

Fair Practice Code (FPC) for Microfinance Borrowers

The Fair Practice Code for lending to microfinance borrowers is given as under: -

- a) All collateral-free loans provided by the Bank to low-income households, i.e., households having annual income up to ₹3,00,000, irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels), 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.
- b) 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 or backed by hypothecation.
- c) Bank shall submit the information regarding household income of the Microfinance borrower to the Credit Information Companies (CICs).
- d) 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 outflows 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.
- e) Existing loans, for which outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income exceeds 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.
- f) Bank shall disclose pricing related information to a prospective borrower in a standardized Key Fact Statement (KFS). Any fees to be charged to the microfinance borrower by the Bank shall be explicitly disclosed in the KFS. The borrower shall not be charged any amount which is not explicitly mentioned in the KFS. The KFS shall also be provided for other loans (i.e., collateralized loans) extended to borrowers from low-income households.
- g) There shall be no pre-payment penalty / foreclosure charges on microfinance loans.
- h) Bank shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in our offices, in the information booklets/ pamphlets issued by us and details on our website.
- i) 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.
- j) Bank uses standard common loan agreement for microfinance loans which is available in Hindi, English and regional languages.
- k) Bank shall provide a loan card to the borrower which shall incorporate the following in the language understood by the borrower:

- i. Information about the borrower.
 - ii. Details of loan sanctioned.
 - iii. Key Fact Statement.
 - iv. All other terms and conditions attached to the loan.
 - v. Acknowledgements by the Bank of each repayment including instalments received from the borrower and the final discharge.
 - vi. Details of the grievance redressal system, including the name and contact number of the nodal officer of the Bank.
- l) If any non-credit product is issued to the borrower, Bank will ensure full consent of the borrowers for such products and fee structure for the products shall be explicitly communicated to the borrower in the loan card itself.
- m) Recovery of dues shall be made at the designated place decided mutually by the borrower and the Bank and mentioned in the terms and conditions of sanction. However, bank officials can visit the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.
- n) 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:
- i. Use of threatening or abusive language
 - ii. Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
 - iii. Harassing relatives, friends, or co-workers of the borrower
 - iv. Publishing the name of borrowers
 - v. Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
 - vi. Misleading the borrower about the extent of the debt or the consequences of non-repayment
- o) Bank has a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower as part of sanction letter.
- p) If Bank engages any agents for recovery of loan, we shall provide the details of recovery agents to the borrower while initiating the process of recovery. The agent shall also carry a copy of the notice and the authorization letter from the Bank along with the identity card issued by the Bank or the agency. Further, where the recovery agency is changed by the Bank during the recovery process, in addition to the Bank notifying the borrower of the change, the new agent shall carry the notice and the authorization letter along with his identity card. The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and the Bank. Bank shall host the up-to-date details of the recovery agencies engaged by us on our website.

q) The Bank undertakes that it shall be accountable for inappropriate behavior by its employees or employees of the outsourced agency appointed by the Bank and shall provide timely grievance redressal to the borrower.
