

**Fair Practices Code for Lending  
And  
Policy on collection of dues and repossession of security**

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## **1. Introduction**

Shinhan Bank, India has formulated the debt collection policy and security repossession by being customer centric. The bank has also adopted Fair practice code for its lending. The policy aims at treating the customers with dignity, respect and honour. The bank believes in following the fair practices with regards to the collection of dues and repossession of security thereby fostering customer confidence and long-term relationship.

## **2. Fair Practices Code for Lending**

### **Product Information:**

The customer would be given necessary information about the:

- \_ Range of loan products
- \_ Relevant information about the loan products.
- \_ Method of calculation of interest and how the Equated Monthly Installments (EMI) or payments through any other mode of repayment will be appropriated against the principal and interest due from customers.
- \_ Process involved till sanction and disbursement of loan
- \_ Timeframe within which the bank will complete the process.
- \_ Procedure involved in servicing and closure of the loan taken.

### **Application for loans and their processing:**

- \_ For Corporate borrowers, credit facilities are provided based on customer selection and risk assessment for these segments. Thus for this segment the Bank does not have any prescribed standardized application forms to be submitted by the prospective customers.
- \_ After verifying the documents, in case additional details/information/documents are required the Bank would intimate the borrower immediately.
- \_ The Bank would convey to the borrower the credit limit sanctioned along with the terms and conditions thereof and obtain his specific acknowledgement for the same. While conveying approval the Bank would request the borrower to specifically inform the Bank in writing whether he would need a copy of the loan agreement along with copies of all enclosures quoted therein and wherever such requests are made the same should be made available.
- \_ The Bank would convey in writing the reasons to all loan applicants, which in the opinion of the Bank after due consideration, have led to rejection of the loan application.

### **Loan appraisal and terms/conditions:**

- \_ The Bank would ensure that there is proper assessment of credit applications submitted by the borrower and also ensure that the credit limits which are sanctioned meet the genuine requirements of the borrower.
- \_ The Bank would carry out proper due diligence on the credit worthiness of the borrower/applicant.
- \_ While conveying the terms and conditions and other caveats governing the credit facilities to the borrower/applicant the Bank would obtain his acceptance of these terms and conditions given with his full knowledge on records.

\_ Drawings beyond the sanctioned limit/honoring the cheques issued for the purpose other than specifically agreed to in the credit sanction / disallowing drawings on a borrowal account on its classification as a non performing asset or on account of non compliance with the terms and conditions of sanction etc. would be solely at the discretion of the Bank. Any enhancement of credit limits is at the discretion of the Bank after taking a review of the credit limits sanctioned.

\_ In case of lending under consortium arrangement, the Bank would endeavor to evolve procedures to complete appraisal of proposal in a time bound manner to the extent feasible, and communicate its decision on financing or otherwise within a reasonable time, in coordination with other members of the consortium.

#### **Disbursement of loans including changes in terms and conditions:**

\_ The Bank would ensure timely disbursement of loans sanctioned in conformity with the terms and conditions of the sanction.

\_ The Bank would give notice of any changes in terms and conditions to the borrowers concerned. In respect of interest rates and service charges etc., the Bank would give notice to the borrowers in respect of any change in the interest rates / service charges. The Bank would also ensure that the changes in interest charges are effected only prospectively.

\_ The Bank would notify clearly about the default interest/penal interest rate to the customer.

#### **Post Disbursement Supervision:**

\_ The Bank would carry out post disbursement supervision in accordance with normal banking practices, the terms of sanction, and the guidelines issued by the Reserve Bank of India from time to time.

\_ Before taking a decision to recall/accelerate payment or performance under the agreement or seeking additional securities, the Bank would give reasonable notice to the borrowers concerned in writing

\_ The Bank would release all securities on receiving payment of loan or realization of loans subject to 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 executed the borrower would be given notice about the same with full particulars about the remaining claims and documents under which the Bank is entitled to return the security till the relevant claim is settled /paid.

### **3. Recovery of Loans**

\_ The bank would not use any muscle power but will resort to such measures as per laid down guidelines and would operate within the legal framework.

