

Suryoday Small Finance Bank Limited

Fair Practices Code

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1. Preamble:

Fair Practices Code (FPC) is a voluntary code of practice adopted by Suryoday Small Finance Bank Ltd (the Bank), which aims to achieve adoption of best practices while dealing with its customers. It aims to provide valuable inputs to its customers and facilitates effective interaction of customers with the Bank.

2. Extent:

FPC would be applicable in the Bank from the date it is placed on the Bank's website or is otherwise publicized through various media. FPC contains important declarations from the Bank the spirit of which pervades the entire FPC provisions.

The Fair Practices Code is issued in a language understood by the borrower and is made available at all branches of the Bank and on the Bank's website.

3. Important Declarations & Undertakings:

The Bank declares and undertakes:

- i. To provide in a professional manner, efficient, courteous, diligent, and speedy services to the customers.
- ii. Timings of business hours will be displayed in the branches and on the website.
- iii. Bank shall provide separate `Enquiry` or `May I help you` counter at branches.
- iv. Bank will provide complaint register/ form and /suggestion box in the branch premises and also display contact and address of administrative offices as well as Nodal Officer dealing with customer grievances/complaints.
- v. There will be specific and proper queue management system at branches where there is heavy crowd, with basic facilities of seating arrangements, drinking water etc.
- vi. Bank will not discriminate among customers based on religion, caste, sex, descent, or any of them.
- vii. To be fair and honest in advertisement and marketing of various banking products to customers.
- viii. To provide customers with accurate and timely disclosure of terms, costs, rights, and liabilities as regards banking transactions.
- ix. If sought, to provide above mentioned assistance or advice to customers for all banking activities/transactions.
- x. To attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal cell/desk within the organization.
- xi. To comply with all the regulatory requirements in good faith.
- xii. To spread general awareness about potential risks in contracting loans and other banking services. The Bank will encourage customers to take independent financial advice and not act only on representations from the Bank.
- xiii. Bank will comply with all the guidelines issued by RBI from time to time to ensure customers interests are served and their grievances are addressed.

4. Fair Practices for Borrowers of the Bank:

i. Application for Loan:

In the loan application form, the Bank shall provide comprehensive information including information about fees and charges if any payable for processing and amount of such fees refundable in case of non-acceptance of application, prepayment options and other matter which affects the interest of the borrowers, of all categories of loans, irrespective of the amount of loan sought by them.

ii. Loan Processing:

- a. The Bank shall provide acknowledgement for receipt of all loan applications indicating the time frame within which the application will be disposed of.
- b. The Bank shall verify the loan application and if additional details / documents are required; these will be sought from the applicant.
- c. 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 to the applicant the reasons for rejection within one month.

iii. Loan Appraisal and Terms and Conditions:

- a. The sanctioning authority will be expected to ensure proper assessment of the credit application as per the extant instructions and credit policy of the Bank. The availability of adequate margin and security will not be a substitute for due diligence on the creditworthiness of the customer.
- b. All the terms and conditions and other caveats will be duly communicated by an authorized official of the Bank to the customer in writing.
- c. The Bank would convey to the borrower/guarantor the credit limit through the issuance of detailed Key Fact Statement along with the terms and conditions, thereof and obtain the borrower's/guarantor's acknowledgment and acceptance of Key Fact Statement and these terms and conditions given with his full knowledge on record.
- d. In respect of approved credit proposals, terms and conditions and other caveats governing credit facilities given by the Bank would be reduced in writing and duly certified by the Bank official. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement would be furnished to the borrower.
- e. The sanction letter / loan agreement will clearly state that the credit facilities will be extended solely at the discretion of the Bank and that drawings under the following circumstances will be solely at the discretion of the Bank:
 - i. Drawings beyond the drawing power / sanctioned limits.
 - ii. Honouring of cheques issued for the purpose other than specifically stipulated in the sanction.
 - iii. Drawings in an account once it is classified as NPA.
 - iv. No drawings will be allowed in case of non-compliance of the terms and conditions by the borrower.
 - v. Meeting further requirements of the borrower on account of growth in business will be subject to proper review of the credit limits.
- f. Borrower will be advised about fees / charges payable for processing the loan application; and the amount of fees to be refunded under certain circumstances shall be governed by extant RBI guidelines.

