

ASIRVAD MICRO FINANCE LIMITED

FAIR PRACTICE CODE POLICY AMENDED AS ON RBI CIRCULAR DOR/2021-22/89
DoR.FIN.REC.95/03.10.038/2021-22, dt. 14th March 2022.

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1. Introduction

Asirvad Micro Finance Limited (AMFL) embarks upon to play pivotal role of government agenda of financial inclusion as they cater to the unbanked sections of Indian society and strives to empower the economically active poor by providing access to financial services with emphasis on economic development and improvement in their living standards.

As a company focused on Micro finance loan/services to the socio-economic section of the community, AMFL is committed to follow fair practice codes stipulated by the RBI from time to time. The FPC will be applicable to all the offices of the Company including the Head Office, the Regional Offices located in various centers and the Branches located across India in all business verticals (MFI/MSME/Gold Loan). The FPC shall be binding on all the employees and officers of the Company.

This FPC Policy amended as directed in the RBI Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/2021-22, dated 14th March 2022.

2. Objective of the Policy

The Policy inter alia, aim to cover broad direction to every employee of the company in achieving its organizational principal goal of fair practices at all times keeping every borrower in mind by strictly following spirit of regulatory guidelines on Fair Practice code as per the RBI directions to reinforce the commitment to fair practices in lending, transparency to customers and ethical standards in business practices and relationship with customers.

The Fair Practices Code will be displayed in all our Branch Offices, Divisional/Regional/State/Zone Offices, the Head Office as well as the Company website www.asirvadmicrofinance.co.in. and also make available to the Customer, on request, a copy of the FPC on demand.

Our general policy is to be reasonable, transparent, and fair with the customers. The Company would like to follow established procedures, understand customer's requirement and be reasonable in all our dealings from time to time. The application forms designed, and the relationship process is to make sure that we are transparent in our dealings and transactions. It is with this in mind the Company has set up the following guidelines as a Fair Practices code in dealing with our customers on day-to-day basis.

3. Principles

The fair practice codes while dealing with the borrower has 5 elements

- a. Fair Interaction
- b. Suitability
- c. Financial Literacy and Transparency
- d. Information and privacy
- e. Grievance Redressal

3(a) Fair Interaction

1. AMFL aim to ensure that no customer/borrower is unfairly discriminated against the grounds such as religion, caste, gender, marital status etc.
2. AMFL will further ensure that all employees / persons acting on behalf of the company,
 - Use respectful language, maintain decorum and respectful of social /cultural sensitivities always,
 - Do not intimidate or use unethical or foul language any time,
 - While carrying out the recovery of loans, recovery is normally made at the designated/ central designated place decided mutually by the borrower and AMFL. Employees shall be allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at the designated/ central designated place on two or more successive occasions.
 - While calling the borrower AMFL will not entertain to persistently call before 9:00 a.m. and after 6:00 p.m. or at inappropriate times such as bereavement, illness, social occasions such as marriage etc.
 - The Company will put in place an effective training system to ensure that employees of the Company behave with customers in a professional manner, and they adhere to the cardinal principals enumerated in HR policy in this regard.
 - AMFL will not entertain harassing relatives, friends, or co-workers of the borrower. Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation or publishing the name of borrowers.
 - AMFL staffs are not allowed to mislead the borrower about the extent of the debt or the consequences of non-repayment.
 - AMFL as a matter of business policy does not engage third party agents for collections/recoveries.
3. AMFL refrains 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).
4. The Company will resort to disposal of security only as a last resort and that too after adequate and proper notice is served on the customer to repay the dues. Such notice will be as per the terms contained in the loan application/agreement and in compliance with applicable laws and regulatory guidelines.
5. The disposal of the security (gold) will be taken up through public auction when the customer does not positively respond to the communications sent by the Company to close the loan account along with interest and other charges. Auction will be conducted as per Auction policy amended from time to time in compliance with applicable laws and regulatory guidelines.
6. Where the Company proposes to dispose of the security even before the normal tenure of the loan based on the rights conferred on the Company vide loan application/agreement and loan sanction letter (pawn ticket) adequate and proper notice will be served on the customer before such action is initiated for recovery of dues.

7. The Company prefers and encourages customers to take back delivery of the security immediately upon full settlement of all dues. However, should there be exceptional instance of the Customer being unable to take delivery of the security (gold), not attributable to the inability of the Company, after closure of the loan account reasonable safe custody charges may be payable which will be in line with the loan application/agreement and will be duly advised to the customer or displayed in the branch premises and the Company's website.

