



# CFCICI

Growing together for a better tomorrow...

**CENTRAL FINANCIAL CREDIT AND  
INVESTMENT CO-OPERATIVE (INDIA) LTD.**

## **FAIR PRACTICE CODE ON LENDING**



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## VERSION HISTORY

<b>Version</b>	<b>Board Resolution No.</b>	<b>Date</b>	<b>Prepared by</b>
Initial Version		30/09/2020	JK



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1. The Fair Practices Code for CFCICI seeks to provide transparency and clarity to the Society's borrowers with regard to their transactions with the Society.
2. (The Bank) The Bank's policy is to treat all the member borrowers consistently and fairly. It's employees will offer assistance, encouragement and service in a fair, equitable and consistent manner.
3. Fair Practice code would be made available to all member borrowers and through our Website.

**Non - Discrimination policy:**

4. The Society shall not discriminate between its customers on the basis of race, caste, colour, religion, sex, marital status, age, financial status or physical disability.

**Loan application and agreement:**

5. The Society shall ensure that the Loan application forms are comprehensive in respect of all categories of loans irrespective of the amount of loan sought by the borrower.
6. The Society shall provide a checklist of documents to be submitted (compliant with legal and regulatory requirements) along with the loan application form to enable the customer to submit the application complete in all respects.
7. The Society shall not offer any unsolicited pre-approved credit facility in any form.
8. The Society shall have a system of giving acknowledgement for receipt of all loan applications along with explicitly mentioning timeline to process the loan application, loan assessment and appraisal.
9. The Society shall conduct proper assessment of credit application of the borrowers and should not use only margin and security stipulation as a substitute for due diligence on credit worthiness of the borrower.
10. The Society shall convey to the borrower the credit limit along with the applicable terms and conditions. Terms and conditions and other caveats governing credit facilities given by the Society arrived at, after negotiation with the borrower shall be reduced in writing and duly certified by the authorised official.
11. The Society shall keep the borrower's acceptance of these terms and conditions given with his full knowledge on record.

**Information exchange with CICs with respect to loan applications:**



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12. The Society shall explain to the customer the role of Credit Information Companies (CICs), checks undertaken with the CICs and the effect that the information the CIC provides, can have on the customer's ability to avail credit.
13. The Society may furnish a copy of the credit information report obtained from the CIC on request from the customer and on payment of the prescribed fee.
14. The Society shall provide information about credit availed by the customers to the CIC at periodic intervals on any defaults in repayment and then update the regularisation of the loan account in the next report.

**Timelines for Credit Decisions:**

15. The Society shall have a defined procedure for disposal of loan proposals, with appropriate timelines (15 working days from the date of receipt of the loan application for loans up to Rs.5 Lacs) and institute a suitable monitoring mechanism for reviewing applications pending beyond the specified period.
16. The Society shall make suitable disclosures on the timelines for conveying credit decisions through the website, notice-boards, product literature, and such other modes
17. The Society shall verify the loan applications within a reasonable period of time and intimate the borrowers immediately in case of additional details/ documents are required.
18. In case of rejection of any loans, the Society shall convey in writing, either through SMS or a letter, the main reason/reasons for rejection of the loan applications within stipulated time.

**Procedure to be followed on sanction of loan:**

19. The Society shall give a written receipt for all documents to title taken as security/ collateral for any loan.
20. The society shall not insist on collateral security for credit limits up to Rs.1 Lac for Agricultural Loans and the Society shall not accept collateral security in the case of loans up to Rs.10 lakh extended to units in the MSE sector.
21. The Society shall explain the repayment schedule, viz. amount, tenure and periodicity of repayment at the time of sanction of loans and shall have a defined process for collection of dues.
22. The Society shall give the customer the option to let equated monthly instalments (EMIs) stay constant and changed tenure or vice-versa when the interest rate changes.



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23. The Society shall explain the methodology for calculation of interest on loans.
24. The Society shall furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to the borrower at the time of sanction/disbursement of loans.
25. The loan agreement shall clearly stipulate credit facilities are solely at the discretion of the Society without having any obligation to meet the further credit requirements of the borrowers on account of growth in business.
26. The Society shall provide the customer with an annual statement of loan account if requested by the customer.
27. The Society shall not interfere 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 Society).

**Transparent and honest dealing with customers:**

28. The Society shall ensure that its advertising and promotional literature is clear and not misleading.
29. The Society shall ensure that the customer is given clear information about its products and services, the terms and conditions and the interest rates/charges, which apply to them.
30. The Society shall provide information on the facilities provided to the customer and how the customer can avail of these and whom and how they may contact for addressing their queries.

**Disbursement of loans:**

31. The Society shall ensure timely disbursement of loans sanctioned in conformity with the applicable terms and conditions.
32. The Society shall give notice of any change in the terms and conditions including interest rates and such other service charges, which shall be effected only prospectively.
33. The Society shall have a constructive post disbursement supervision mechanism to take care of any genuine difficulties faced by the borrower.
34. The Society shall take a decision to recall / accelerate payment or performance under the agreement or seek additional securities after giving due notice to borrowers.



35. The Society believes in following fair practices with regard to collection of dues and repossession of security thereby fostering customer confidence and long-term relationship and thereby ensures that there is no coercive practice followed while collecting the dues. Fees and charges in respect of loans
36. The Society shall disclose, in sanction letter/ agreement, 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, existence of any interest reset clause and any other matter which affects the interest of the borrower.
37. The Society shall display information on rates of interest, service charges and other fees on its website for all categories of loan products.
38. The branches of the Society shall have a copy of the Tariff Schedule, the availability of which shall be notified by way of a notice on the Notice Board.
39. The Society shall inform 'all-in-cost' to enable customers to compare the rates charges with other sources of finance.
40. The Society shall ensure that such charges/ fees are non-discriminatory.
41. The Society shall inform its customers of changes in interest rates on its loan products by means such as letter, email or SMS.

**Takeover of Loans by other Banks:**

42. The Society shall convey any objection in respect of borrowal accounts which are being taken over by banks/ financial institutions within 21 days from the date of receipt of request. Recovery of Loans.
43. In the matter of recovery of loans, the Society shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.
44. The Society shall not initiate any legal or recovery measures including repossession of the security without giving due notice to the borrower in writing.
45. The Society's approach for recovery should be practical and non-prejudiced. Fair treatment and persuasion are the basic principles of recovery mechanism. Enforcement of security be undertaken only where restructure / rehabilitation has failed or impossible.
46. The Society shall follow all such procedures as required under law for recovery/repossession of the security. Fair practices pertaining recovery of loans are



further detailed in “Collection of Dues and Repossession of Securities” policy, hosted in the Society`s website.

**Release of Security on Closure of Loans:**

- 47. The Society shall release all securities on receiving payment of loan or realisation of loan subject to any legitimate right or lien for any other claim the Society may have against such borrowers.
- 48. The Society shall return to its customers all the securities/ documents/ title deeds of mortgaged property within 15 days of the repayment of all dues agreed to or contracted.
- 49. The Society shall give notice to borrowers if it decides to exercise the right of set off. The notice shall have full particulars about the remaining claims and the documents under which the Bank is entitled to retain the securities till the relevant claim is settled/ paid.

**Customer Grievance Redressal:**

- 50. The Society has established a mechanism for redressal of grievances of borrowers, which is further detailed in Customer Grievance Redressal Policy hosted on The Society`s website or available with branches of the Society.

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