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iv. Disbursement of loans including changes in Terms and Conditions:

- a. The Bank would ensure timely disbursement of loans sanctioned in conformity of terms and conditions governing such sanction.
- b. Interest will be charged from the date of actual disbursement of the loan, or the date funds are made available to the borrower, and not from the date of the loan sanction or execution of the loan agreement.
- c. Any changes in the terms and conditions of the sanction such as interest and charges will be notified to the borrower before effecting the changes.
- d. Any changes in interest rate and charges will be effected only prospectively after giving due notice to the borrower.
- e. In the case of floating rate loans, the Bank shall, at the time of interest rate reset, inform the borrower of the revision and the options available, in accordance of the Bank's policy
- f. In case of disbursal or repayment of loans within a month, interest will only be charged for the period during which the loan remains outstanding.
- g. Advance instalments collected, if any, shall be reckoned for the purpose of charging interest.
- h. Penal Charges, wherever applicable, will be reasonable, non-discriminatory, and proportionate to the non-compliance with loan terms. The quantum and reasons for penal charges will be disclosed in the Key Fact Statement (KFS).
- i. The Bank shall clearly disclose applicable penal charges to the borrower and communicate the levy of such charges along with the reason for the same. Details of penal charges shall be made available on the Bank's website.
- j. Any penalty for non-compliance with material terms and conditions of the loan shall be treated as penal charges and not as penal interest. Such penal charges shall not be capitalized.

v. Post Disbursement Supervision:

- a. The post disbursement supervision, such as submission of periodical reports and periodic inspection, will be stipulated at the time of issue of the sanction letter. The sanction letter would also mention whether the Bank or the borrower will bear the cost of inspection.
- b. Before taking a decision to recall / accelerate payment or performance under the agreement or seeking additional securities, lenders should give notice to borrowers, as specified in loan agreement or a reasonable period, if no such condition exists in the loan agreement.
- c. The Bank shall release all securities on receiving payment of loan. However, the Bank may decide to exercise the right to set off any legitimate right or lien for any other claim against borrower. Movable and immovable property documents will be released within 30 days after full repayment or settlement of the loan account, and charges registered with any registry will be removed. In case the Bank decides to retain the security, the borrower will be notified about the remaining claims and the documents under which the Bank is entitled to retain the security till the relevant claim is paid / settled.

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- d. In case of delay attributable to the Bank, compensation shall be paid as per applicable regulatory instructions and Banks' Customer compensation policy
- e. In the event of loss or damage to original property documents while in the Bank's custody, the Bank shall assist the borrower in obtaining duplicate or certified copies and bear the associated costs.

vi. Others:

- a. The Bank will not interfere in the affairs of the borrowers except where 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, and scrutiny of QIS statements.
- b. In case any information not disclosed earlier by the borrower has come to the notice of the Bank, the Bank will have the right to elicit the necessary information from the borrower and initiate action to protect its interest.
- c. While, the Bank may participate in credit-linked schemes framed for weaker sections of the society, the Bank shall not discriminate on grounds of sex, caste, and religion in the matter of lending.
- d. In the matter of recovery of loans, the Bank shall not resort to undue harassment such as persistently bothering the borrowers at odd hours and use of muscle power.
- e. In the case of receipt of request for transfer of borrowal account, either from the borrower or from other banks / FIs which propose to take over the loan, the Banks' consent, or objection, if any, shall be conveyed within 21 days from the date of receipt of request.

vii. Grievance Redressal:

Though the sanction of the loans will be at the sole discretion of the Bank, borrowers will have an opportunity to appeal against the decision. For this purpose and for any other customer grievance, the applicant/borrower may contact The Nodal Officer – Customer Grievance Redressal as per contact details mentioned on the bank website.