\_ In case of receipt of request for transfer of borrower accounts, either from the borrower or from a bank /financial institution, which proposed to take over the account the consent or otherwise would be conveyed within 21 days from the date of receipt of request.

\_ The Bank would sympathetically reckon cases of customer's financial distress.

- \_ The Bank would adequately train the operational staff to give a patient hearing to the borrower in financial distress and would try to render such help as may be possible in their view.
- \_ The customer would be contacted ordinarily at the place of his/her choice and in the absence of any specified place, at the place of his/her residence and if unavailable at his/her residence, at the place of business/occupation.
- \_ Identity and authority of persons authorized to represent bank for follow up and recovery of dues would be made known to the borrowers at the first instance. The bank staff or any person authorized to represent the bank in collection of dues or/and security repossession will identify himself / herself and display the authority letter issued by the bank upon request.
- \_ The bank would respect privacy of its borrowers.
- \_ The bank is committed to ensure that all written and verbal communication with its borrowers will be in simple business language and bank will adopt civil manners for interaction with borrowers.
- \_ Normally the bank's representatives will contact the borrower between 0700 hrs and 1900 hrs, unless the special circumstance of his/her business or occupation requires the bank to contact at a different time.
- \_ Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
- \_ The bank will document the efforts made for the recovery of dues and the copies of communication set to customers, if any, will be kept on record.
- \_ All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- \_ Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

#### **4. Repossession of Security**

Repossession of security is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through repossession of security will involve repossession, valuation of security and realization of security through appropriate means. All these would be carried out in a fair and transparent manner. Repossession will be done only after issuing the notice as detailed above. Due process of law will be followed while taking repossession of the property. The bank will take all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business.

#### **5. Valuation and Sale of property**

Valuation and sale of property repossessed by the bank will be carried out as per law and in a fair and transparent manner. The bank will have right to recover from the borrower the balance due if any, after sale of property. Excess amount if any, obtained on sale of property will be returned to the borrower after meeting all the related expenses provided the bank is not having any other claims against the customer.

## **6. Opportunity for Borrower to claim back the property**

As indicated earlier in the policy document, the bank will resort to repossession of security only for the purpose of realization of its dues as the last resort and not with intention of depriving the borrower of the property. Accordingly the bank will be willing to consider handing over possession of property to the borrower any time after repossession and before concluding sale transaction of the property, provided the bank dues are cleared in full. If satisfied with the genuineness of borrower's inability to pay the loan installments as per the schedule which resulted in the repossession of security, the bank may consider handing over the property after receiving the installments in arrears. However, this would be subject to the bank being convinced of the arrangements made by the borrower to ensure timely repayment of remaining installments in future.

\_ The bank will give the borrower 6 months' time from the date of account becoming NPA to pay the debt, failing which the bank will proceed to take possession of the asset.

\_ 15 days' notice will be given to the borrower before the actual sale is done, advising him of the time, date and venue of auction.

\_ The Bank will take maximum 1 months' time to return the reposed security after settlement of all claims.

## **7. Grievance Redressal Mechanism**

In view of the extant guidelines issued by RBI the Bank has constituted a Grievance Redressal Mechanism to resolve disputes arising in this regard. Such a mechanism ensures that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at the earliest, if not then taken up at the next higher level. The Grievance Redressal Mechanism is Headed by the General Manager which also includes two other officials as its members. Periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism is being done. In case of any complaints/grievances, the applicant/borrower may contact at the below mentioned address:

Grievance Redressal Cell

Shinhan Bank ,

701/702, Peninsula Corporate Park

Tower 1, G.K.Marg. Lower Parel

Mumbai – 400 013

Tel : 022- 6199-1990

The Bank would ensure that a response is provided within 15 days.

## **8. Conclusion**

In order to enhance the value and relevance to the borrowers, this code would be under review from time to time. The Bank would, therefore, greatly value any suggestion for improvement. Bank's Security Repossession Policy aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of the property. The policy recognizes fairness and transparency in repossession, valuation and realization of security. All the

practices adopted by the bank for follow up and recovery of dues and repossession of security will be inconsonance with the law.