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## Loan Policy for the District Central Cooperative Banks in Odisha

The District Central Cooperative Banks are advancing loans for agricultural purposes through the affiliated Primary Agricultural Cooperative Societies (SCS/ LAMPCS/ FSCS) and non-agricultural loans either through the PACS or directly to the individual nominal members of the Bank. In order to govern the loans and advances of the District Central Cooperative Banks, the following policy is adopted to ensure transparency and protection of resources of the stakeholders.

**1) Area of operation :**

The Bank shall provide loans and advances to the affiliated PACS and individuals / proprietary concerns/ partnership firms/ joint stock companies after enrolling them as members / nominal members. The Bank shall not advance loans to the PACS/ other Societies/ individuals outside the area of operation.

**2) Types of loans :**

**i) Agricultural credit (through PACS)**

- a) Crop loans
- b) Schematic loans
- c) Working Capital accommodation for fertilizer and other business
- d) Loans for acquisition of assets including construction of Godowns/ cold storage, repair of godowns etc.

**ii) Non-agricultural and non-farm sector advances through Cooperative Societies and also directly.**

- a) Working Capital accommodation for the artisans, traders, manufacturers etc.
- b) Block capital loans (Investment Credit) for the purpose of acquisition / development / creation of income generating assets.
- c) Consumer loans.
- d) Loans for deposit counters of PACS.

- iii) Loans against gold ornaments.
- iv) Loans against pledge of deposits / postal securities/ Life Insurance Corporation Policies etc.
- v) Any other loan products that may be designed by the Management of the Bank on the basis of the guidelines of NABARD/ Reserve Bank of India/ OSCB issued from time to time and also as per its own Business Development Plan.

3) Repayment period of loans :

Types of loans	Repayment period
<p>i) <b>Agricultural credit (through PACS)</b></p> <ul style="list-style-type: none"> <li>a) Crop loans</li> <li>b) Schematic loans (both farm and non-farm)</li> <li>c) Working Capital accommodation for consumer, fertilizer and other business</li> <li>d) Loans for acquisition of assets including construction of Godowns/ Deposit Counters, repair of godowns etc.</li> </ul>	<p>As per the Crop Loan Policy approved by NABARD/ OSCB.</p> <p>Basing on economic life period of the asset created/ acquired/ developed, income generated from the assets created and financial soundness of the borrower.</p> <p>The C.C. limit will be operative for a period of one year.</p> <p>Basing on the economic life period of the asset created/ acquired/ developed, income generated and financial soundness of the borrowing unit.</p>
<p>ii) <b>Non-agricultural and non-farm sector advances.</b></p> <ul style="list-style-type: none"> <li>a) Working Capital accommodation for the traders, manufacturers etc.</li> <li>b) Block capital loans (Investment Credit) for the purpose acquisition / development / creation of assets.</li> </ul>	<p>Ordinarily for a period of one year from the date of sanction.</p> <p>Basing on the economic life period of the asset created/ acquired/ developed/ income generated/ financial soundness of borrowing unit.</p>
<p>iii) <b>Loans against gold ornaments</b></p>	<p>Ordinarily for a period of one year from the date of sanction.</p>

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iv)	Loans against pledge of deposits / postal securities/ Life Insurance Corporation Policies etc.	The due dates of the loans shall be coterminous with the maturity of the deposits / securities/ policies.
v)	Any other loan products to be designed by the Management of the Bank on the basis of the guidelines of the NABARD/ Reserve Bank of India/ OSCB issued from time to time or own Business Development Plan.	As per the nature of the loan, the repayment period of the loan shall be determined.

