

# **Human Resources Policy and Guidelines**

## **FAIR PRACTICE CODE**

### **A. (i) Applications for loans and their processing**

- a) All communications to the borrower will be in the vernacular language.
- b) Loan application forms will include necessary information which affects the interest of the borrower, so that informed decision can be taken by the borrower. The loan application form will indicate the documents required to be submitted with the application form.
- c) Acknowledgement receipt will be provided against receipt of all loan applications to the borrower and receipt provided will clearly indicate the time frame of disposal.

### **(ii) Loan appraisal and terms/conditions**

- a) Borrower will be informed in writing (vernacular language) about the loan amount sanctioned along with the terms and condition including the annualized rate of interest. Copy of acceptance of terms and conditions will be kept as record.
- b) There will be no penal interest charged for late repayment.

### **(iii) Disbursement of loans including changes in terms and conditions**

- a) Borrowers will be duly informed in vernacular language or a language as understood by the borrower in any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
- b) Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.
- c) Loan provided to the borrower will be without collateral.

### **(iv) General**

- a) MFSL will refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the borrower, has come to the notice of the lender)
  - b) In case of receipt of request from the borrower for transfer of borrowal account, MFSL will convey within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
  - c) Recovery of loans will only be made at group meeting place and the staff will not persistently bother the borrowers at odd hours or use muscle power for recovery of loans etc. Staff will maintain decency and decorum during the visit to the clients' place for collection of dues.
- (v) There will be periodical review of consolidated compliance report indicating the extent of compliance handled by the Grievance Redressal Officer with respect to Fair Practice Code at every quarterly board/internal audit committee meeting.

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(vi) Fair Practices Code will be displayed in vernacular language or a language as understood by the borrower in all the branches including the website for the information to various stakeholders.

### (vii) **Interest Rate Setting**

- (a) The Board of MFSL shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- (b) The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the companies or published in the relevant newspapers. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest.
- (c) The rate of interest should be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.

### (viii) **Complaints about excessive interest charged**

MFSL will lay out appropriate internal principles and procedures in determining interest rates and processing and other charges

**B.** Margdarshak Financial Services Ltd will adopt the following fair practices detailed below:-

#### **i. General:**

- a. Fair Practice Code in vernacular language will be displayed in its office and branch premises,
- b. All borrowers will be provided with the loan card & all repayments to be duly entered and acknowledged with signature and date of receipt.
- a. Field staff will be trained to make necessary enquiries with regard to existing debt of the borrowers,
- b. Training offered to the borrowers will be free of cost.
- c. The effective rate of interest charged and the grievance redressal system set will be prominently displayed in all its offices and on the loan card issued to the borrower (vernacular language) and on its website. Grievance Redressal Officer –phone number 18001231088 or 7232999222 and mail id is [complaints@margdarshak.org.in](mailto:complaints@margdarshak.org.in) displayed on loan card and in all its offices.
- d. MFSL will be accountable for preventing inappropriate staff behaviour and timely grievance redressal shall be made in the loan agreement and also in the FPC displayed in its office/branch premises,

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- e. The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers,
- f. All sanctioning and disbursement of loans will be done only at a central location and more than one staff will be involved in this function.
- g. Adequate steps are to be taken to ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.

### ii. Disclosures in loan agreement / loan card

- a. There will be standard form of loan agreement which will be in vernacular language.
- b. The loan agreement will disclose the following.
  - i. All the terms and conditions of the loan,
  - ii. Pricing of the loan include only three components viz; the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof),
  - iii. There will be no penalty charged on delayed payment,
  - iv. Loan provided to the borrower will be without collateral,
  - v. The borrower cannot be a member of more than one SHG / JLG,
  - vi. There must be minimum 30 days moratorium between the date of disbursement of loan and due date of repayment of 1<sup>st</sup> instalment.
  - vii. Privacy with respect to borrower data will be maintained.
- c. The loan card will reflect the following-
  - (i) the effective rate of interest charged
  - (ii) all other terms and conditions attached to the loan
  - (iii) information which adequately identifies the borrower and
  - (iv) Acknowledgement of all repayments including instalments received and the final discharge.
  - (v) The loan card will display grievance redressal system along with the name and contact detail of Grievance Redressal Officer for handling complaint speedily and efficiently. Grievance Redressal Officer whose number is 18001231088 / 7232999222 and email id is [complaints@margdarshak.org.in](mailto:complaints@margdarshak.org.in) is displayed in loan card and in all the offices. If the client complaint is not closed within one month, then the client can complaint/appeal to Regional Office of Reserve Bank of India at Kanpur, DNBS department.
  - (vi) Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.
  - (vii) All entries in the Loan Card will be done in vernacular language.

### iii. Non-Coercive Methods of Recovery

Recovery should be made at the group meeting place only. Door to Door recovery can only be done if borrower fails to appear at the meeting place on two or more successive meetings.