3(b) Suitability

1. While processing a loan, AMFL will ensure assessing the financial situation (income and expenses), credit requirement, repayment capacity, indebtedness etc. by collecting information from the borrower, suggestions and/or advises from group borrowers, usage of Credit Information report (CIR) and/or field level intelligence before disbursing a loan.
2. AMFL will ensure that the loan commensurate with the borrower's eligibility to pay and the borrower have sufficient repayment capacity to service the debts and is not an over burden to them.
3. In case of Microfinance loans, AMFL will ensure that the loan repayment obligations (collateral-free microfinance loans as well as any other type of collateralized loans) of the household should not be more than 50 per cent of the monthly household income including both principal as well as interest component towards all existing loans as well as the loan under consideration
4. The moratorium will be granted between the grant of the loan and the due date of the repayment of the first instalment which will be communicated with the customer during the loan application process.

3(c) Financial Literacy and Transparency

1. AMFL will share key information to the borrower through loan documents such as loan application/sanction letter/loan agreement/pawn ticket and loan card with fact sheet, and will cover the following;
 - Loan details (Eligible loan amount, loan Schemes, tenure, repayment frequency/amount, annualised rate of interest on total amount payable, Effective rate of interest, processing fee, penal charges, foreclosure/pre-payment charges, interest calculation methodology, rebate on interest or any other charges or fees allowable as per RBI directions, total amount payable, total charges recoverable under insurance, insurance coverage amount and risks covered & other key terms and conditions)
 - Identity and address of the company, contact details.
 - Details of borrower grievance redressal system.

In addition to the microfinance loans, factsheet will be provided to the low-income households for collateralized loans.

2. AMFL will communicate all the terms and conditions to borrowers in the vernacular language or a language understood by them.

The terms and conditions of the loans are clearly communicated to the borrowers in written form. During the compulsory training given to each center, AMFL provides financial literacy to the borrowers free of cost about these terms and conditions so that the borrower can make a well-informed decision about a loan.

3. AMFL will ensure that providing acknowledgement for all loan applications received to the borrowers. The application form also to indicate the documents to be submitted by the borrower along with the application form and all related terms and conditions for availing loan. And the time frame within which loan applications will be disposed of.
4. In the event of loan rejection, the same will be communicated immediately with the customers.
5. Penal Charges for delayed payment shall be applied on the overdue amount and not on the entire loan amount, which will be marked in bold in agreement.
6. AMFL will ensure that it gives notice to the borrower in the vernacular language of any change in the terms and conditions of the loan including disbursement schedule, interest rates, service charges, prepayment charges etc. and the same will reflected prospectively.
7. AMFL will acknowledge every payment received with electronic receipt such as SMS to the borrower and will also acknowledge the final discharge.
8. AMFL will ensure taking sufficient measures (such as training, assessment and periodic interactions with borrowers) to enable borrower fully to understand the product, process and terms of the loan during the loan tenure.
9. Non-credit products (financial and non-financial products) issued shall be with explicit consent of the borrowers and fee structure shall be communicated in the loan card itself. No non-credit product shall be sold as a pre-condition for the loan product.
10. Loans are provided without any collateral for MFI loans. For non- MFI loans, securities will release all securities on repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim AMFL may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the

remaining claims and the conditions under which AMFL entitled to retain the securities till the relevant claim is settled /paid.

11. The Company undertakes not to take advantage of any unintentional or clerical error made by the customer while transacting business.
12. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of Asirvad, if any, is conveyed within 21 days from the data of receipt of request. Such transfer shall as per transparent contractual terms in consonance with law.
13. The annualized rate of interest charged, and the grievance redressal system set up by the AMFL will also be prominently displayed in all its offices and in the literature issued by it (in vernacular language) and on its website.
14. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers will be disclosed to the borrower or customer in the application form, sanction letter and will be updated in the website of the company.
15. While accepting gold as collateral, AMFL shall give a certificate to the borrower/pawn ticket, of having assayed the gold and state the purity (in terms of carats) and the weight of the gold pledged.
16. Responsible Lending Conduct – Release of movable/immovable property documents on repayment/ settlement of personal loans
 - (i) AMFL shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.
 - (ii) The borrower shall be given the option of collecting the original movable/ immovable property documents either from branch where the loan account was serviced or any other office of the AMFL where the documents are available, as per her/his preference.
 - (iii) The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.
 - (iv) In order to address the contingent event of demise of the sole borrower or joint borrowers, AMFL shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of AMFL along with other similar policies and procedures for customer information.
 - (v) Compensation for delay in release of movable/immovable property documents and other clauses mentioned here under responsible lending credit will be applicable as per RBI Vide circular DoR.MCS.REC.38/01.01.001/2023-24 dated September 13, 2023.