4) **Collaterals :**

- i) For crop loans advanced by the PACS, no collateral should be insisted. As per provisions of the Orissa Cooperative Societies Act, a charge on the standing crops is to be created.
- ii) For investment credit both under farm and non-farm sector, at least **50% of the loans** advanced should be secured by way of collateral in shape of National Savings Certificate/ Term Deposits/ surrendered value of LIC policies/ marketable immovable properties. However, this will not be applicable to the Government sponsored schemes in case of individuals up to a limit of Rs.3.00 lakhs and in case of group loans, up to a limit of Rs.5.00 lakhs.
- iii) All landed property and buildings, if any constructed over the property must be valued by a registered valuer, who is in the current empanelled list of the Bank and having good market reputation. The borrower shall bear the cost for the purpose. The value of the land will be assessed separately and would be compared with valuation on record by Government Authorities including Municipal Bodies. Construction on the said land would be valued separately. The minimum period between two consecutive valuations should be three years. Where it is necessitated earlier at a time less than three years, due justification has to be mentioned in the process. Further, where the valuation of property as a whole exceeds Rs.50 lakh, confirmation of a second valuer should be obtained. The Branch Manager and the Officer in charge of Loans would adopt general prudence / due diligence in the matter and both would jointly certify such valuation as reasonable. Provided that the lower valuation of the two shall be accepted for the purpose of advancing of loans.



5) **Exposure Norms :**  
The Bank shall adhere to the Exposure Norms fixed by National Bank for Agriculture and Rural Development from time to time. Besides, the limit fixed by NABARD for financing individuals in sectors other than Cooperatives shall be adhered to scrupulously. The Credit Monitoring Arrangement (CMA) guidelines shall be followed by the DCCBs without fail.

6) **Guidelines under which unsecured loans will be granted :**  
Loans up to Rs.50,000/- both under farm and non-farm sector can be advanced without insisting on collaterals subject to the rules and procedures for the purpose to be framed by the Management of the Bank and as per the provisions of B. R. Act, 1949 (AACCS) and directions issued by RBI from time to time. In case of unsecured loans, the sanctioning authority shall be squarely responsible for recovery of such loans.

7) **Documentation requirements:**  
Each category of loans require different kind of documentations taking into account the bank's policies, requirements, obligations that are required to be fulfilled to the higher financing and refinancing agencies etc. An attempt is made below to list out various documentation that are required to be obtained for various kinds of loans.

i) **Agricultural credit at PACS level :**

a) **Crop loans**

- i) Credit limit statement with signature of the farmer member.
- ii) Land particulars – type and irrigation status.
- iii) Crops cultivated during Khariff and Rabi.
- iv) Loan Bond.
- v) Demand Promissory Note.
- vi) Charge creation certificate.

b) **Investment credit / Schematic loans / Term Loans :**

- i) Loan Agreement
- ii) Non Encumbrance Certificate
- iii) Mortgage Deed towards the collateral
- iv) Time Promissory Note
- v) Insurance
- vi) Deed of Hypothecation
- vii) In case of tractor, power tiller, other Small Road Transport Operator loans, R.C. Book with bank clause.

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**ii) Agricultural credit (through PACS) : DCCB level**

**a) Crop loans**

- (i) Loan Agreement
- (ii) Time Promissory Note
- (iii) Certificate of genuineness of signatures
- (iv) Certificate of Borrowing Power
- (v) Security Certificate
- (vi) Certificate relating to maintenance of books and registers under CAS
- (vii) Disbursement statement

**b) Schematic loans (both farm and non-farm)**

- (i) Loan Agreement
- (ii) Time Promissory Note (co-terminous with the period of repayment)
- (iii) Certificate of genuineness of signatures
- (iv) Certificate of Borrowing Power
- (v) Security Certificate
- (vi) Disbursement statement

**c) Working Capital accommodation for consumer, fertilizer and other business at DCCB level**

- (i) Loan Agreement
- (ii) Time Promissory Note (Co-relative to period of repayment)
- (iii) Certificate of genuineness of signatures
- (iv) Certificate of Borrowing Power
- (v) Security Certificate
- (vi) NODC Certificate
- (vii) Disbursement statement

**d) Loans for acquisition of assets including construction of Godowns/ Deposit Counters, repair of godowns etc. at DCCB level**

- (i) Loan Agreement
- (ii) Time Promissory Note (Co-terminus with the period of repayment)
- (iii) Certificate of genuineness of signatures
- (iv) Certificate of Borrowing Power
- (v) Security Certificate
- (vi) Liquidity statement as on date
- (vii) Approval letter from the competent authority for acquisition / creation of asset

