

City Union Bank - Fair Practices Code (FPC) for Microfinance Loans

This Fair Practices Code (FPC) for Microfinance Loans has been framed in accordance with the Reserve Bank of India's Master Directions on Regulatory Framework for Microfinance Loans and other related circulars.

The objective of this Code is to ensure transparency, fair treatment, responsible lending, and ethical conduct by the Bank and its representatives while extending and recovering microfinance loans.

Ethical Practices in Customer Dealings

- Bank staff and field representatives shall treat customers with courtesy and respect.
- Recovery visits shall be made only during normal working hours (9:00 a.m. to 6:00 p.m.) or at mutually agreed timings.
- No employee or agent shall use abusive, threatening, or coercive language or behaviour.
- Recovery shall be carried out only at designated or mutually agreed locations.
- The Bank shall remain fully responsible for the actions of its employees and outsourced recovery personnel.

Assessment of Borrowers capacity

- The Bank shall assess household income and repayment capacity based on verified documents and field enquiries.
- Total repayment obligations (including all loans) shall not exceed 50% of household income.
- A borrower household shall not have microfinance loans from more than three regulated entities (banks, NBFC-MFIs, or others).
- The Bank shall verify existing indebtedness using Credit Information Companies (CICs), borrower declarations, and local validation.
- No collateral, margin money, or security shall be obtained for microfinance loans.

Fair disclosure and Communication of Loan terms

- All loan terms such as interest rate, charges, repayment flexibility shall be clearly disclosed in a simple format.
- Each borrower shall receive a Key Facts Statement (KFS) and Loan Agreement in a language understood by them.
- Any change in interest rate or charge shall be informed in advance and applied prospectively only.
- Interest rates shall be fixed as per pricing policy of the bank and displayed at all branch offices.
- The Bank shall display minimum and maximum interest rates on its website and at all branches.

Borrower Awareness initiatives

- Borrowers shall be educated on product features, repayment obligations, and consequences of default before disbursement.
- Loan terms shall be explained clearly in the borrower's preferred language.
- Each borrower shall be provided a Loan Card containing:
 - Borrower identification details.

- Loan particulars and repayment record.
- Grievance redressal contact information.
- Loan Cards shall be issued free of cost and updated regularly.
- Insurance and Non-credit products shall be sold only with written consent from the borrower.

Borrower Data Protection and Confidentiality

- Customer information shall be used strictly for banking purposes or as required by law.
- The Bank shall maintain confidentiality of borrower data and prevent misuse or unauthorized sharing.
- Information shall be disclosed only with borrower consent or under regulatory/statutory requirement.

Grievance Redressal Mechanism

- Borrowers may register complaints at the Branch or with the designated Nodal Officer.
- Details of grievance contacts and escalation levels shall be displayed at all branches.
- Complaints shall be acknowledged and resolved within 7 working days. If unresolved, borrowers may approach the RBI Integrated Ombudsman Scheme.
- The grievance handling mechanism shall be periodically reviewed by the Bank's senior management.