



UNITY SMALL FINANCE BANK LIMITED

FAIR PRACTICES CODE

Version History

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1. INTRODUCTION

This policy provides framework to Unity Small Finance Bank Limited (“**the Bank**”) to ensure fairness and transparency while dealing with loan proposals from customers. It aims to facilitate effective and transparent interaction between the Bank and its borrowing customers. It lays down procedures to ensure clarity, transparency, timeliness and responsiveness in Bank’s relationship with the borrowing customers at all stages of the loan cycle – sales/marketing, loan application/request, processing, sanction, disbursement, monitoring and administration.

2. LOAN APPLICATION

In the loan application form, the Bank shall provide comprehensive information including documents to be submitted by the applicant, information about fees and charges if any payable for processing and amount of such fees refundable, if any in case of non-acceptance of application, prepayment options and charges, if any, penalty for delayed repayments if any and other matter which affects the interest of the borrowers, for all the categories of loans, irrespective of the amount of loan sought by them. All information relating to charges/fees for processing loan applications shall be invariably disclosed in the loan application forms. Such information shall also be displayed on the website of the Bank for all categories of loan products.

The Bank shall inform ‘all-in-cost’ to the customer to enable him/ her to compare the rates / charges with other sources of finance. It shall also be ensured that such charges / fees are non-discriminatory.

3. LOAN PROCESSING

The Bank shall provide acknowledgement for receipt of all loan applications indicating the time frame within which the application will be disposed of. A monitoring mechanism for reviewing applications pending beyond the specified period shall be put in place. The Bank shall also make suitable disclosures on the timelines for conveying credit decisions through its websites, notice-boards, product literature, etc.

The Bank shall verify the loan application and if additional details / documents are required, these will be sought from the applicant.

For all categories of loans and irrespective of any threshold limits, the Bank will be expected to process the application without delay. In case the application is turned down, the Bank will convey in writing or through email/ WhatsApp / SMS to the applicant the reasons for rejection within one month.

In case the Bank offers / approves a credit facility through online or phone-banking channels, the Bank shall credit the customer’s account with the loan amount or enhance credit card limits only after receiving customer’s acceptance in writing or after customer consent is obtained through authenticated electronic means / after necessary validation. The Bank shall not offer any unsolicited pre-approved credit facility in any form.

4. LOAN APPRAISAL AND TERMS AND CONDITIONS

- i. The Bank will ensure that there is proper assessment of credit requirement and creditworthiness of borrowers. Stipulation of margin and security will be based on due diligence and creditworthiness of borrowers in line with extant Lending Policy of the Bank. The methodologies for assessment have been detailed in the various policy/product notes of the Bank. The assessment will be based on all credit related and such other information as may be called for/collected by the Bank.
- ii. The bank shall convey to the borrower the credit limit along with the terms and conditions thereof and keep the borrower's acceptance of these terms and conditions given with his full knowledge on record.
- iii. Bank will provide a copy of the loan agreement (loan card in cash of microfinance loans) along with a copy of each of the enclosures quoted in the loan agreement to all the borrowers after due execution of the documents. The loan agreements shall be provided through any modes (including email/ whatsapp etc) and log of the same (including customer acceptance) shall be maintained and loan agreements may also be made available to customers on the customer login section.
- iv. As far as possible, the facility terms will stipulate terms & conditions relating to the credit facilities that are solely at the discretion of the Bank. These may include approval or disallowance of facilities, such as 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 borrower account on its classification as a nonperforming asset or in the event of default or on account of non-compliance with the terms of sanction. The Bank would not have an obligation to meet further requirements of the borrowers on account of growth in business etc. without proper review of credit limits.
- v. In the case of lending under consortium arrangement, if the Bank is a participating lender, it would evolve procedures to complete appraisal of proposals in the time bound manner to the extent feasible, and communicate the decisions on financing or otherwise within a reasonable time.

5. DISBURSEMENT OF LOANS

The Bank shall arrange for timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction.

