

Fair Practice Code for Lenders - KSCARDB

1. PREAMBLE

1.1. Scope:

This Fair Practice Code for Lenders (hereinafter referred to as “the Code”) is a voluntary code adopted by The Kerala State Co-operative Agricultural and Rural Development Bank Ltd. (KSCARD Bank). It reflects our commitment to uphold the highest standards of service, transparency, and ethical conduct in our lending operations. This code aims to harmonize best practices with the unique cooperative principles of “self-help” and “mutual assistance,” ensuring that our members—the farmers and rural entrepreneurs of Kerala—receive fair, efficient, and courteous treatment.

1.2. Extent:

This Code is applicable across all tiers of the Bank, including the Apex Bank Head Office, Regional Offices, and Primary Co-operative Agricultural and Rural Development Banks (PCARDBs) from the date it is placed on the Bank’s official website and displayed at all branch offices.

1.3. Spirit of the Code:

This Code is governed by the following eight declarations:

1. To provide professional, efficient, courteous, diligent, and speedy services in all matters of lending.
2. Not to discriminate on the basis of religion, caste, sex, descent, or political affiliation.
3. To be fair and honest in the advertisement and marketing of all loan products.
4. To provide members with accurate, timely, and complete disclosure of terms, costs, rights, and liabilities.
5. To assist and advise members in contracting loans, consistent with their needs and repayment capacity.
6. To act in good faith to resolve disputes or differences by utilizing the cooperative’s internal grievance redressal machinery.

7. To comply with all regulatory requirements, including those of the Registrar of Co-operative Societies (RCS), and NABARD.
8. To promote awareness of potential risks in borrowing and encourage members to seek independent financial advice.

2. FAIR PRACTICES IN LENDING

2.1. Loan Application and Processing

Recognizing our role as a cooperative institution focused on agriculture and rural development:

a) Comprehensive and Accessible Forms: Loan application forms for all categories (agricultural term loans, horticulture, dairy, poultry, rural housing, and allied activities) will be comprehensive. A copy of the blank application form will be made available to any member.

b) Language: Application forms and key informational materials will be made available in Malayalam to ensure accessibility for all members.

c) Fee Disclosure: The Bank will transparently disclose all non-refundable processing fees, inspection charges, documentation fees, and charges for delayed payments or switching between fixed and floating interest rates at the time of application.

d) Acknowledgment: Upon receipt of a completed loan application at a Primary Bank (PCARDB) branch, the Branch Manager/Secretary or the designated officer shall issue a formal acknowledgment with a date stamp and a unique application reference number.

e) Timely Disposal: Loan applications shall be processed and disposed of (sanctioned or rejected) within the timelines prescribed, which will be displayed on the website and branch notice boards. For agricultural loans, priority will be given to align with crop cycles and seasonal requirements.

2.2. Credit Appraisal and Sanction

As a cooperative bank, the appraisal process considers both the viability of the project and the borrower's standing within the cooperative society:

a) Objective Assessment: Credit appraisal will be conducted objectively, considering the technical feasibility, economic viability, and the member's repayment capacity. For joint liability groups and members availing of government-sponsored schemes, the assessment will be in accordance with the specific scheme guidelines.

b) Sanction Letter: Upon approval by the authorized committee (e.g., Managing Committee of the PCARDB or the sanctioning authority at the District/Apex level), a formal Sanction Letter, certified by an authorized official, will be issued. This letter will detail the loan amount, interest rate, repayment schedule, and all terms and conditions.

c) Documentation: A complete set of loan documents, including the agreement, mortgage deed, and guarantee forms, will be provided to the borrower at the time of documentation. A copy of the fully executed loan agreement will be furnished to the borrower immediately upon execution.

2.3. Disbursement and Post-Disbursement

a) Timely Disbursement: Disbursement will be made in strict conformity with the sanctioned terms. For agricultural loans, disbursements will be scheduled in tranches aligned with the stages of cultivation (e.g., pre-sowing, intercultural operations).

b) Notice of Change: Any change in interest rates or service charges will be communicated to the borrower individually (via letter or registered mail) and will be applied prospectively, unless otherwise required by law.

c) Constructive Supervision: Post-disbursement supervision, especially for small-ticket loans (up to ₹2 lakhs), will be constructive and supportive. The primary objective will be to assist the farmer in achieving the project's goals and to identify and resolve any genuine difficulties related to disbursement or project implementation. Field staff will conduct periodic visits and maintain a "farmers' diary" to record progress.

d) Release of Securities: Upon full and final settlement of the loan, the Bank will release all original title deeds and securities within 30 days. If there is a legitimate right of set-off or any other claim, the borrower will be notified in writing with full particulars.

