

Fair Practices Code for Lenders

Table of Contents

1. Introduction.....	3
1.1. Loan application and processing	3
1.2. Loan appraisals and Terms & Conditions.....	4
1.3. Disbursement of Loans (including changes in terms and conditions).....	4
1.4. Post disbursement supervision.....	5
1.5. General	6
1.6. Grievance Redressal.....	6

1. Introduction

As directed by the Reserve Bank of India vide circular, Master Circular - Loans and Advances – Statutory and Other Restrictions, circular number: RBI/2015-16 /95 DBR.No.Dir.BC.10/13.03.00/2015-16, dated July 1, 2015, Fair Lending Practice - Penal Charges in Loan Accounts, circular number: RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24, dated August 18, 2023 as well as Fair Practices Code for Lenders – Charging of Interest, circular number RBI/2024-25/30 DoS.CO.PPG.SEC.1/11.01.005/2024-25, dated April 29, 2024, SMBC has decided to adopt the Lender's Fair Practices Code as approved by Management committee with a view to setting out fair lending practices in a transparent manner. The salient features of the same are:

1.1. Loan application and processing

- a. In the loan sanction terms, SMBC will provide comprehensive and transparent information including information about fees and charges if any, payable for processing and amount of such fees refundable in case loan amount is not sanctioned / disbursed, pre-payment options and charges, if any, penalty for delayed repayments if any, conversion charges for switching loan from fixed to floating rates or vice versa, existence of any interest reset clause and any other matter which affects the interest of the borrowers to prospective borrowers of all categories of loans, irrespective of the amount of loan sought by them.
- b. SMBC shall display such information on the website of the banks for all categories of loan products.
- c. SMBC shall not levy any charge which is not initially disclosed to the borrower. Levying such charges subsequently without disclosing the same to the borrower is an unfair practice.
- d. SMBC will provide acknowledgement for receipt of all loan requests
- e. SMBC will verify the loan request within a reasonable period of time.
- f. SMBC shall inform 'all-in-cost' to the customer to enable him to compare the rates with other sources of finance.
- g. SMBC shall ensure that levied charges / fees are non-discriminatory in nature.
- h. SMBC shall disclose the quantum and reason for penal charges and most important terms & conditions / Key Fact Statement (KFS) as applicable to the customers in the loan agreement. The same shall also be displayed on SMBC's website.
- i. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers by SMBC, it shall also communicate the applicable penal charges. Further, SMBC shall also communicate any instance of levy of penal charges and the reason therefor.

- j. SMBC shall follow the contents of RBI circulars on Fair Practices Code for Lenders – Charging of Interest, dated April 29, 2024 and Fair Lending Practice - Penal Charges in Loan Accounts dated August 18, 2023 in letter and spirit.
- k. SMBC will convey in writing the main reason/s which, in the opinion of SMBC after due consideration have led to rejection of the loan request in case of all categories of loans irrespective of any threshold limits, within a stipulated time.

1.2. Loan appraisals and Terms & Conditions

- a. SMBC will ensure that there is proper assessment of credit applications made by the borrower.
- b. SMBC will convey to the borrower the credit facilities sanctioned along with the terms and conditions thereof, and keep the borrowers acceptance of these terms and conditions given with his full knowledge on record.
- c. The terms and conditions and other caveats governing credit facilities given by SMBC will be produced in writing and duly certified by the authorised official. A copy of the same along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all the borrowers at the time of sanction / disbursement of loans.
- d. The credit facilities extended are solely at the discretion of SMBC, as stipulated in the loan agreement. SMBC does not have any obligation to meet additional requirements of the borrower/s on account of growth in business etc. without proper review of credit limits.
- e. Under consortium arrangement, SMBC would endeavor to evolve procedures to complete appraisal of proposals in a time bound manner to the extent feasible, and communicate its decisions on financing or otherwise within a reasonable time.

1.3. Disbursement of Loans (including changes in terms and conditions)

SMBC will ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction. SMBC will give notice of any change in the terms and conditions including interest rates, service charges etc. to the borrower and ensure that changes in interest rates and charges are made prospectively.

All the proposals for credit facilities will be disposed / decided as per the below mentioned schedule, on - receipt of duly completed loan application with all requisite information and supporting documents or request letter accompanied with requisite information and supporting documents:

Priority Sector / MSME / Export Credit	
Upto INR 25 Lakhs	Within 14 working days*
Above INR 25 Lakhs	Within 3 months*
Export Credit	Within 45 days*
All Other	Within 9 weeks*

* The above time frame is subject to availability of all the requisite information, documents, reports as deemed fit by the bank, for decision making.

1.4. Post disbursement supervision

- a. Post disbursement supervision by SMBC will be constructive with a view to taking care of any “lender related” genuine difficulty that the borrower may face.
- b. Before taking a decision to recall/ accelerate payment or performance under the agreement or seeking additional securities, SMBC will give notice to borrowers as specified in the loan agreement or a reasonable period, if no such condition exists in the loan agreement.
- c. SMBC will release all securities on receiving payment of loan or realisation of loan subject to any legitimate right or lien for any other claim that SMBC may have against borrowers. If such right of set off is to be exercised, borrowers will be given notice about the same with full particulars about the remaining claims and the provisions under which SMBC is entitled to retain the securities till the relevant claim is settled/ paid.

1.5. General

- a. SMBC will restrain from interference 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 SMBC).
- b. SMBC will not discriminate on grounds of sex, caste and religion in the matter of lending.
- c. In the matter of recovery of loans, the SMBC will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.
- d. In the case of receipt of request for transfer of borrowal account, either from the borrower or from a bank/ financial institution, which proposes to take-over the account, the consent or otherwise i.e. objection SMBC, if any, will be conveyed within 21 days from the date of receipt of request.

1.6. Grievance Redressal

Disputes arising in regard to sanction of loans and advances will be referred to Branch Head for as per the SMBC Grievance Redressal policy.