**iii) Non-agricultural and non-farm sector advances at DCCB level.**

**a) Working Capital accommodation for the traders, manufacturers etc.**

- (i) Loan Agreement.
- (ii) Demand Promissory Note along with Take Delivery Letter.
- (iii) Stamped agreement for hypothecation and guarantee to be executed by the loanee and his guarantor.
- (iv) Letter from the owner of the premises rented to the borrower for his business stating that he has no charge or lien over goods stored in the premises.
- (v) Hypothecation of the stock in trade.
- (vi) Mortgage/ assignment of landed property/ collateral.
- (vii) Statement of assets hypothecated to the Bank.
- (viii) Insurance for 110% of the value of stocks against risks of fire, theft, burglary, natural calamity,
- (ix) Sales Tax / VAT / IT Return.

**b) Block capital loans (Investment Credit) for the purpose acquisition / development / creation of assets.**

- (i) Loan Agreement.
- (ii) Demand Promissory Note along with Take Delivery Letter.
- (iii) Guarantee agreement made by two guarantors undertaking to become liable for payment of loan in the event of default made by the borrower.
- (iv) Memorandum of Term Loan Agreement.
- (v) Valid approved plan of the building in case of House Building Loans.
- (vi) Record of Right in original and the Encumbrance Certificate over which the building will be constructed in case of House Building Loan.
- (vii) Registered mortgage deed of land and building owned by the borrower as collateral security.
- (viii) Post Dated Cheques duly signed by the borrower as additional security for the loan.



iv) **Loans against gold ornaments**

- (i) Loans may be given against pledge of gold ornaments only belonging to the applicant / borrower.
- (ii) Valuation of ornaments must be based on the weight and fineness of the gold contents.
- (iii) Appraisal of gold ornaments will be done by the appraiser engaged by Bank on commission basis.
- (iv) Gold jewels pledge with the Bank shall be kept in a separate Iron Safe (other than cash safe) which is also kept inside the strong room under Double Lock System, i.e. not only the Strong Room is under Double Lock System but also the Iron Safe or Steel cupboard.
- (v) The jewels under pledge of the bank should be under the joint custody of the Branch Manager and another officer of the Branch or the Cashier of the Branch.
- (vi) One set of keys of the iron safe in which the gold ornaments are stored should be with the Branch Manager while the 2<sup>nd</sup> set should be with the 2<sup>nd</sup> officer / Cashier who will be the joint custodian.
- (vii) Jewel Loan Application Form
- (viii) Associate/ Nominal Membership Application Form
- (ix) Demand Promissory Note
- (x) Pledge Agreement Form
- (xi) Declaration regarding ownership of gold ornaments
- (xii) List of gold ornaments with weight and purity indicated in the appraisal form
- (xiii) The gold articles should be kept in a cloth packet tied with a string, which may be opened for surprise verification at the time of inspection/ audit/ visits by Head Office officials.
- (xiv) An acknowledgement receipt is to be obtained from the borrower along with description of gold ornaments, weight and valuation at the time of closure of the gold loan account.
- (xv) In case of non-recovery of loans on or before the due date, the pledged gold ornaments shall be put to auction to recover the loan along with interest.

- v) **Loans against FD / Recurring Deposit / LIC Policies**
- (i) Letter depositing FDR discharged by the Party / unstamped letter of appropriation recurring deposit passbook duly discharged by the party.
  - (ii) DP Note.

- (iii) Forms of assignment in Bank's favour in case of LIC Policy.
- (iv) Copy of the notice of assignment addressed to LIC signed by the Party.
- vi) Any other loan products that may be designed by the Management of the Bank on the basis of the guidelines of the NABARD / Reserve Bank of India / OSCB issued from time to time or own Business Development Plan. The documents will be as may be prescribed by the Management in consultation with OSCB.

