



FAIR LENDING PRACTICE CODE

Fair Lending Practice Code

In compliance of Reserve Bank of India's directives, the Bank has formulated its Fair Practice Code for Lenders. The Bank seeks to provide transparency and clarity to the Bank's borrowers with regard to their transactions with the Bank.

This document provides details of the practices which need to be followed by the Bank to ensure fair and transparent dealings with its customers who approach it for obtaining a loan and for transactions with customers after the loan has been granted. This code will enable employees to provide better customer service and maintain transparency in business dealings with its customers. The basic tenets of the Code are as under:

Scope

FAIR LENDING PRACTICES CODE (FLPC for short) is a voluntary code adopted by our Bank, which aims at synchronization of best practices while dealing with Customers.

Objectives of the Code

- To promote good and fair practices by setting minimum standards in dealing with customers
- To increase transparency so that the customer can have a better understanding of what he/she can reasonably expect of the services
- To encourage market forces, through competition, to achieve higher operating standards
- To promote a fair and cordial relationship between the customer and the Company
- To foster confidence in the housing finance system

Application of the Code

This code shall apply to all employees of the Bank and other persons authorized to represent it in the course of its business with respect to all products and services.

Important declarations

The Bank declares and undertakes to adhere to this code and act fairly and reasonably in all dealings, on the ethical principle of integrity and transparency, to meet the standard practices prevalent in the finance industry.

- The Bank will provide clear and transparent information to customers so as to enable them to understand:
 - a) Terms and conditions of the products and services offered including the interest rate and service charges
 - b) Benefits available to customers
- Products and services of the Bank will conform to relevant laws and regulations in both letter and spirit
- The Bank will act quickly in correcting the mistakes and attend to complaints lodged by its

customers in light of objectives of this code

- The Bank shall not discriminate amongst its prospective/existing customers on the basis of age, race, caste, gender, marital status, religion or disability. However the restrictions, if any, as mentioned in the loan products, shall continue to apply
- A copy of the code may be provided on request to any prospective or existing customer
- To provide in a professional manner efficient, courteous, diligent, and speedy services in the matter of retail lending
- To be fair and honest in disclosures, dissemination of information and presentation while releasing information to public and marketing of Loan Products
- To render necessary assistance to customers applying for loans
- If sought, to provide such assistance or advice to customers in contracting loans
- To attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal cells within the organization
- To comply with all the regulatory requirements in good faith
- To spread general awareness about potential risks in contracting loans and encourage customers to take independent financial advice and not act only on representations from banks

Fair Practices

Product Information

- A prospective customer would be given all the necessary information adequately explaining the range of loan products available with the Bank to suit his / her needs.
- On exercise of choice, the customer would be given the relevant information about the loan product of choice.
- The Customer would be explained the processes involved till sanction and disbursement of loan and would be informed of timeframe within which all the processes will be completed ordinarily at our bank.
- The Customer would be informed of the names and phone numbers of branches and the persons whom he can contact for procuring loan to suit his needs.
- The Customer would be informed the procedure involved in servicing and closure of the loan taken.

Disclosure and Transparency

Bank would provide information on interest rates, common fees and charges through:

- Putting up notices in branches
- Providing tariff schedule as and when requested
- Over the Bank's Web-site
- Over phone, after proper verification

Revision in Interest Rates

- The Bank would notify as soon as possible any revision in the existing interest rates and make them available to the customers
- Interest Rate revisions to the existing customers would be intimated through notifications in the Bank's Website/ media/ notice board at branches

Default Interest/Penal Interest

The Bank would notify clearly about the default interest/penal interest rates to the prospective customers.

Charges

- The Bank would notify details of all charges payable by the customers in relation to their loan account
- The Bank would make available for the benefit of prospective customers all the details relating to charges generally in respect of their retail products in the media
- Any revision in charges would be notified in advance and would also be made available in the media

Disbursement of Loan including Terms and Conditions for Lending

- Loan application forms in respect of all categories of loans irrespective of the amount of loan sought by the borrower will be comprehensive
- Bank will 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.
- Acknowledgement will be given against receipt of all loan applications
- Bank would verify the loan applications within a reasonable period of time
- Normally all particulars required for processing the Loan Application will be collected by the Bank at the time of application. In case it needs any additional information, the customer will be informed immediately to provide the same
- Bank will ensure that credit decision will be given in a reasonable period of time without compromise on due-diligence requirements
- The Bank will convey in writing to the borrower by means of Sanction Letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges and keep the **written acceptance** of these terms and conditions by the borrower on its record
- Immediately after the decision to sanction the loan, the Bank would show draft of the documents that the customer is required to execute and would explain, if demanded by the customer, the relevant terms and conditions for sanction and disbursement of loan
- In case of rejection of loan sanction/disbursement, the decision will be communicated to the borrower in writing. The reason for rejection in the opinion of the Bank after due consideration, which has led to rejection of the loan applications would also be communicated in writing. In case the proposal does not meet the internal product parameters of the Bank, the borrower would be intimated accordingly
- Before disbursement of loan and on immediate execution of the loan documents, the Bank shall deliver a copy of the documents to the Borrower on request
- Purpose of the loan/limit should be clearly mentioned in Sanction Letter and documents which are to be executed by the borrower are also to be mentioned in the Sanction Letter