3(d) Information and Privacy

1. AMFL will obtain digital copies of KYC documents from borrowers and validate the same as per RBI norms.
2. AMFL will ensure to upload the accurate and comprehensive borrower data with the RBI approved Credit Information Companies (CICs) as per Uniform credit data format on more frequent basis.
3. AMFL will also ensure that it promptly address any dispute raised by the borrower about their data with CICs.
4. AMFL will take sufficient measures in keeping the borrower information confidential strictly.
5. AMFL will be permitted to disclose the borrower related information to third parties only under following circumstances
 - Such information is required to be provided under the law or it is provided for a mandated business purposes (for example to credit information companies)
 - Borrowers has been informed about such disclosure and prior permission has been obtained in writing.
 - The third-party in question has been authorised by the borrower with intimation to the company to obtain/share borrower information.
6. AMFL will ensure written consent will be obtained from each borrower for use of information in promotions, marketing material and other public information.
7. The Company undertakes to take all possible and reasonable measures to secure the safe custody of the security pledged by the customer and to compensate the customer for any accidental, inadvertent, or fraudulent loss of the security whilst in the custody of the Company. If the security (gold) has signs of damage thereon, before being taken custody of by the Company at the time of sanction of loan, the fact will be communicated or briefly incorporated in the sanction letter/ pawnticket.
8. The Company shall, on demand, provide the customer or his duly authorized representative with a statement of the loan account at any time during the currency of the loan or immediately upon closure. However, the Company may, at its discretion, require payment of reasonable processing charges by the customer for providing statement of account if such demand is made 30 calendar days after closure of the account.

3(e) Grievance Redressal

1. AMFL will have robust borrower grievance redressal mechanism in safeguarding the interest of the borrower by way of efficient borrower complaint management system in an effective and timely manner.
2. AMFL will clearly communicate and display the name and details of customer grievance redressal in branches, divisional offices, HO office, loan documents and other communication forums (company website etc.) along with nodal officer details.
3. AMFL have a dedicated grievance officer from HO who can be reached at the contact details provided on each borrower's loan passbook. This will ensure that disputes and grievances are heard and resolved within reasonable period of time.
4. AMFL have a dedicated mechanism for redressal of recovery related grievances, AMFL will involve Internal Audit and Vigilance team to directly assess such grievances.

For clarifications or Complaints, the Borrower can contact the Grievance Redressal management on Toll Free No. 1800 270 1146 or by Post at Asirvad Micro Finance Ltd. CIN-U65923TN2007PLC064550 9th and 10th Floor, no 9, Club House Road, Anna Salai, CHENNAI 600002 or by email to grievances@asirvad.in.

Customers are advised to provide the details of their centre number, branch, and nature of complaint they had, and the receiver gives a specific turnaround time to close the customer queries based on the nature of the call. A primary turnaround time of 7 to 14 days has been defined in this model to close the customer query/Complaint.

In situations where the complaint is not resolved with 15 days at GRO level, the customer can escalate the same to Principal Nodal Officer (PNO) of the company by writing a letter to AMFL Corporate Office (Asirvad Micro Finance Ltd., 9th and 10th Floor, no 9, Club House Road, Anna Salai, Chennai 600002) addressing the Principal Nodal Officer (PNO) or by sending an e-Mail to pno@asirvad.in or by contacting in mobile number (+91) 9710931215 (9:00 am to 5:30 pm).

Any customer complaint/suggestion which reaches AMFL needs to be addressed and closed within the above process of grievance in a span of 1 month - failing to which the customer could raise the issue with the regulatory authorities.

Internal Ombudsmen :

As per the RBI circular CO.CEPD.PRS.No.S874/13-01-008/2021-2022 dt. November 15, 2021 company has appointed internal ombudsmen for grievance redressal w.e.f. April 1 st 2022. In case the complaints routed through the opinion of (partly/fully rejected by AMFL) the opinion/remarks of the Internal Ombudsman will be shared with the customer along with closure communication with the customer.

MFIN Grievance Redressal: If the customer is not satisfied with the grievance cell and Appellate Authority's response to the query/complaint, customer is free to raise the complaint with the monitoring board of Microfinance Industry - Microfinance Institutions

Network (MFIN) toll-free number 1800 1021 080.

OR can raise the complaint with RBI

If the complaint is not resolved within one month the Customer can approach “The General Manager, Reserve Bank of India, Department of Non-Banking Supervision, Chennai Regional Office, Fort Glacis, 16, Rajaji Salai, P.B. No.40, Chennai-600001, Tel: 044-2536 1490/ 2539 9222, Fax: 044 2539 3797 Email: dnbs@rbi.org.in”.

In situations where the complaint is relating to ‘deficiency in service’ the customer can approach RBI Ombudsman only in situations of delay in resolution for more than one month, by filing the complaint online on CMS portal through <https://cms.rbi.org.in>. Complaints can also be filed through the dedicated e-mail (CRPC@rbi.org.in) or sent in physical mode to the ‘Centralised Receipt and Processing Centre’ set up at Reserve Bank of India, 4th Floor, Sector 17, Chandigarh - 160017 in the format provided as in RBI Ombudsman Scheme which is available in all branches and on the website of the Company. Additionally, a Contact Centre with a toll-free number – 14448 (9:30 am to 5:15 pm).
