

## ANNEXURE B

### CITY UNION BANK FAIR PRACTICES CODE FOR LENDING

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#### FAIR PRACTICES CODE FOR LENDING

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## CITY UNION BANK FAIR PRACTICES CODE FOR LENDING

### **Chapter I**      **PRELIMINARY**

#### **1.Short title and commencement:**

- 1.1 This Code is called City Union Bank Limited Fair Practices Code for Lending.
- 1.2 This Code is made pursuant to the Directive of Reserve Bank of India vide circular bearing No: DBOD. Leg.No.BC.104/09.07.007/2002-03
- 1.3 It shall come into force on 1st August 2003.
- 1.4 This code is applicable to all members of staff of City Union Bank Limited .
- 1.5 The Board of Directors of the Bank may modify the Code from time to time.

#### **2.Definitions:**

In this Code unless the context otherwise requires

- 2.1 “Bank” means City Union Bank Limited
- 2.2 “Borrower” means and includes any individual or organization either being an existing or new customer seeking loan facilities from the Bank.
- 2.3 “Code” means this City Union Bank Limited Fair Practices Code for Lending.
- 2.4 “Officer of the Bank” means any person promoted or appointed in any scale between I to VII or any other scale as may be created subsequently and person who holds a supervisory, administrative or managerial post in the bank or any other person who has been appointed and is functioning as an officer of the bank, by whatever designation called.

## Chapter II Applications for Loans and processing

### 1. Loan Application

1.1. The Bank must not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude the Bank from participating in credit-linked schemes framed for weaker sections of the society.

1.2. A loan application in the format prescribed by the Bank or a formal written application (where there is no specific format is prescribed) must be obtained from the Borrower seeking fresh loans / credit facilities or renewal of loans or enhancement.

1.3. All Loan applications in respect of all categories of loans irrespective of the amount of the loan sought by the borrower shall include information about the fees / charges payable for processing, the amount of such fees refundable in the case of non-acceptance of application and pre-payment option.

1.4 The Bank must give an acknowledgment for receipt of the loan application to the Borrower without exception. In the case of loan applications up to Rs.2.00 lakhs a time frame must be indicated within which the application will be disposed of. The applications in respect of loans exceeding Rs.2.00 lakhs should be verified within a reasonable time. Additional details / documents, if required, should be called for immediately. It should be clearly informed to the Borrower that the loan application will be either rejected or processing will be delayed if the additional documents / details called for are not submitted or the Borrower considerably delays the submission.

### 2. Loan appraisal and terms /conditions

2.1. Loan applications should be properly assessed and should conform to the policy of the Bank and the various directions to the branches by the Central Office through circulars / manuals. The principle of 'Know Your Customer (KYC)' should be meticulously applied while processing the loan application forms.

2.2. Margin and security stipulations should not be used as a substitute for due diligence on credit worthiness of the Borrower.

2.3. The terms and conditions and other caveats governing the credit facilities to be considered by the Bank should be clearly explained in advance to the Borrower and should be reduced in writing duly accepted by the Authorised Official of the Borrower. Non-acceptance of the some or all the terms, conditions and other caveats by the Borrower after sanctioning the facilities must be strictly avoided. A copy

of the loan agreement along with copy of each of all the enclosures quoted in the loan agreement should be furnished to the borrowers at their own cost.

2.4. In the case of all categories of loans irrespective of any threshold limits including credit card applications, if the loan application after due consideration is rejected then the reason/reasons which led to the rejection must be conveyed in writing to the Borrower.

2.5. If the loan application is favourably considered then the Bank should convey to the Borrower in writing the details of the credit facilities sanctioned and the terms and conditions thereon. The letter of acceptance from the borrower agreeing to our bank's terms and conditions governing the credit facilities should contain the following conditions also:

- a) The credit facilities given are solely at the discretion of the Bank.
- b) If drawings beyond the sanctioned limits are requested then the borrower should submit to the Bank a proper application along with necessary details / documents well in advance. The favourable consideration or otherwise of such requests is solely at the discretion of the Bank. If drawings beyond the sanctioned limit are made without prior notice or sanction then the Bank reserves the right to refuse such drawings solely at the risk of the Borrower.
- c) The Bank reserves the right to dishonour the cheques issued under the credit facilities sanctioned, if in the opinion of the Bank the cheques were issued for the purpose other than specifically agreed to in the credit sanction. Such decisions are at the sole discretion of the Bank without any prior intimation to the Borrower.
- d) The Bank reserves the right without prior information to the Borrower to disallow drawings under the credit facilities sanctioned for non-compliance of all or part of the terms and conditions of the credit facilities sanctioned.
- e) The Bank does not have an obligation to meet further requirements of the Borrower on account of growth in business without proper review of credit limits, the track record and the market conditions.
- f) If the Borrowal account is classified as Non-Performing Asset (NPA) then the Bank reserves the right at its sole discretion to disallow further drawings.
- g) In the case of lending under consortium arrangement the Bank should be guided by the directions of the leader of the consortium after due