8) **Extensions of credit through overdrafts.**

- i) Ordinarily overdraft to an existing customer may be allowed on Current Account/ Cash Credit Account subject to analysis of the behaviour of the individual customers regarding the attitude and aptitude towards repayment or his relationship with the Bank subject to maximum of Rs.50,000/-. The officers allowing overdraft shall be squarely responsible for recovery of the same.
- ii) No overdrafts shall be allowed on Savings Bank Accounts.
- iii) Documents to be obtained:
  - (i) DP Note in case of individuals, joint and several DP Note in case of joint borrowers, sole proprietary concern and partnership firms.
  - (ii) Letter of continuing security (with negative lien clause)
  - (iii) Letter of guarantee if any.
  - (iv) Letter of recording to adjust the overdrawings within the stipulated period.
  - (v) Post-dated cheque covering the overdraft amount.

9) Procedures establishing a formal system to identify, record and monitor loan accounts displaying weaknesses and deficiencies that jeopardize the orderly repayment of the loan.

10) Appropriate and adequate recovery procedures including, but not limited to, the actions to be taken against borrowers who fail to make timely payments.

11) Guidelines governing the placement of loans on a non-accrual status. Delinquent loans shall follow Call Report instructions.



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12) Delegation of powers.

i) At PACS Level :

The Managing Committee shall authorize the Chief Executive (Secretary) of the Society to enroll members, accept credit limit applications for crop loans, applications for term loans. After sanction of credit limits, he / she shall be authorized for issue of Kisan Credit Cards to the farmer members. The Branch Manager has to ensure that the Managing Committee of the PACS delegate such powers to the Chief Executive.

ii) At DCCB level :

- The Managing Committee of the Bank shall consider delegation of powers to the following officers of the Bank to negotiate, sign, endorse, cheque / Bill of exchange and other negotiable instruments in the name and on behalf of the Bank to operate Bank accounts with other Banks, financial institutions and borrow from higher financing agencies.
  - (a) Secretary of the Bank
  - (b) Additional Secretary/ Deputy Secretary/ Asst. Secretary
  - (c) General Managers/ Managers/ other identified officers
- The following officers shall be delegated with the powers to sanction of loans as mentioned against their names.
  - a) Loan beyond Rs.10.00 lakhs will be sanctioned by the Loan Committee / Managing Committee.
  - b) Secretary of the Bank – Loans up to Rs.10.00 lakhs.
  - c) Additional Secretary/ Deputy Secretary/ Asst. Secretary – Loans up to Rs.2.00 lakhs.
  - d) General Managers/ Managers – Loans up to Rs.1.00 lakh.
  - e) Branch Managers :
    - i) Crop loans in favour of the PACS without any limit.
    - ii) Term loans up to the unit cost or Rs.5.00 lakhs, whichever is lower, if recommended by the Sponsoring Authorities under the subsidy schemes of the Government.
    - iii) Loans to Self Help Groups and Joint Liability Groups subject to maximum limit of Rs.5.00 lakhs.
- The officers shall be authorized by the Managing Committee to release the loans sanctioned by them. The Officers shall be squarely responsible for any lapse in appraisal, documentation, follow-up and monitoring.

**13) Guidelines for rate of interest.**

The Banks are required to review interest rates in respect of various loans as per the guidelines of NABARD and in response to the market situation periodically. As per the present interest rate guidelines, Banks should not compound the interest in case of current dues of agricultural loans. Hence, there shall be no compounding of interest in KCC accounts until the account becomes overdue.

In case of Cash Credit limits and overdraft accommodation, the rate of interest shall be charged as per the rate fixed by the Management from time to time. Interest should be charged on the basis of daily outstanding on the last working of each month and in case of temporary overdraft, when the outstanding is cleared. Outstanding in excess of drawing power / limit as well as outstanding under un-renewed cash credit account will be considered as overdue. Such overdue will attract penal interest as fixed by Management over and above the normal rate of interest from the date of such overdue till date of regularization of account.

The rate of interest for all other loans should be fixed by the Bank Management. The interest shall be charged on equated installments basis for the entire period of loan. If any monthly interest due is not remitted before 10<sup>th</sup> the following month, that installment will be treated as overdue and it will attract penal interest as prescribed by the Bank Management above the interest rate application to the loan. This will be effective from the 1<sup>st</sup> day of the month in which the default is committed to the date of regularization.