5. Fair Practices Code for Depositors of the Bank:

- i. Banking Services:
 - a. Bank will display interest rates for various deposit schemes from time to time at the notice boards/screens in the branches and on the website.
 - b. Bank will keep customers informed about changes / modification in interest rates, charges, terms, and conditions through the Bank's website.
 - c. Pay interest for delayed credit of outstation cheques, as advised by RBI from time to time.
- d. 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.
- e. Provide details of various deposit schemes/services of the Bank on its website.
- f. Uniform Account Opening Form (AOF) will be provided to customers across various branches. Check list for additional information/documents required for opening account will also be provided to the customers. Check list will also be available on the website of the Bank.

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- g. For account opening, the Know Your Customer (KYC) regulatory guidelines require Bank to seek documents for (proof of identity and proof of address). The documents required will be informed to the customers and also displayed on the website.
- h. Open no frill accounts under Financial Inclusion with prescribed minimum balance except in accounts where specifically exempted.
- i. 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.
- j. 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.
- k. Transfer the account from one branch to another branch, free of charge.
- l. Account Number Portability: Customer will also be allowed to maintain the same account number in a Bank 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.
- m. Provide facility of standing instruction for regular payments like insurance premium, rent, etc.
- n. 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.
- o. 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 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.
- p. Allow generally 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.
- q. As a measure of good customer service, the Bank may intimate the depositor in advance regarding the date of maturity. Banks 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.
- r. 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.

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Cash payment of FDR/TDR will not be made if amount of Principal+ Interest is Rs. 20,000/- and more.

- s. Provide linkage of Terms and Conditions of various Products or any future products introduced for specific segments, say senior citizens, which are provided on an agency basis by Bank, properly integrated into the CBS.

ii. Others:

- a. Provide TDS statement explicitly mentioning details of gross interest credited and TDS debited.
- b. Issue duplicate FDR in the event the original FDR is lost, subject to Depositor(s) completing required formalities prescribed by the Bank from time to time.

6. Enhancements to Fair Practice Code for Lenders in Loans Sourced by Banks over Digital Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines June 24, 2020

- a. Names of digital lending platforms engaged as agents is disclosed on the website of bank
- b. Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the bank, they are interacting with him.
- c. Immediately after sanction but before execution of the loan agreement, the sanction letter is issued to the borrower on the letter head of the bank
- d. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction and disbursement of loans.
- e. Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the banks
- f. Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

7. Enhancements to Fair Practice Code for Lenders in reference to Master Direction - Regulatory Framework Microfinance Loans March 14, 2022

According to the said master direction, a microfinance loan is defined as a collateral-free loan given to a household having annual household income up to ₹3,00,000.

The Master Directions has defined the compliance requirements for Banks as follows:

- a. The Bank shall disclose pricing related information to a prospective borrower in a standardized simplified factsheet. Refer Annexure 1 for illustrative Key Facts Statement (Refer Annexure 1 for Key Facts Statement).
- b. Any fees to be charged to the microfinance borrower by the Bank and/ or its partner/ agent shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the Key Facts Statement.

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- c. There shall be no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.
- d. The Bank shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued and details on Banks website.
- e. Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.
- f. There shall be a standard form of loan agreement for microfinance loans in a language understood by the borrower.
- g. Bank shall provide loan card, in the local language, consisting of information which adequately identifies the borrower, Key Facts Statement on pricing, all other terms and conditions attached to the loan, acknowledgements by the Bank of all repayments including instalments received and the final discharge and details of the grievance redressal system, including the name and contact number of the nodal officer.
- h. All entries in the loan card should be in a language understood by the borrower.
- i. Issuance of non-credit products shall be with full consent of the borrower and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.
- j. The Bank shall be accountable for inappropriate behavior by its employees or employees of the outsourced agency and shall provide timely grievance redressal, shall be made in the loan agreement and also in the website/branch premises/office.
- k. Training, if any, offered to customers will be free of cost.
- l. The Bank shall engage with borrowers facing repayment related difficulties and provide them necessary guidance about the recourse available.
- m. Recovery will be made at a designated/ central designated place decided mutually by the borrower and the Bank. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated/ central designated place on two or more successive occasions.
- n. The Bank and its agent will not engage in any harsh methods towards recovery, i.e:
 - i. Shall not use threatening or abusive language.
 - ii. Shall not persistently call the borrower and/ or call the borrower before 9:00 a.m. and after 6:00 p.m.
 - iii. Shall not harass relatives, friends, or co-workers of the borrower.
 - iv. Shall not publish the name of borrowers.
 - v. Shall not use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation.
 - vi. Shall not mislead the borrower about the extent of the debt or the consequences of non-repayment.