deliberations in the meetings of the member banks. The bank may also take independent decisions wherever necessary to protect the interest of the Bank

2.6 A copy the sanction letter incorporating the credit facilities sanctioned, the terms and conditions and the special conditions as mentioned in paragraph 2.5 above should be received back duly signed by the Borrower / his Authorised Official as acceptance with full knowledge of the terms and conditions. The Bank should keep the copy duly signed by the Borrower / his Authorised Official along with other security documents of the loan/credit facilities sanctioned.

### Chapter III

#### Disbursement and Monitoring of Loans including changes in terms and conditions

##### 1. Disbursal of the loan

- 1.1. The loan should be disbursed without delay once the credit facilities are sanctioned and the terms and conditions have been completely fulfilled by the Borrower subject to availability of funds and / or restrictions imposed by GOI / RBI or any adverse report on the applicant.
- 1.2. If there is any change in the terms and conditions governing the credit facilities sanctioned, then the Bank must intimate in writing such changes to the Borrower. Prospective changes in interest rate and service charges should like-wise be informed in writing to the Borrower well on time.

##### 2. Monitoring the loan

- 2.1. Post disbursement supervision must be effective and constructive to evaluate the risk parameters of the loan disbursed. The timely supervision in the form of inspection of the securities covering the credit facilities should aim at protecting the quality of the loan asset of the bank against various risk parameters. Incidentally such supervision, especially in respect of loans up to Rs.2.00 lakhs, should take care of the 'lender-related' genuine difficulties. However it is at the sole discretion of the bank to decide as to what factors constitute 'lender-related' difficulties.

- 2.2. The Bank should give in writing within a reasonable period, as deemed by the bank, the decision to
  - a) recall / accelerate payment or performance
  - b) seek additional securities.
- 2.3. The Bank should release all the securities on receiving payment of the loan or on realization of the loan subject to the complete satisfaction and liquidation of the dues under the loan. If the Bank holds any legitimate right or lien for any other claim against the Borrower either directly or indirectly then the securities covering the loan liquidated should not be released. The Bank should give notice in writing to the Borrower informing the full particulars about the remaining claims and the documents there under which entitle the Bank to retain the securities till the relevant claim is also settled/paid.

### 3. Transfer of Borrowal accounts

- 1.1 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 borrower, if any, should be conveyed within 21 days from the date of receipt of request.

### 4. Recovery measures

- 1.1 The Bank will not use muscle power or resort to undue harassment in the recovery of loans. It shall, however, be clearly spelt out in the sanction acceptance from the borrower that pressurizing the borrower, in case of default, into making payment shall not in any way be construed as undue harassment
- 1.2. Unless information, not earlier disclosed by the borrower or new information about the credibility of the Borrower has come to the notice there will be no interference in the affairs of the Borrowers except for what is provided in the terms and conditions of the loan sanction documents.

### 5. Procedure for disposal of request for issue of NOCs and pari passu letters for ceding / creating charge:-

The bank shall within a maximum period of 15 days from the date of request received at the branches concerned to issue NOC and pari passu letters for ceding/creating charge”.

## CHAPTER IV GENERAL

### 1. Redressal of grievances

- 1.1 All the disputes arising out of the decisions of lending will be heard by an Officer in the next higher grade than that of the credit sanctioning/rejecting authority. Up to the level of Scale-VI the Executive Director will have the authority to appoint the hearing Official. The Chairman of the Bank will hear the grievances in the case of loans sanctioned/rejected by the Executive Director and that of the Chairman by the Advances sub-committee of the Directors.
- 1.2 The disputes will be heard and disposed of expeditiously.
- 1.3 A consolidated report on the compliance of the Code and the functioning of the grievances redressal mechanism should be placed before the Board of Directors on a quarterly basis. The General Manager may draft a reporting format for this purpose.

