



Centrum Microcredit Private Limited

Fair Practices Code

Version 1.0

November 30, 2017

Fair Practices Code

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Fair Practices Code

1. Document Version

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Author	Jaymeen Shah
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2. Approvals

Version 1.0

Name	Designation	Signature	Date
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Fair Practices Code

3. Introduction

The Reserve Bank of India (“RBI”) has issued guidelines on Fair Practices Code for Non-Banking Financial Companies (“NBFCs”) thereby setting standards for fair business and corporate practices while dealing with their customers. RBI has reviewed the guidelines in view of rapid growth in NBFCs lending against gold jewelry.

Centrum Microcredit Private Limited (“CMPL” or “the Company”), a NBFC-Microfinance Institution shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to this Code to conform to the standards so prescribed.

It is, and shall be, the policy of CMPL to make available to all eligible qualified applicants, without discrimination on the basis of race, caste, colour, religion, sex, marital status, age or handicap all financial products, either directly or through subsidiaries and / or associates.

The Company’s policy is to treat all the clients consistently and fairly. The employees of CMPL will offer assistance, encouragement and service in a fair, equitable and consistent manner. The Company will also communicate its Fair Practices Code (“FPC”) to its customers by uploading the FPC on the website.

The Company will ensure that the implementation of the FPC is the responsibility of the entire organization. The Company’s fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities. Its commitment to FPC will be demonstrated in terms of employee accountability, training, counseling, monitoring, auditing programs and internal controls, and optimal use of technology.

The Company’s Board of Directors and the management team are responsible for implementing the fair practices hereinafter detailed, and also to ensure that its operations reflect its strong commitment to all the stakeholders for offering in a fair and equitable manner, the various financial services and products including lending and that all employees are aware of this commitment.

This Fair Practices Code applies to the following categories of products and services offered by us (currently offered or which will be introduced at a future date).

1. Loans, guarantees and other products in the nature of financial assets
2. Products offered through a network consisting of the branches/ offices of the Company, its subsidiaries and associates
3. Such other products and services offered by the Company in the future.

The FPC is applicable to the above irrespective of whether the same is provided physically, over the phone, on the internet or by any other method whatsoever, existing or futuristic.

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4. Key Commitments

The key commitments which the Company promises to follow in its dealings with its customers are:

- a. To act fairly and reasonably in all dealings with its customers by ensuring that:
 - Its products, services, procedures and practices will meet the commitments and standards in this FPC
 - Its products and services will meet relevant laws and regulations in letter and spirit as applicable
 - Its dealings with its customers will rest on ethical principles of honesty, integrity and transparency
- b. The Company will assist customers in understanding how its financial products and services work by:
 - Providing information about them in simple Hindi and/or English and/or the local language
 - Explaining their financial implications; and
 - Helping the customer choose the one that meets his / her needs
- c. The Company will make every attempt to ensure that its customers have a trouble-free experience in dealing with it; but in the case of errors or commissions and omissions, the Company will deal with the same quickly and sympathetically:
 - Mistakes will be corrected quickly
 - Complaints will be handled quickly
 - In case a customer is not satisfied with the way a complaint is handled, the Company will guide the customer on how to take the complaint forward
 - The Company will reverse any charges including interest applied to a customer's account due to an error or oversight on its part

5. Sales Origination

The Company will guide its customers in choosing products and services which meets his / her requirements.

- a. Before the customer relationship is established, the Company will:
 - Give the customer information explaining the key features of the services and products the customer has shown interest in
 - Give information on accounts, products and services which will suit the customer's needs
 - Clearly state the information that the Company requires to collect from the customer to fulfill its 'Know Your Customer' ("KYC") norms and to comply with legal and regulatory requirements in force from time to time
 - Request for additional information about the customer and his / her family to build a database; but this information will be furnished by the customer only if she / he wish to do so
- b. The Company will provide information on the various channels that can be used to access its products and services. The customer will also be informed on where further information on this is available.
- c. Once a customer has chosen a product, the Company will tell the customer how it works.
- d. The Company will guide its customer on rights and responsibilities specific to the mode of operation under which the product is taken.

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6. Guidelines on Fair Practices Code

A. Application for loans and their processing

Loan application forms of the Company will include necessary information which are likely to affect the interests of the prospective borrower, so that a meaningful comparison with the terms and conditions offered by other Non-Banking Financial Companies can be made and an informed decision taken by the prospective borrower.

- a. The loan application form shall indicate the documents required to be submitted along with the application form.
- b. Along with the loan application, an indicative list of KYC documents to be submitted, together with the duly completed application form needs to be shared.
- c. The Company shall provide to the prospective borrower an acknowledgement for receipt of all loan applications. An indicative time frame within which loan applications will be disposed of will be mentioned in such acknowledgement.
- d. The Company shall verify the loan applications within a reasonable period of time. If additional details/ documents are required, it shall intimate the same to the prospective borrower immediately thereafter.
- e. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- f. The Company will not hold any type of asset as collateral/ security deposit/ margin money against any loan in the Joint Liability Group (JLG) model.

B. Loan Appraisal & terms/ conditions

All loan applications shall go through the credit appraisal process as envisaged in the Company's credit policy/ credit norms. After approval, CMPL shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned, along with the terms and conditions, including annualized rate of interest, and method of application thereof. CMPL shall also keep the written acceptance of these terms and conditions by the borrower on its record. **As complaints received against NBFCs generally pertain to charging of high interest / penal interest, CMPL shall mention the penal interest charged (if applicable and for such products/ services where penal interest can be charged) for late repayment in bold in the loan agreement.**

Appropriate internal principles and procedures for determining interest and other charges shall be laid down and be subjected to review keeping in view the business exigencies, regulatory and customer sentiments, market practices etc. The acceptance of the terms and conditions communicated by the borrower shall be preserved by the Company in its records.