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- o. The Bank shall provide the details of recovery agents to the borrower while initiating the process of recovery. The agent will also carry a copy of the notice and the authorization letter from the Bank along with the identity card issued to him/her by the Bank or the Bank's agency. Further, where the recovery agency is changed by the Bank during the recovery process, in addition to the Bank notifying the borrower of the change, the new agent will carry the notice and the authorization letter along with his identity card.

The Notice and the authorization letter will, among other details, also include the contact details of the recovery agency and that of the Bank.

Annexure 1

Key Facts Statement Part 1 (Interest rate and fees/charges)

1	Loan proposal/ account No.				Type of Loan						
2	Sanctioned Loan amount (in Rupees)										
3	Disbursal schedule (i) Disbursement in stages or 100% upfront. (ii) If it is stage wise, mention the clause of loan agreement having relevant details										
4	Loan term (year/months/days)										
5	Instalment details										
Type of instalments			Number of EPIs		EPI (₹)		Commencement of repayment, post sanction				
6	Interest rate (%) and type (fixed or floating or hybrid)										
7	Additional Information in case of Floating rate of interest										
Reference Benchmark		Benchmark rate (%) (B)	Spread (%) (S)		Final rate (%) R = (B) + (S)		Reset periodicity (Months)		Impact of change in the reference benchmark (for 25 bps change in 'R', change in:)		
							B	S	EPI (₹)		
8	Fee/ Charges										
			Payable to the RE (A)				Payable to a third party through RE (B)				
				One-time/ Recurring		Amount (in ₹) or Percentage (%) as applicable ¹		One-time/Recurring		Amount (in ₹) or Percentage (%) as applicable	
(i)		Processing fees									
(ii)		Insurance charges									

(iii)	Valuation fees				
(iv)	Any other (please specify)				
9	Annual Percentage Rate (APR) (%)				
10	Details of Contingent Charges (in ₹ or %, as applicable)				
(i)	Penal charges, if any, in case of delayed payment				
(ii)	Other penal charges, if any				
(iii)	Foreclosure charges, if applicable				
(iv)	Charges for switching of loans from floating to fixed rate and vice versa				
(v)	Any other charges (please specify)				

Part 2 (Other qualitative information)

1	Clause of Loan agreement relating to engagement of recovery agents		
2	Clause of Loan agreement which details grievance redressal mechanism		
3	Phone number and email id of the nodal grievance redressal officer		
4	Whether the loan is, or in future maybe, subject to transfer to other REs or securitisation (Yes/ No)		
5	In case of lending under collaborative lending arrangements (e.g., co-lending/ outsourcing), following additional details may be furnished:		
	Name of the originating RE, along with its funding proportion	Name of the partner RE along with its proportion of funding	Blended rate of interest
6	In case of digital loans, following specific disclosures may be furnished:		
(i)	Cooling off/look-up period, in terms of RE's board approved policy, during which borrower shall not be charged any penalty on prepayment of loan		
(ii)	Details of LSP acting as recovery agent and authorized to approach the borrower		

Illustrative Repayment Schedule under Equated Periodic Instalment for the hypothetical loan illustrated in Annex B

Instalment No.	Outstanding Principal (in Rupees)	Principal (in Rupees)	Interest (in Rupees)	Instalment (in Rupees)
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