**Annexure:1**

**(F.NO.247)**

Declaration to be furnished by the borrower at the time of submitting an application form (for credit facilities not exceeding Rs.2.00 Lakhs) seeking loan facilities from our Bank

1. I/we fully understand and accept that the following charges are payable by me/us towards processing charges for my/our loan application seeking credit facilities from City Union Bank Ltd. ....(Name and address of the branch)
  - a) Loan application processing charges Rs.200/- ( for facilities above Rs.25000 /-)

Signature of the Borrower /Authorised Official of the Borrower



Declaration to be furnished at the time of acceptance of the credit facilities with the governing terms and conditions:

- 1 I/We acknowledge and receive with thanks the credit sanction communication letter dated. .... from City Union Bank Limited...(Name and address of the branch) in favourable response to my/our loan application dated.....seeking credit facilities.
2. I/We have read and accept the sanction communication letter and all the terms and conditions governing the facilities. We undertake to abide by the terms and conditions.
3. I/We further understand and accept with full knowledge the following additional special conditions
  - a) The credit facilities given are solely at the discretion of the Bank.
  - b) If drawings beyond the sanctioned limits are requested then I/We, the borrower, should submit to the Bank a proper application along with necessary details / documents well in advance. The favourable consideration or otherwise of such requests is solely at the discretion of the Bank. If drawings beyond the sanctioned limit are made without prior notice or sanction then the Bank reserves the right to refuse such drawings solely at my/our risk.
  - c) The Bank reserves the right to dishonour the cheques issued under the credit facilities sanctioned if in the opinion of the Bank the cheques were issued for the purpose other than specifically agreed to in the credit sanction. Such decisions are at the sole discretion of the Bank without any prior intimation to me/us.
  - d) The Bank reserves the right without prior information to me / us to disallow drawings under the credit facilities sanctioned for non-compliance of all or part of the terms and conditions of the credit facilities sanctioned.
  - e) The Bank does not have an obligation to meet my/our further requirements on account of growth in business without proper review of credit limits, the track record and the market conditions.
  - f) If my / our Borrowal account is classified as Non-Performing Asset (NPA) then the Bank reserves the right at its sole discretion to disallow further drawings. Further, in case of my/our default in complying with any of the credit terms

after the disbursement the Bank may take suitable follow-up measures like sending reminders, making phone calls, making personal visits, besides legal proceedings, and such measures shall not in any way be construed by me / us as undue harassment.

- g) I / We fully understand the 'The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002)' especially the provisions and applicability of Section 13 - Enforcement of Security Interest for the credit facilities to be availed under the above mentioned sanction communication letter from City Union Bank Limited ...(Name and Address of the branch)
  - h) The Bank reserves to its right to withdraw its sanction due to non availability of funds or due to restriction imposed by GOI / RBI or on receipt of adverse reports about myself or my business.
  - i) The Bank reserves its right to make revision in interest rate on credit facilities and also on the mode of charging interest.
  - J) I / we fully understand and agree to the Bank. exercising lien over assets charged for other facilities
  - k) I / We authorise the bank to disclose my / our names to Govt./ RBI /CIBIL or any other agency and other details about my / our conduct of accounts etc.,
  - l) I declare / affirm that there are no court proceedings / litigation / cases against me /us our company  
(In case of Limited Company - the copy to be placed in Board Meeting and recorded and resolution passed to this effect).
4. In token of our acceptance with full knowledge of the credit facilities sanctioned and the terms and conditions governing the facilities I/We enclose a duplicate of the sanction communication letter duly signed..

Signed by the Borrower/Authorised Signatory of the Borrower

Place:

Date :

**Annexure: 3**

**(F.NO. 249)**

Acknowledgment to be given to the Borrower by our bank on our letter-head at the time of receipt of loan application seeking credit facilities from our Bank.

1. Acknowledge receipt of a loan application form dated ...seeking credit facilities from our bank by .....(Name and address of the borrower). The application form will be processed and our decision by sanction / rejection / seeking additional particulars will be communicated in 21 days from this date (for applications seeking facilities not exceeding Rs.2.00 lakhs)/due course (for other applications).
2. It is understood that the credit facilities are sanctioned only at the sole discretion of our Bank.
3. If additional documents / details are required while processing the loan application we will communicate with you. It will be your responsibility to furnish the documents / details called for at the earliest. If these documents / details are not received within the time stipulated in our communication we reserve the right to reject the application without any further communication to you.

For City Union Bank Ltd

Authorised Signatory