

**KRISHNA BHIMA SAMRUDDHI LOCAL AREA BANK
LTD**

FAIR PRACTICES CODE

Contents

1	Introduction	
2	Applications for Loans and their Processing	
3	Loan Appraisal and Terms / Conditions	
4	Disbursement of loans including changes in terms and conditions	
5	General	
6	Responsibility of Board of Directors	
7.	Grievance Redressal	
8	Language and mode of communicating Fair Practices Code	
9	Regulation of interest charged	

1. Introduction- Krishna Bhima Samruddhi Local Area Bank (hereinafter referred as “KBS Bank”) provides scalable microfinance services to micro entrepreneurs to enable the financial inclusion. It is a Commercial Bank licenced by Reserve Bank of India (RBI). This Fair Practices Code (FPC) of KBS Bank is as per the Guidelines issued by the RBI.

2. Applications for loans and their processing

- All communications to the borrower will be in a language as understood by the borrower;
- Loan application forms will include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other Banks can be made and informed decision can be taken by the borrower. The loan application form indicates, the list of documents required to be submitted along with the application form;
- KBS Bank gives acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of is also indicated in the acknowledgement.

3. Loan appraisal and terms/conditions

KBS BANK shall convey to the borrower in writing by means of sanction letter or otherwise in a language as understood by the borrower, the amount of loan sanctioned along with the terms and conditions including rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record.

KBS BANK will furnish a copy of the loan agreement in a language as understood by the borrower along with a copy of each of all enclosures quoted in the loan agreement to all the borrowers at the time of disbursement of loan.

A Loan card will be provided by the KBS Bank to the borrower which shall contain the details of the loan related information.

4. Disbursement of loans including changes in terms and conditions

- KBS BANK will give notice to the borrower in a language as understood by the borrower of any change in the terms and conditions including disbursement/repayment schedule, interest rates, service charges, prepayment charges etc. KBS BANK will ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement;

- Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement;

5. General

- In the matter of recovery of loans, KBS BANK will not resort to undue harassment viz., Use of threatening or abusive language, Harassing relatives, friends, or co-workers of the borrower, Publishing the names of borrowers, Use or threat to use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
- KBS BANK will ensure that the staff are adequately trained to deal with the customers in an appropriate manner;

6. Responsibility of Board of Directors

The Board of Directors of KBS BANK have laid down the appropriate Grievance Redressal Mechanism within the organization to resolve disputes arising in this regard.

7. Grievance Redressal

At the operational level, KBS BANK will display the following information prominently, for the benefit of the customers, at our branches/places where business is transacted:

- The name and contact details (Telephone and email address) of the Grievance Redressal Officer who can be approached by the customers for resolution of complaints against the Bank.
- If the complaint / dispute is not redressed by the Branch the customer may complain in any language to Grievance Redressal officer, Corporate office, Hyderabad.

8. Language and mode of communicating Fair Practices Code

Fair Practices Code will be in a language as understood by the borrower. KBS BANK shall display the Fair Practices Code in all places having customer interface. The same shall be put up on website of KBS BANK, for the information of various stakeholders.

9. Regulation of interest charged

- .
- The rate of interest will be charged on "simple" basis (no compounding interest).

- The Board of KBS BANK shall lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. In this regard the RBI directions in the Fair Practices Code about transparency in respect of terms and conditions of the loans will be kept in view.

10. In addition to the general principles on FPC as provided in RBI's periodic Directions, KBS BANK shall adopt the following fair practices that are specific to them:

I. General:

- a) The FPC in a language understandable will be displayed by KBS BANK in its office and branch premises;
- b) KBS BANK is committed to transparency and fair practices in lending to its borrowers. KBS BANK will make a statement to this effect in a language understandable and display the same in all its branch premises and also print it in all borrower loan cards;
- c) KBS BANK's field staffs are trained to make necessary enquiries about existing debt(s) of the borrowers;
- d) All training(s) offered by KBS BANK to its borrowers will be free of cost. All field staff are trained to offer such training(s) and also make the borrowers fully aware of the systems and procedures related to loan / other products;
- e) KBS BANK displays the effective interest rate(s) that it charges in all its offices and in the literature issued by it in a language understood by the borrower. The Grievance Redressal System of KBS BANK will also be prominently displayed in all its offices;
- f) KBS BANK will be accountable for preventing inappropriate staff behaviour and timely Grievance Redressal of the borrower. The above declaration is also made in the loan agreement given to the borrower;
- g) KBS BANK ensures that the KYC guidelines of RBI are complied with. Due diligence of each and every borrower will be carried out to ensure the repayment capacity of borrowers;
- h) All sanctioning and disbursement of loans will be done at the Branch/BC location premises only.
- i) KBS BANK will ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.
- j) The flexibility of repayment periodicity in microfinance loans as per borrowers' requirement.
- k) KBS Bank shall disclose the pricing related information to a prospective borrower in a standardised simplified factsheet.
- l) Outsourcing of any activity by the KBS Bank does not diminish its obligations and the onus of compliance with these directions shall rest solely with the Bank.

m) Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

II. Disclosures in loan agreement / loan card

a) KBS BANK has standard form of loan agreement. The loan agreement will be in a language understood by the borrower.

b) In the loan agreement the following are disclosed:

All the terms and conditions of the loan.

The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, will be specified in the loan agreement. Borrowers will be given notices in a language understood by the borrower of any change in the terms and conditions including disbursement / repayment schedule, interest rates, service charges, prepayment charges etc.

That the pricing of the loan involves only four components viz; the interest charge, the processing charge, inspection charges and the insurance premium (which includes the administrative charges in respect thereof)

That there will be no penalty charged on delayed payment. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

That no Security Deposit / Margin is being collected from the borrower
An assurance that the privacy of borrower data will be respected.

c) The loan card reflects the following details.

the effective rate of interest charged;

all other terms and conditions attached to the loan;

information which adequately identifies the borrower and acknowledgements by KBS BANK of all repayments including instalments received and the final discharge;

The loan card will prominently mention the Grievance Redressal System set up by KBS BANK and also the name, contact number and email id of the Grievance Redressal officer;

All entries in the Loan Card will be in a language understood by the Borrower.

III. Non-Coercive Methods of Recovery

☞ Field staff will be allowed to make recovery at the place of residence or work of the borrower only

☞ KBS BANK has a policy in place about Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code will

lay down minimum qualifications necessary for the field staff and shall have necessary training tools identified for them to deal with the customers. Training to field staff will include programs to inculcate appropriate behaviour towards borrowers without adopting any abusive or coercive debt collection /recovery practices, KBS BANK' have customer grievance redressal mechanism.

IV. Internal control system

The responsibility of compliance to the FPC is assigned to the Internal Audit Head of the Bank. KBS BANK has an internal audit department which does periodic audit of all aspects of the operations to check on the compliance of the FPC.

End of the document