In case the Bank desires to change the terms and conditions of the loans (such as disbursement schedule, interest rates, service charges, prepayment charges etc), notice is required to be furnished to the respective borrower in vernacular language or a language understood by the borrower. In case of any changes in interest rates and charges, the Bank shall affect the same only prospectively.

6. POST DISBURSEMENT SUPERVISION

The sanction letter/ any other document issued by the Bank shall inform the general details of post disbursement supervision requirements including but not limited to submission or periodical reports, scrutiny of books of accounts, verification of stocks / book debts, periodic inspection of the unit and whether the cost of such inspections would be borne by the borrower or by the Bank.

Following actions are envisaged:

- i. To provide customers with copies of documents executed by them against receipt of request from customer
- ii. To process requests received from customers for premature closure of their loan by way of borrowing from another Bank/financial institution and communicate Bank's consent or otherwise, within 21 days from the date of receipt of request
- iii. To ensure periodic information is provided to customers about the status of their loan account by providing statements of accounts
- iv. To seek and obtain necessary information from the customers for monitoring the conduct of their accounts during the tenure of the loan/advance
- v. To ensure that the Bank exercises the right to enforce security for recovery of their dues in case of default or non-adherence to terms of sanction, subject to observing the normal procedures in this regard
- vi. To refrain from interfering in the affairs of the customer except to the extent as provided in the terms and conditions of sanction (unless new information, not disclosed earlier by the customer, has come to the notice of the Bank)
- vii. To promptly communicate any decision of the Bank to recall the loan or accelerate the payment or performance under the agreement or seeking additional securities etc. by giving the customer required notice as stated in the loan agreement or atleast 15 days notice, if no such condition exists in the loan agreement.
- viii. To ensure that all securities be released on receiving full repayment of the loan from the borrower, subject to any legitimate right of lien for any other claim the Bank may have against the borrower, in which case suitable notice would be issued to the customer with full details about the residual claims and the documents under which the Bank is entitled to retain the securities till the relevant claims are settled
- ix. To ensure that the customers are not unduly harassed during recovery/collection of the loan due
- x. In respect of loans up to Rupees 2 lakh, post disbursement supervision shall be constructive with a view to take care of any " lender-related" genuine difficulty that the borrower may face.

7. FAIR PRACTICES CODE FOR DEPOSITORS

The Bank shall ensure compliance with the following:

- i. Display interest rates for various deposit schemes from time to time at the notice boards/screens in the

branches and on the website.

- ii. Keep customers informed about changes / modification in interest rates, charges, terms, and conditions through the Bank's website.
- iii. Pay interest for delayed credit of outstation cheques, as advised by RBI from time to time.
- iv. Provide immediate credit in respect of outstation and local cheques up to a specified limit subject to certain conditions, as advised by RBI from time to time.
- v. Provide details of various deposit schemes/services of the Bank on its website.
- vi. Uniform Account Opening Form (AOF) to customers across various branches.
- vii. Documents required for account opening to be informed to the customers and also displayed on the website.
- viii. Open no frill accounts under Financial Inclusion with prescribed minimum balance except in accounts where specifically exempted.
- ix. Open a Savings Fund account in the name of individuals, singly or jointly, minors of the age of 10 years and above or under natural/legal guardianship or by an illiterate/blind person.
- x. The name of the payee as well as instrument number in case of debit entries and the name of payee Bank/drawer of instrument as well as instrument number in case of credit entries will be provided by the Bank in the Passbooks/Statement of Accounts.
- xi. Transfer the account from one branch to another branch, free of charge.
- xii. Account Number Portability: Customer will also be allowed to maintain the same account number even when he /she moves to another city or shifts his account to another branch in the same city. Request letter for transfer of account with account number portability can be submitted either at transferor or transferee branch.
- xiii. Provide facility of standing instruction for regular payments like insurance premium, rent, tax etc.
- xiv. Allow premature withdrawals, unless specified otherwise, at the rate of interest applicable for the period for which the deposit has run or the contracted rate whichever is lower, subject to penalty, if any, prescribed by the Bank. No interest will be paid on premature withdrawals of deposit which has remained with the Bank for less than prescribed minimum number of days for issuance of FDR.
- xv. Allow premature withdrawal of fixed deposits in the name of Deceased Depositor(s) to the

survivors/nominee specified by the depositor(s) at the time of issuance of such fixed Private & Confidential deposit. On overdue fixed deposit, Bank may pay interest as per the method of calculation as per the guidelines in place from time to time.

