank to microfinance borrowers is given as under:-

### **Applications for Loan**

- 1.1** All collateral free loan provided by the Bank to low-income households, i.e. households having annual income up to Rs.3,00,000, irrespective of end use shall be classified as Microfinance loan. For this purpose, the household shall mean an individual family unit i.e. husband, wife and their unmarried children.
- 1.2** To ensure collateral free nature of the microfinance loan, the loan shall not be linked with a lien on the deposit account of the borrower.
- 1.3** Bank shall submit the information regarding household income of the Microfinance borrowers to the Credit Information Companies (CICs).
- 1.4** In the loan application, Bank shall disclose pricing related information to a prospective borrower in a standardized simplified factsheet.
- 1.5** Any fees to be charged to the microfinance borrower by the Bank shall be explicitly disclosed in the factsheet.
- 1.6** The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.

### **1) Processing & Loan Assessment**

- 2.1** The Bank shall provide acknowledgement for receipt of all loan applications.
- 2.2** The Bank shall verify the loan application with a reasonable period.
- 2.3** While assessing eligible loan amount, Bank shall take into account loan repayment obligations on account of all outstanding loans (collateral free microfinance loans as well as any other type of collateralized loans) of the household. The outflow shall be capped at 50% of the monthly household income including repayments (including both

principal as well as interest component) towards all existing loans as well as the loan under consideration.

**2.4** Existing loans for which outflow on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceed the limit of 50%, shall be allowed to mature. However, in such cases, no new loans shall be provided to these households till the prescribed limit of 50% is complied with.

**2.5** There shall be no pre-payment on microfinance loans.

**2.6** Bank shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in our branches, in the information booklets/pamphlets issued by us and details on our website.

**2.7** Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.

**2.8** Bank to use standard common loan agreement for microfinance loans which is available in Hindi, English and regional languages.

**2.9** The Bank shall provide a loan card to the borrower which shall incorporate the following:

- a) Information which adequately identifies the borrower;
- b) The effective rate of interest charged;
- c) All other terms & conditions attached to the loan;
- d) Acknowledgements by the Bank of all repayments including instalments received and the final discharge; and
- e) Details of the grievance redressal system, including the name and contact number of the nodal officer of the Bank.

**2.10** All entries in the loan card shall be in vernacular language.

**2.11** Issuance of non-credit products shall be full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

## 2) Recovery

**3.1** Recovery of dues shall be made at the designated place decided mutually by the borrower and the Bank and mentioned in the loan card itself.

**3.2** Bank shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:

- a) Use of threatening or abusive language;
- b) Persistently calling the borrower and/or calling the borrower before 9:00 a.m. and after 6:00 p.m.;
- c) Harassing relatives, friends or co-workers of the borrower;
- d) Publishing the name of borrower;
- e) Use or threat of use of violence or other similar means to harm the borrower or borrower's family/assets/reputation;
- f) Misleading the borrower about the extent of the debt or the consequences of non-repayment

## 3) Grievance Redressal

**4.1** Bank shall provide a robust customer grievance redressal system to address customer complaints in an effective and timely manner.

**4.2** Bank shall clearly communicate the details of customer grievance redressal in branches, loan documents and other communication materials.

**4.3** Assure the customer shall be treated fairly despite the grievance being lodged.

**4.4** Bank shall be accountable for inappropriate behavior employees or employees of the outsourced agency.

**The grievance escalation matrix is furnished as under:**

Sl No.	Level	Officer in charge
1	All complaints/ grievances of Financial Inclusion customers first to be addressed to	Branch Manager
	If not satisfied with the reply/action taken by the above, they can escalate the matter to:	

2	Regional Office	Regional Head
	If not satisfied with the reply/action taken by the above, they can escalate the matter to:	
3	Zonal Office	Zonal Head
	If not satisfied with the reply/action taken by the above, they can escalate the matter to:	
4	Corporate Office	General Manager- BC/BF Cell, Corporate Office, Mumbai Phone Number:022-66553355, 66553120