Post Disbursement Supervision

- With a view to ensuring proper end use of funds and borrower's adherence to the stipulated

terms and conditions of the loan, the Bank shall continue to exercise post-disbursement follow up and supervision by way of periodic inspection of assets, obtaining periodic reports and returns, undertaking review of the account at stipulated intervals etc.

- Before taking a decision to recall of the advance/ or for accelerated repayment of the loan or even for seeking additional securities (beyond the securities terms) the Bank shall give due notice to the borrower as stipulated under the sanctioned terms and conditions/ loan agreement. In case the terms of sanction/ loan agreement do not stipulate any such specific notice period, normally a period of one to two months shall be considered reasonable
- The securities held by the Bank against a loan allowed to the Borrower shall be released after full settlement of the loan's dues subject to any legitimate right or lien on the same securities for any other claim of the Bank against such borrower. In cases warranting exercise of such right to set off, the Bank shall give due notice as per the terms of sanction/ loan agreement about the same to the borrower with full particulars of the remaining claims and the documents under which the Bank is entitled to retain the securities till the relevant claim is settled/ paid. Where there is no such stipulation in the Terms of Sanction/ loan agreement a 15 to 21 days' notice is counted reasonable

Collection of Dues

- Whenever loans are given, Bank shall explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However, if the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land and the customer's contract with the Bank will be followed for recovery of dues. The process will involve reminding the customer by sending him / her a notice or by making personal visits and or repossession of security if any
- Bank staff or any person authorized shall identify himself through ID card or by any other medium while representing the bank for collection of dues or / and security repossession
- Bank shall provide customers with all the information regarding dues and shall endeavour to give sufficient notice for payment of dues
- All assistance shall be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- During visits to customer's place for dues collection, decency and decorum shall be maintained.
- In the matter of recovery of loans, the Bank would not resort to undue harassment or use of physical force.

General

- Bank will restrain from interference 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 lender)
- Bank will not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude bank from participating in credit-linked schemes framed for weaker sections of the society
- In case of receipt of request for transfer of borrowal account, either from the borrower or from a bank/financial institution, which proposes to take- over the account, the consent or otherwise i.e., objection of the bank, if any, will be conveyed within 21 days from the date of receipt of request

Accounting Practices

- The Bank would provide regular statement of accounts, unless deemed unnecessary by the customers
- The Bank would notify relevant due dates for application of agreed interest, penal interest, default interest, and charges if they are not mentioned in the Loan applications, documents or correspondence
- The Bank would notify in advance any change in accounting practices which would affect the customer

Confidentiality

The Bank shall collect personal information that it believes to be relevant and required to understand the customer's profiles and conduct its business. Bank shall treat all personal information of customers as private and confidential and shall not divulge any information to a third person unless required by any law or Government authorities including Regulators or Credit agencies or where the sharing of information is permitted by the customer. If Bank shall avail services of any third party for providing support services, Bank shall require that such third parties handle customers' personal information with the same degree of confidentiality.

Anti-Corruption Norms

Shivalik Small Finance Bank Limited takes a Zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. Bank is committed to implementing and enforcing effective systems to counter bribery and corruption. The integrity of our Employees and associates is critical to our success.

Corruption shall include

- When, in return for a gratification, a person does an act in contravention of his/her duties or abstains from doing an act which is part of his duties
- Any offer, promise to pay, soliciting or receipt of a gratification as an inducement or reward to a person to do or not to do any act, with a malafide intent
- An abuse of office for private gain
- An agreement between 2 or more persons to act or refrain from acting in violation of a person's duties for profit or gain
- Any conduct whereby a person accepts or obtains, or agrees to accept or attempts to obtain, from any person, for himself or for any other person, any gratification for inducing an official, by corrupt or illegal means, or by the exercise of personal influence, to do or abstain from doing an act in the exercise of his duties to show favor or disfavor to any person
- Any other act not permitted under bank policies or specifically prohibited
- Any other act which is against the interests of the bank
- Any other act which is offence and punishable under Prevention of Corruption Act and any other related law of the land in force at the time
- Any Act of collusion with other staff members to illegally accommodate customers
- Knowingly accepting fake or photocopied documents in order to cause financial losses to the bank
- Demanding undue/unethical favors from subordinates/team members/customers
- Transmitting confidential data / information to outsiders unauthorizedly

- Suppressing knowledge of poor antecedents of clients which one may be in possession of, from the bank.

