

August 22, 2007

All Scheduled Commercial Banks / All India Financial Institutions
(Excluding RRBs)

Dear Sir,

**Guidelines on Fair Practices Code for Lenders -
Furnishing copy of loan agreement**

Please refer to our Circular DBOD. Leg. No.BC. 104 /09.07.007/2002-03 dated May 5, 2003 wherein guidelines were issued to banks / FIs for framing the Fair Practices Code for Lenders.

2. In terms of Para 2 (ii) (c) of the above Circular, banks / FIs were advised that terms and conditions and other caveats governing credit facilities given by banks/ financial institutions arrived at after negotiation by lending institution and the borrower should be reduced in writing and duly certified by the authorised official. Banks / FIs were further advised that a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement should be furnished to the borrower.

3. It is understood that some banks are furnishing a copy of the loan agreement only on request made by the borrowers. In this connection, we advise that not furnishing a copy of the loan agreement or enclosures quoted in the loan agreement is an unfair practice and this could lead to disputes between the bank and the borrower with regard to the terms and conditions on which the loan is granted.

4. Banks / FIs are therefore advised to invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

Yours faithfully

(Prashant Saran)
Chief General Manager-in-Charge