The Committee of Management of Central Cooperative Banks may decide the interest rate structure of their own in response to the market from time to time.

**14) Penalties :**

Unless otherwise decided by the Management of the Bank, penal interest @ 2% over and above the stipulated rate of interest shall be charged on all accommodations except for the crop loans, which are covered under the interest subvention / incentive scheme. In case of crop loans, the penal interest structure as advised by OSCB from time to time shall be applicable.

15) **Loans and advances to officers/ employees of the Bank and other relatives:**

No officer shall, while exercising his/ her lending powers, sanction any credit facility to him/ her or to his/ her relatives. Only the next higher sanctioning authority shall ordinarily sanction such a facility.

The term relatives shall include:

- Spouse
- Father
- Mother (including step-mother)
- Son (including step-son)
- Son's wife
- Daughter (including step-daughter)
- Daughter's Husband
- Brother (including step-brother)
- Brother's wife
- Sister (including step-sister)
- Sister's Husband
- Brother (including step-brother) of the Spouse
- Sister (including step-sister) of the Spouse

Further, when a credit facility is sanctioned by an authority to :

- a) Any firm in which any of the relatives of any Officer/ Employees of the financing Bank holds substantial interest or is interested as a partner or guarantor, or
- b) Any company in which any of the relative of the Officer/ Employee of the financing Bank holds substantial interest, or is interested as a Director or as a Guarantor, that transaction should also be reported.
- c) No loan will be granted to Jewel Appraiser, Approved Valuer and Empanelled Advocates of Bank without prior approval of Head Office.
- d) Prior approval should be obtained from Head Office, where loan is sanctioned in favour of the officer/ employee or his relatives.



16) **Multiple Banking Arrangements :**

Borrowers opting for Multiple Banking Arrangements will be entertained under following guidelines.

- a) Appraisal of credit limits to be done independently and other Banks' appraisal notes will be obtained.
- b) Documents are taken independently. However, charge on entire assets of the Company will be created on paripassu basis with Registrar of Companies (ROC) / appropriate statutory authorities.
- c) Regular exchange of information to be ensured.
- d) Stock statements should contain the outstanding with other Banks.
- e) Independent inspection to be conducted as per norms. Joint inspection at least once in six months should be ensured.

17) **Loans against own shares of the Bank :**

Under the statutory regulations, no Cooperative Bank is entitled to advance loans against the security of its own shares.

18) **Loans to Board of Directors of the Bank :**

Unsecured loans shall not be advanced to any of the Bank's Directors or to the firms or private companies in which, any of its Directors is interested as partner or Managing Agent or Guarantor or to individuals in case where any of its Directors is a guarantor.

19) **Take over of loan accounts from other Banks :-**

The Central Cooperative Banks shall not takeover loan accounts of other Banks. However, takeover of loans from the Central Cooperative Banks by other Banks shall be allowed.

20) **Sureties / Guarantor :**

All loans shall be guaranteed by at least one surety. At the time of obtaining guarantorship/ security, the Sanctioning Authority shall ensure that the individuals standing as guarantors/ sureties shall be solvent.

21) **Prohibitive lending policy :**

This lending Policy prohibits loans and advances including Non-Fund Based facilities for the following purposes or to the following categories of borrowers.

- a) Loans and advances for speculative purposes.
- b) Proposals from defaulters of the Bank (excluding exempted categories).
- c) Loans and advances to borrowers dealing in sensitive commodities as notified by RBI from time to time, which directly or indirectly violate the spirit of the Selective Credit Control directives presently applies to buffer stock of sugar with Sugar Mills and unrealized stocks of sugar with Sugar Mills representing levy sugar and free sale sugar.
- d) Loans against commodities, possession/ production of which are prohibited by the law of the land.
- e) Sanction of fresh loans to clear the NPA accounts in the Group/ Associates.
- f) Loans and advances against company shares to promoters of such companies (however, promoters holding given as additional collaterals for the specific approved purposes may not come under such prohibition).
- g) Purchase and discount of bills, which are accommodative in nature.
- h) Loans and advances to industries consuming/ producing ODS (Ozone Depleting Substance).
- i) Loans and advance to industries, whose application for clearance from Pollution Control Board (s) have been turned down or are under dispute/ litigation.
- j) Credit proposals from companies/ borrowers whose name(s) appear in the default/ suit filed accounts lists published by Reserve Bank of India and whose names appear in the ECGC caution list for exporters.

