Fair Practice Code for Lending

Corporate Institutional Group – CAS
Central Office
Karur

FAIR PRACTICE CODE FOR LENDING

BACKGROUND:

As per Reserve Bank of India (RBI) Master Direction on Responsible Business Conduct (Fair Practice Code) vide RBI/DOR/2025-26/170 DOR.MCS.REC.No. 89/01-01-032/2025-26 dated November 28, 2025, updated latest by April 1, 2026. Bank shall adopt the "Fair Practice Code for Lending" to conform to the standards.

Bank's policy is to treat all the clients consistently and fairly. The bank's employees offer assistance, encouragement and service in a fair, equitable and consistent manner.

Bank will also communicate its "Fair Practices Code (FPC) for Lending" to its customers by uploading it on Bank's website.

THE FAIR PRACTICES CODE FOR LENDING APPLIES TO THE FOLLOWING AREAS:

1. Applications for loans and their processing
2. Timelines for Credit Decisions
3. Loan appraisal and terms/conditions
4. Disbursement of loans including changes in terms and conditions
5. Post Disbursement Supervision
6. General Provisions

Bank's commitment to the FPC for Lending would be demonstrated in terms of employee accountability, monitoring & auditing programs, training and technology.

1. Applications for loans and their processing

1.1 Loan application forms of the bank in respect of all categories of loans shall be comprehensive.

1.2 Branch/Business Units shall issue proper acknowledgement for receipt of all loan applications.

1.3 The Bank shall transparently disclose in the application/Sanction letter/Loan agreement to the customer all important information about the products, 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 customer. It shall also be ensured that such charges/ fees are non-discriminatory. This information shall also be available to the customer on the bank's website for all categories of loan products.

1.4 Further, the Bank shall inform 'all-in cost' to the customer to enable them to compare the rates, charges with other sources of finance.

2. Timelines for Credit Decisions

2.1 Branch / Business units shall verify the loan applications and carry out proper due diligence as applicable within a reasonable period.

2.2 If additional details / documents are required, proper intimation shall be provided to the applicants immediately.

2.3 The loan applications shall be disposed off within timelines specified in the loan policy. In case of MSME, maximum disposal time period for Fresh/enhanced credit limit applications up to Rs.25 Lakh is 14 days and above Rs.25 Lakh is 6 weeks. Also, maximum disposal time period for renewal of credit limits is with in 2 weeks and sanction of adhoc credit limits is within 1 week.

2.4 The Bank shall also make suitable disclosures on the timelines for conveying credit decisions through the website, notice boards, product literature, etc.

2.5 In case of rejection of loan application, Bank shall convey in writing\Mail\SMS, the main reasons which have led to rejection of the loan application. The rejection shall be conveyed within the timelines specified above.

3. Loan appraisal and terms/conditions

3.1 The Bank shall ensure Proper assessment of credit applications carried out.

3.2 The Bank shall conduct proper due diligence on the creditworthiness of the applicant notwithstanding any stipulations for security and margin.

3.3 Terms and conditions and other caveats governing credit facilities arrived at after negotiation by the bank and the customer shall be reduced in writing and duly certified by an authorised official.

3.4 In the case of lending under consortium arrangement, Business Units shall complete the appraisal of proposals in a time bound manner to the extent feasible and communicate the decisions on financing or otherwise within a reasonable time.

3.5 After approval, sanction order containing the terms and conditions there of and duly certified by authorised official shall be issued to the customer and customer's acceptance of these terms and conditions and their acknowledgement shall be obtained and kept on record.

3.6 The Bank shall provide a Key Fact Statement (KFS) to all prospective borrowers under MSME & Retails to help them take an informed view before executing the loan contract.

3.7 A digital/hard copy of the loan agreement along with a copy of all relevant enclosures shall be furnished to the borrower before disbursement of loans, even in the absence of specific request from the borrower.

3.8 Allowing drawings beyond the sanctioned limits, honouring cheques issued for the purpose other than specifically agreed to in the credit sanction, and disallowing drawing on a borrowal account on its classification as a non-performing asset or on account of non-compliance with the terms of sanction would be solely at the discretion of the Bank. It shall be specifically stated that the Bank does not have an obligation to meet further requirements of the borrowers without proper review of credit limits of the borrowers.

4. Disbursement of loans including changes in terms and conditions

4.1 Branch with the support of Business units and business team shall ensure timely disbursement of loans sanctioned in conformity with the terms and conditions stipulated by the sanctioning authority.

4.2 The Bank shall ensure fairness and transparency while charging of interest to the borrower. Interest shall be charged from the date of actual disbursement of the funds to the customer and not from the date of sanction of loan or date of execution of loan agreement

4.3 In case of change in the terms and conditions including interest rates, service charges etc, shall be notified by the bank in its notice board/website/ through other channels of mass communication. Any change in interest rates and charges shall be effected only prospectively.

5. Post disbursement supervision

5.1 Branch/ Business Units shall ensure that the post disbursement supervision, particularly in respect of loans up to Rs.2 lakhs, shall be constructive with a view to taking care of any “lender related" genuine difficulty

5.2 Before taking a decision to recall / accelerate payment or performance under the agreement or seeking additional securities, Bank shall give notice to borrowers, as specified in the loan agreement or give notice within a reasonable period, if no such condition exits in the loan agreement.

5.3 The Bank shall release all securities on receiving full and final settlement of the loan provided there is no other legitimate right or lien for any other claim Bank may have against borrowers. If such right of set off is to be exercised, borrowers shall be given notice about the same with full particulars about the remaining claims and the documents under which Bank is entitled, to retain the securities till the relevant claim is settled/ paid.

5.4 On full repayment/settlement of the loan account, branches shall review all direct/indirect liabilities of the Borrower/mortgagor/asset owner and after satisfying themselves, Bank shall release all the original movable/immovable property documents and remove charges registered with any registry within a period of 30 days after full payment/settlement of the loan account.

6. General Provisions

6.1 The Bank shall not discriminate on grounds of race, sex, colour, Marital status, Caste, Religion, age or physically/visually challenged in the matter of lending. However, this does not preclude Bank from participating in credit-linked schemes framed for weaker sections of the society

6.2 Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower(s)/ guarantor(s)/ mortgagor(s) etc. shall be in the nature of “Penal Charge” and not in the nature of “Penal Interest”. The penal charges in any loan account shall not be capitalised to the principal base for the purpose of interest application

6.3 For 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.

6.4 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 lender, if any, shall be conveyed within a maximum period of 21 days from the date of receipt of request.

6.5 The Bank shall conduct all credit activities in accordance with principles of responsible business conduct, fairness, transparency, and regulatory compliance. Lending decisions and borrower engagement shall be governed by the terms of sanction documents, applicable laws, and regulatory guidelines, and the Bank shall refrain from undue interference in the affairs of borrower(s) beyond what is contractually agreed or warranted by material risk considerations.

6.6 A grievance redressal mechanism to address complaints in borrower accounts shall also be in place. The grievances shall be dealt as per the guidelines set out in Policy for Grievance Redressal formulated and monitored by Operations Department. Policy for Grievance Redressal is also separately published in website of the Bank.

6.7 The Bank shall ensure non-discriminatory lending practices and adopt fair, ethical, and respectful approaches in all customer interactions, including recovery and follow-up actions.

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