FAIR LENDING PRACTICES CODE

Preamble

The Reserve Bank of India has been issuing various instructions with a focus on enhancing the level of customer service and ensuring fair conduct towards customers by Banks.

This Fair Lending Practices Code document has been updated pursuant to the instructions contained in 'Chapter VIII – Responsible Lending Conduct' of Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Directions, 2025 issued vide RBI/DOR/2025-26/170 DOR.MCS.REC.No.89/01-01-032/2025-26 dated November 28, 2025.

Objective

The main objective of this code is to promote good and fair lending practices by setting high standards in dealing with customers and to act fairly, promptly and in a transparent manner, in all our dealings.

Application of the Code

This code shall apply to all loan products and services offered by the Bank, whether they are provided through Digital lending platforms (including self- owned/or under outsourcing arrangement), across the counter, over the phone, through interactive electronic devices on the internet or by any other mode.

Information about Loan Products

A prospective borrower will be given all necessary information, adequately explaining the range of loan products available with our Bank to suit their needs. Upon exercise of their choice, the Customer will be given all relevant information about that loan product.

The Customer will be explained the processes involved right from loan processing, sanction, documentation, security creation, disbursement, loan repayment, loan closure till security release. The names and contact details of Branch Officials will also be shared with them.

Loan Application

In the loan application form, the Bank will provide comprehensive information including information about fees and charges, if any, payable for processing the loan application and the amount of such fees refundable if the loan is not sanctioned / disbursed, prepayment options and charges, penalty for delayed repayments, 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 borrower, for all categories of loans, irrespective of the amount of loan sought by the borrower.

Such information will also be displayed on the website of the Bank for all categories of loan products. Bank will not levy any charges without initially disclosing the same to the borrower.

Further, the Bank will inform 'all-in-cost' to the customer to enable them to compare the rates / charges with other sources of finance. Bank will also ensure that such charges / fees are non-discriminatory.

The Bank will provide acknowledgement to the applicant for receipt of the loan application.

Timeline for credit decisions

The Bank will carry out necessary due diligence before arriving at credit decisions. Towards ensuring timely and adequate availability of credit, the Bank will process the application without any delay for all categories of loans and irrespective of any threshold limits.

Upon verifying the loan applications, if additional details / documents are required, then those information will be sought from the applicant immediately.

The Bank has put in place a system to monitor / review the applications pending beyond the specified period.

In case of all categories of loans irrespective of any threshold limits, including credit card applications, if the loan application is rejected, the Bank will convey in writing, to the applicant, the main reason(s) which led to the rejection, within an outer timeline of one month from the date of receipt of loan application.

The Bank will also disclose the timelines for conveying credit decisions through its website, notice boards, etc.

Loan appraisal and Terms & Conditions

Once a customer submits the loan application, the Bank will diligently assess their credit requirement as per its Credit Policy guidelines, after conducting appropriate due diligence on their credit worthiness, which includes credit checks, income verification, employment verification, financial analysis, collateral evaluation, legal verification and risk assessment. The availability of adequate margin and security will not be a substitute for due diligence on the creditworthiness of the customer. Bank will ensure that the assessment process is conducted in a responsible and ethical manner.

If the customer meets the Bank's eligibility criteria and satisfies the due diligence process, the loan application will be approved, and the loan will be disbursed to the customer.

In respect of approved loan applications, Terms and Conditions, Key Facts Statement (KFS) and other covenants governing the credit facilities sanctioned by the Bank will be reduced in writing and duly certified by a Bank Official. The sanction letter, along with KFS, will be shared with the borrower and their acceptance will be kept on record.

The sanction letter / loan agreement will clearly state that the sanctioned credit facilities will be extended solely at the discretion of the Bank under the following circumstances:

(i) Drawings beyond Sanctioned limits / Drawing Power.
(ii) Honouring of cheques issued for the purpose other than specifically stipulated in the sanction.
(iii) In the event the account is classified under SMA category
(iv) In the event the account is classified as NPA
(v) In case of non- compliance of terms of sanction, etc.

It will also be specifically stated that the Bank does not have an obligation to meet further requirements of the borrower on account of growth in business, etc., without proper assessment of the credit requirements.

The Bank will furnish a copy of the loan agreement, along with a copy of all enclosures quoted in the loan agreement, to the borrower at the time of sanction / disbursement of loan.