**22) Statutory and Regulatory Restrictions :**

As per provisions of the Banking Regulation Act, 1949 (AACS), Reserve Bank of India/ NABARD guidelines, the following statutory and regulatory restrictions on loans and advances shall be applicable :

**a) Statutory Restrictions :**

- (i) Advance to Bank's Directors
- (ii) Restrictions on credit to Companies/ Cooperatives for Buy-back of their securities

**b) Regulatory Restrictions :**

- (i) Granting loans and advances to relatives of Directors.
- (ii) Restrictions on grant of loans and advances to the relatives of senior officers of Banks.
- (iii) Restrictions on grant of financial assistance to industries producing/ consuming Ozone Depleting Substances (ODS).
- (iv) Restrictions on advances against Sensitive Commodities under Selective Credit Control (SCC).
- (v) Restriction on payment of commission to staff members including officers.

**c) Restrictions on other loans and advances :**

- (i) Loans and advances against shares, debentures and Bonds.
- (ii) Advance against Money Market Mutual Funds.
- (iii) Advance against Fixed Deposit Receipts issued by other Banks.
- (iv) Issue of Bank Guarantee in favour of financial institutions.

**23) Fair Lending Practices Code :**

**Preamble :**

**Scope :**

Fair Lending Practices Code (FLPC) is a code recommended by Indian Banks' Association (IBA) & National Bank for Agriculture and Rural Development (NABARD) to achieve synchronization of best practices for common approach, when they are dealing with Customers. It aims to provide valuable inputs to Customers and facilitates effective interaction of customers with the Banks. This will be a part of the Loan Policy and shall be accepted by the Management of all the Central Cooperative Banks for immediate implementation.



#### 14.1 Important declarations :

The Central Cooperative Bank shall undertake :

- To provide professional, efficient, courteous, diligent and speedy services in the matter of retail lending.
- Not to discriminate on the basis of religion, caste, sex, descent or any of them.
- To be fair and honest in advertisement and marketing of Loan Products.
- To provide customers with accurate and timely disclosure of terms, costs, rights and liabilities as regards loan transactions.
- If sought, to provide such assistance or advise to customers applying for loans.
- To attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal cells within the organisations.
- 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 representation from banks.

#### 14.2 Fair Practices :

##### 14.2.1 Product Information :

- a) A prospective customer would be given all the necessary information adequately explaining the range of loan products available with Central Cooperative Bank and through its Branches to suit his/ her needs.
- b) On exercise of choice, the customer would be given the relevant information about the loan product of his/ her choice.

- c) The Customer would be explained the processes involved till sanction and disbursement of loan and would be notified of timeframe within which all the processes will be completed ordinarily at OSCB.
- d) The customer would be informed of the names and phone numbers of branches and the persons whom he/ she can contact for the purpose of loan to suit his needs.
- e) The Customer would be informed of the procedure involved in servicing and closure of the loan taken.

#### 14.2.2 Interest Rates :

- Interest Rates for different loan products would be made available through and in any one or all of the following media, namely.
  - a) In Head Office of the Bank and through its Branches.
  - b) Over phone
  - c) Through prominent display in the branches and at other delivery points.
  - d) Through other media from time to time
- Customers would be entitled to receive periodic updates on the interest rates applicable to their accounts.
- On demand, customers shall have full details of method of application of interest.

#### 14.2.3 Revision in Interest Rates:

- a) The Bank will notify immediately or as soon as possible any revision in the existing interest rates and make them available to the customers.
- b) Interest Rate revisions for the existing customers would be notified at least one day before the date of change.