3. INTEREST RATES, CHARGES, AND ACCOUNT MAINTENANCE

3.1. Interest Rates and Charges

a) Publication: Interest rates for various loan products will be published on the Bank's website, displayed prominently on the notice boards of all PCARDB branches, and communicated through circulars.

b) Periodic Updates: Members are entitled to receive periodic updates on the interest rates applicable to their accounts, either through passbook entries or statements of accounts.

c) Default/Penal Interest: The policy for default interest/penal interest will be clearly communicated at the time of sanction. Any invocation of penal interest will be communicated to the borrower along with the reason for the default.

d) Charges: Details of all charges (processing fees, prepayment penalties, documentation charges, etc.) will be provided in the sanction letter and displayed at branches.

3.2. Accounting Practices

a) Statement of Accounts: A statement of accounts or a passbook will be provided to the borrower regularly. For members who have opted for digital services, messages will be sent for every transaction.

b) Due Dates: Relevant due dates for the application of agreed interest, penal interest, and charges will be clearly mentioned in the loan application and documents like loan sanction order.

c) Change in Accounting: Any change in accounting practices that may affect the member will be notified in advance through the website and branch notice boards.

4. INFORMATION SECRECY AND DATA PROTECTION

a) Confidentiality: All personal and financial information of the member will be treated as strictly confidential and will not be disclosed to any third party without the member's express consent.

b) Exceptions: Information may be shared with law enforcement agencies, the Reserve Bank of India (RBI), NABARD, the Registrar of Co-operative Societies (RCS), and other banks/financial institutions as part of the normal course of business or as required by law.

5. FINANCIAL DISTRESS AND RECOVERY

As a cooperative institution committed to the welfare of its members, the Bank will adopt a humane approach to recovery:

a) Sympathetic Consideration: Cases of genuine financial distress (e.g., due to natural calamities, crop failure, or medical emergencies) will be treated sympathetically. The Bank will consider restructuring or rescheduling of loans in accordance with RBI and NABARD guidelines.

b) Encouraging Disclosure: Members are encouraged to inform the branch promptly about any financial difficulties they face.

c) Staff Training: Operational staff will be trained to listen patiently to members in financial distress and guide them towards available remedies, such as loan restructuring or conversion.

d) Professional and Humane Recovery: The Bank strictly prohibits the use of muscle power, coercion, or harassment at odd hours. Recovery efforts will be carried out in a professional, non-intrusive, and polite manner, consistent with the cooperative ethos.

6. GRIEVANCE REDRESSAL MECHANISM

A robust, three-tier grievance redressal mechanism is in place, consistent with the cooperative structure:

a) Tier 1 – PCARDB Level: Any member with a grievance should first approach the Branch Secretary or Branch Manager of their respective Primary Bank (PCARDB). A complaint register will be maintained at each branch. The branch will acknowledge the complaint and endeavor to resolve it within 7 working days.

b) Tier 2 – Regional Level: If the member is not satisfied with the resolution at the branch level, they may appeal to the Regional Manager of the concerned District. A response will be provided within 14 working days.

c) Tier 3 – Apex Level (Head Office): If the grievance remains unresolved, the member may escalate it to the Grievance Redressal Cell at the Head Office. The contact details of the Chief Grievance Redressal Officer will be prominently displayed in all branches and on the website. The cell will acknowledge the complaint within 3 working days and endeavor to provide a final resolution within 4 weeks (30 days) from the date of receipt.

d) Ombudsman: If a member is not satisfied with the final decision of the Bank, they have the right to appeal to the Cooperative Ombudsman or the RBI Banking Ombudsman (for matters pertaining to banking services), as applicable.

7. TRANSFER OF ACCOUNTS

a) Facilitating Transfer: The Bank will process requests from members to transfer their borrowal accounts to another financial institution.

b) Timely Conveyance: Any objections to such a transfer will be conveyed to the member in writing within a maximum period of 14 working days from the date of receipt of the request, along with the reasons for the objection.

8. CONCLUSION AND COMPLIANCE

This Fair Practice Code is a commitment to our members. The Bank will ensure that all its employees, officers, and agents are fully aware of the contents of this Code and are trained to implement it in letter and spirit.

Any violation of this Code may be reported through the Grievance Redressal Mechanism. The Bank's Board of Directors will review compliance with this Code on a quarterly basis.