Prohibited Practices

- Corrupt practices, which mean offering, giving, receiving or soliciting, directly or indirectly, of anything of value to unduly / illegally influence actions of another party
- A fraudulent practice, which means any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation
- A collusive practice, which means an arrangement between two or more parties designed to achieve an improper purpose including to influence improperly the action of another party
- Money laundering, which means intentional conversion or transfer of property derived from criminal activity to conceal or disguise its illicit origin; concealment or disguise of the true nature, source, location, disposition, movement or ownership of property known to have been derived from criminal activity; acquisition, possession or use of property known to have been derived from criminal activity; participation, or assistance, in the commission of any of the activities above
- Terrorist financing, which means the provision or collection of funds, by any means, directly or indirectly with the intention that they should be used or in the knowledge that they are to be used in full or in part, in order to carry out terrorist activities

Borrower's action to prevent and combat fraud and corruption

- Take all appropriate measures to prevent corrupt, fraudulent, collusive, and coercive practices in connection with the use of loan proceeds, including (but not limited to) adopting appropriate fiduciary and administrative practices and institutional arrangements to ensure that the proceeds of the loan are used only for the purposes for which loan was granted
- Immediately report to the Head Office of the bank, with regard to any allegations of fraud and corruption in connection with the use of loan proceeds that come to its attention
- Requiring such recipient to permit the bank to inspect all of their accounts and records and other documents relating to project required to be maintained pursuant to the Loan Agreement and to have them audited by, or on behalf of, the bank code in letter and spirit
- Bank may verify the details mentioned by the customer in the loan application by contacting him/her at his/her residence and/or on business telephone numbers and/or by physically visiting his/her residence and/or business addresses by deputing its officer(s) or through agencies appointed for this purpose, as and when deemed necessary at reasonable time of the day
- That the customer would co-operate if the Bank needed to investigate a transaction in his loan account with or without the involvement of the police/other investigative agencies
- That if the customer acts fraudulently, he/she will be responsible for all losses on his/her account and that if the customer acts without reasonable care and this causes losses, the customer may be responsible for the same

Bank will review annually for compliances to the Fair Practices Code and the functioning of the grievance's redressal mechanism by various levels of the management. A consolidated report of such reviews may be submitted to the Board.

- providing for early termination or suspension by the borrower of the agreement if such recipient is declared ineligible by the bank.

- requiring restitution by such recipient of any amount of the loan with respect to which fraud and corruption has occurred.

Bank's Action to Prevent and Combat Fraud and Corruption

- To recall the Debt immediately
- To initiate necessary enquiry and to take appropriate action
- To seek necessary disciplinary action against such borrower and officer as may be just and equitable
- To initiate necessary criminal action against such borrower and officer upon finding them guilty in enquiry
- After proper enquiry Bank has right of disciplinary action and legal recourse including filing of suit against the guilty whether its officer(s) or borrower or third party

Grievance Redressal

- Bank would strive for customer satisfaction within the framework of law, adopted policies and procedures
- In case of any grievance, the customer may approach the In-charge of the business location where he / she had his / her account and register the complaint in the 'Complaint Register' available with the In-Charge. On registering the complaint, the customer should obtain complaint number and date for future reference. If and when a complaint is received, the concerned branch would report the matter with full details within seven (7) days from the date of receipt to its Cluster Head, who would take all necessary steps to redress and resolve the grievance/ dispute within a maximum period of thirty (30) days
- In case the response is unsatisfactory, or no response is received, the complaint should be escalated to the following:
 - Level 1 - Respective Cluster Head
 - Level 2 - Chief Financial Officer
 - Level 3 - Managing Director

The Borrower hereby covenants with the Bank as follows:-

- That he will comply with all applicable laws, statutes, regulations relating to anti-bribery and anti-corruption in India
- That he will immediately report to the bank any instances of fraud and corruption in connection with the use of loan proceeds that come to his attention
- That he will cooperate fully with representatives of the bank in any investigation related to reported fraud and corruption in connection with the use of loan proceeds
- That he would acknowledge having read and understood all the terms and conditions mentioned therein and would declare that he shall agree to abide by the said Fair Practice