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#### 14.2.4 Default Interest/ Penal Interest:

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

#### 14.2.5 Charges:

- a) The Bank will notify details of all charges payable by the customers in relation to their loan account.
- b) The Bank will make available for the benefit of prospective customers all the details relating to charges generally in respect of retail products.
- c) Any revision in charges would be notified in advance and would also be made available.
- d) The Bank will clearly specify the charge on account for interest and other charges, wherever necessary and get a mandate for debiting the said charge to the account along with the documentation.

#### 14.2.6 Terms and Conditions for Lending:

- a) The Bank will give an acknowledgement of receipt of loan request and if demanded by the customer. A copy of the application form duly acknowledged would also be given, as soon as the customer chooses to buy a product or service of his choice.
- b) Immediately after the decision to sanction the loan, the Bank will 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.
- c) Loan application forms, Draft documents or such other papers to be signed by a customer should comprehensively contain all the terms and conditions relating to the product or service of his choice.



- d) Wherever possible, reasons for rejection of loan would be conveyed to the customers.
- e) Before disbursement of loan and on immediate execution of the loan documents, the Bank/ concerned Branch would deliver a copy of the duly executed documents to the customers.
- f) Margin & security stipulation should not be used as a substitute for due diligence on credit worthiness of the borrower.
- g) A copy of the loan agreement alongwith copies of all enclosures quoted in the loan agreement should be furnished to the borrower. The loan agreement should clearly stipulate credit facilities that are solely at the discretion of the lender which may include approval or disallowance of facilities, such as, drawings beyond the sanctioned limit, 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.
- h) In the case of lending under consortium arrangement, the participating lenders should evolve procedures to complete appraisal of proposals in a time bound manner to the extent feasible and communicate their decisions on financing or otherwise within a reasonable time.

#### **14.2.7 Post disbursement supervision:**

- a) Post disbursement supervision should be constructive;
- b) Before taking a decision to recall / accelerate payment or performance under the agreement or seeking additional securities, lenders should give notice to borrowers, as specified in the loan agreement or a reasonable period, if no such condition exists in the loan agreement.

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#### 14.2.8 Account practices:

- a) The Bank would provide periodical statement of accounts, unless not found necessary by the customers on payment of necessary charges.
- b) The Bank would notify the 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.
- c) The Bank would notify in advance any change in accounting practices that would affect the customers, before implementation.

#### 14.2.9 Information Secrecy:

- a) All personal information of the customer would be confidential and would not be disclosed to any third party unless agreed to by the customer. The term Third party excludes all Law enforcement agencies, Credit Information Bureau, Reserve Bank of India, other banks and financial institutions.
- d) Subject to above Para, customer information would be revealed only under the following circumstances, namely;
  - If the Bank is compelled by law
  - If it is in the Public Interest to reveal the information
  - If the interests of the Bank require disclosure.

#### 14.2.10 Financial Distress :

- a) The Bank would reckon cases of customer's financial distress and consider them sympathetically.
- b) Customer would be encouraged to inform about their financial distress as soon as possible.
- c) The Bank would adequately train the operational staff to give patient hearing to the customers in financial distress and would render such help as may be possible in their view.

**14.2.11 Grievance Redressal :**

- a) The Bank shall have a Grievance Redressal Cell.
- b) The Bank shall make available all the details, namely ;
  - Where a complaint can be made
  - How a complaint should be made
  - When to expect a reply
  - Whom to approach for redressal of grievance etc., to the customers individually on demand.
- c) Response to a complaint whether positive or negative or requiring more time for redressal would be given within a maximum period of four weeks from the date of complaint, unless the nature of complaint is such that it requires verification of voluminous facts and figures.

**14.2.12 General:**

- a) In the matter of recovery of loans, the lenders should not resort to undue harassment viz, persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.
- b) In case of receipt of request for transfer of borrower account, either from the borrower or from a bank/ financial institution, which proposes to takeover the account, the consent or otherwise, i.e. objection of the lender, if any, should be conveyed within 21 days from the date of receipt of request.