- xvi. Allow generally loans/overdrafts against deposits except on Certificates of Deposit (CD) Tax Saver Scheme/ Capital Gains Scheme. Such loans are sanctioned by charging interest at rates directed by RBI from time to time or as prescribed by the Bank.
- xvii. As a measure of good customer service, the Bank may intimate the depositor in advance regarding the date of maturity. The Bank may also provide auto renewal facility at the request of the customer. Renewal Notices for Term Deposits- The term deposit renewal notices will be sent to customers preferably in electronic form to enable them to decide the renewal terms, Statement of all deposit accounts in summary form giving details like principal amount, maturity value, maturity dates, rate of interest, annualized interest yield etc. shall be provided by Bank.
- xviii. Pay interest on deposits either monthly at discounted value or quarterly or half yearly (quarterly compounded i.e., reinvestment of interest) or on the date of maturity at the option of the depositor as applicable under particular deposit scheme. Maturity proceeds of Rs. 20,000/- and above will be paid by account payee cheque or credit to account. Cash payment of FDR/TDR will not be made if amount of Principal+ Interest is Rs. 20,000/- and more.
- xix. Provide linkage of Terms and Conditions of various Products like PPF or any future products introduced for specific segments, say senior citizens, which are provided on an agency basis by the Bank, properly integrated into the CBS.

8. INFORMATION SECRECY

All personal information of the customer would be kept 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 Bureaus, Reserve Bank of India and other Banks and Financial Institutions. Customer information would be revealed only under the following circumstances:

- i. If the Bank is compelled by Law.
- ii. If it is in the Public Interest to reveal the information.
- iii. If the interests of the Bank require such disclosure.

9. OUTSOURCED ACTIVITIES:

Outsourcing of any activity by the Bank does not diminish its obligations and the onus of compliance with relevant directions. Further, the Bank shall be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal. The grievance redressal policy of the Bank (alongwith the escalation matrix) shall also be applicable to such outsourced activities.

10. GENERAL

- i. In case of receipt of request for transfer of borrower account, either from the borrower or from a bank, which proposes to take over the account, the consent or otherwise i.e. objection of the Bank, if any, would be conveyed within 21 days from the date of receipt of request.
- ii. 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. The Bank shall display its Policy / Code for Collection of Dues and Repossession of Security on its website.
- iii. The Bank would not discriminate on grounds of sex, caste and religion in the matter of lending. This shall not preclude the Bank from participating in credit-linked schemes framed for weaker sections of the society.
- iv. An appropriate grievance redressal mechanism has been put in place whereby disputes arising out of the decisions of Bank's functionaries would be heard and disposed off in the manner prescribed under the grievance redressal policy of the Bank.
- v. The Policy shall be put up on the website of the Bank for wide publicity.

11. REVIEW BY BOARD

Review of compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism shall be conducted on a quarterly basis by the Compliance team/ Internal Audit team of the Bank. A consolidated report of such reviews shall be submitted to the Board on quarterly basis.

12. REVIEW AND AMENDMENTS:

- In addition to the requirements as stated in this Policy, the provisions as mentioned in the RBI Regulations shall be followed (to the extent applicable).
- The Policy will be reviewed annually by the Board.
- Any changes proposed to the Policy shall be subject to the approval of the Board of Directors of the Company.
- The Policy shall stand automatically updated in case of any amendments announced by RBI.
- In the event where there is conflict between this Policy and the RBI Regulations, the latter shall prevail.