In case of lending under consortium arrangement, the Bank will complete appraisal of proposals in a time-bound manner to the extent feasible and communicate its decision on financing or otherwise within a reasonable time.

Disbursement of loans

Once pre-disbursement terms of sanction are complied, the Bank will ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction.

Digital Lending

In respect of Digital lending transactions, all key product related information, terms & conditions, important disclosures will be included as part of Key Facts Statement (KFS) / Sanction Letter and their digital consent will be obtained at the time of on-boarding the borrower. This will include information relating to fees, charges, applicable interest rates, repayment schedule, margin, etc. and other important information as defined in Digital Lending Directions of RBI.

Post-Disbursement Supervision

Post-disbursement supervision aspects such as submission of periodical reports, insurance requirements, credit rating requirements, perfection of Bank's charge, stock audit, periodic inspection, etc. will be stipulated at the time of issue of the sanction letter. The sanction letter will also mention whether the Bank or the borrower will bear the cost of inspection.

Before taking a decision to recall / accelerate payment or performance under the agreement or seeking additional securities, the Bank will give notice to the borrower as specified in the loan agreement or a reasonable period, if no such condition exists in the loan agreement.

Timely release of security

The Bank will release its charge on securities upon receiving full repayment of the loan, unless there is any legitimate right or lien for any other claim the Bank may have against the borrower. If such right of set-off is to be exercised, the borrower will be given notice about the same with full particulars about the remaining claims and the documents under which the Bank is entitled to retain the securities till the relevant claim is settled/ paid.

Transfer of borrower account

In case of receipt of request for transfer of borrowal account, either from the borrower or from another Bank / financial institution which proposes to take-over the account, the Banks' consent or otherwise will be conveyed within 21 days from the date of receipt of such request.

Reporting to Credit Information Companies (CICs)

In terms of Credit Information Companies (Regulation) Act, 2005, Banks have to mandatorily share information relating to credit history / repayment record of its borrowers to Credit Information Companies (CICs).

For this purpose, the Bank has incorporated suitable clauses in the loan application form as well as sanction terms and conditions, so that the Customer is aware about the information sharing process at the time of entering into a relationship with the Bank.

Protection of customer data

This fair practice code mandates that all customer data is protected and kept confidential. This includes complying with all applicable data privacy laws / regulations and implementing appropriate measures to prevent unauthorized access or misuse of customer data.

Interest rates

Interest rates for different loan products will be made available to the Customers through any one or all of the following modes of communication:

(i) Sanction Letter / Key Facts Statement
(ii) Bank's website
(iii) Display at the Branches and at other delivery points
(iv) Any other modes of communication.

Updates on movement in interest rates will be communicated to the borrower through SMS / email.

Further, interest will be charged only for the period for which the loan was outstanding. In other words, interest will be charged only from the date of actual disbursement of loan to the borrower.

Service charges

The Bank will notify details of all Service charges payable by the borrowers in relation to their loan account on the Bank's website, Sanction Letter / Key Facts statement. Any revision in charges will be updated on the Bank's website.

General

a) The Bank will refrain from interference in the affairs of the borrower except for what is provided for in the terms and conditions of the loan sanction documents, such as periodic inspection, scrutiny of books of accounts, verification of stocks and book debts, conducting stock audit, seeking external rating report, etc. (unless new information, not earlier disclosed by the borrower, has come to the notice of the Bank).
b) In the matter of recovery of loans, the Bank will not resort to undue harassment viz., persistently bothering the borrower at odd hours or use of muscle power for recovery of loans.

No discrimination based on caste, religion, gender or economic status:

The Bank is committed towards treating all its Customers fairly and equitably, regardless of their caste, religion, gender or economic status. Nevertheless, the Bank will actively participate in credit-linked schemes framed for weaker sections of the Society.

Grievance Redressal

The Bank has set up a Grievance Redressal Cell to resolve customer disputes.

In case of any complaint/ grievance, the applicant / borrowers may contact the nodal grievance redressal official:

Email Address: complaints_grievances@cityunionbank.in

Phone number : 0435-2402322

Address: The Grievance Redressal Officer, Operations and Customer Experience Department, City Union Bank, Administrative Office, Gandhi Nagar, Kumbakonam-612001. Thanjavur District,Tamil Nadu.