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CMPL shall furnish a copy of the loan agreement preferably in the vernacular language as understood by the borrower 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.

C. Disbursement of loans including changes in terms & conditions

- a. The Company shall give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall ensure that changes in interest rates and other charges are effected only prospectively. Retrospective changes (if any) shall, as far as possible, be avoided and shall be implemented only once the same has been communicated to the Customers. The loan agreement shall contain a specific clause to this effect.
- b. The decision of the Company to recall/ accelerate payment or performance shall be in consonance with the terms of the loan agreement.
- c. The Company shall release all securities upon repayment of all dues or on realization of the outstanding amount of loan subject to any Legitimate right or Lien for any other claim it will have against borrower. In case such right of set off is to be exercised, the borrower shall be given due notice with full particulars about the outstanding claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled/paid.

D. General

- a. CMPL shall refrain from interfering 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 deliberately or otherwise by the borrower, has come to its notice.
- b. In case of receipt of request from the borrower for transfer of a borrower account to other NBFC, bank of financial institution, the consent or otherwise shall be conveyed within 21 days from the date of receipt of such request. Such transfer shall be in accordance with the contractual terms entered into with the borrower and in consonance with the statutes, rules, regulations and guidelines as will be applicable from time to time.
- c. In the matter of recovery of loans, the Company shall resort only to remedies which are legally and legitimately available to it and will avoid using recovery measures during odd hours of the day, undue harassment, and use of muscle power for recovery of loans. The Company shall not resort to undue harassment of the customers. **As complaints from customers also include rude behavior from the staff of the companies, CMPL shall ensure that the staffs are adequately trained to deal with the customers in an appropriate manner and that the grievances are redressed on a timely basis.**
- d. There shall be no discrimination in extending products and facilities including loan facilities to the physically / visually challenged applicants on grounds of disability (Ref: RBI Circular No. DNBS.CC.PD.No. 191/03.10.01/2010-11 dated July 27, 2010, as amended from time to time).

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E. Grievance Redressal Mechanism

The Company shall also lay down a Grievance Redressal Mechanism within the organization to resolve complaints/ disputes, if any, arising in this regard. Such a mechanism shall ensure that all complaints/ disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level.

F. Grievance Redressal Officer

At the operational level, the company shall display the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:

- a. The name and contact details (Telephone/ Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- b. If the complaint / dispute is not redressed within a period of one month or if the customer is not satisfied with the resolution provided by the Company, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls.

Details of the Grievance Redressal Officer:

Mr. Nikhil Khandke

Address: Centrum House, CST Road, Kalina, Mumbai -400098

E-mail id: Nikhil.Khandke@centrum.co.in

Landline: 022- 42159000

Mobile : +91 9082829036

If the complaint / dispute is not redressed within a period of one month or if the customer is not satisfied with the resolution provided, then he/ she can also approach the RBI or write to them to the below mentioned address:

The Officer-in-Charge
Reserve Bank of India
Non-Banking Supervision Department
Mumbai Regional Office
3rd Floor, Dr. A.B. Nair Road,
Mumbai Central Station (Next to Maratha Mandir Theatre)
Byculla, Mumbai 400008
Tel: (022) 2302 2014
Fax: (022) 2302 2011
e-mail ID: helpdnbs@rbi.org.in

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G. Language and mode of communicating Fair Practices Code

A translated copy of this FPC in the relevant vernacular language shall be made available to the prospective borrower/ customer on demand and the same shall be displayed in the offices/ branches and on the website.

H. Regulation of Excessive Interest Rate

- a. CMPL 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 website.
- c. The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

As per RBI circular no. RBI/2014-15/121 - DNBS(PD).CC.No.399/03.10.42 /2014-15 dated July 14, 2014, as amended from time to time, the Company shall not charge foreclosure charges / Pre-payment penalties on all floating rate term loans sanction to Individual Borrower.

I. Clarification regarding Repossession of vehicles

The Company shall have a built in re-possession clause in the contract/loan agreement with the borrower which shall be legally enforceable, in case of such product being offered by the Company. In which case, to ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding:

- a. notice period before taking possession;
- b. circumstances under which the notice period can be waived;
- c. the procedure for taking possession of the security;
- d. a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property;
- e. the procedure for giving repossession to the borrower; and
- f. The procedure for sale / auction of the property

A copy of such terms and conditions shall be made available to the borrower in terms of circular wherein it is stated that the Company may 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, which may form a key component of such contracts/loan agreements.

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7. Terms and Conditions

A. General

- a. The FPC, in vernacular language, shall be displayed by the Company in its office and branch premises;
- b. A statement shall be made in vernacular language and displayed by the Company in the premises and in loan cards articulating the commitment to transparency and fair lending practices;
- c. Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers;
- d. Training, if any, offered to the borrowers shall be free of cost. Field staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products;
- e. The effective rate of interest charged and the grievance redressal system set up by the Company shall be prominently displayed in all offices/ branches and in the literature issued by the Company in vernacular language and on its website;
- f. The Company shall be accountable for preventing inappropriate staff behaviour and timely grievance redressal;
- g. The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers;
- h. All sanctions and disbursement of loans shall be done only at a central location and more than one individual shall be involved in this function. In addition, there shall be close supervision of the disbursement function;
- i. Adequate steps shall 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.

B. Disclosures in loan agreement / loan card

- a. The Company shall have a Board approved, standard form of loan agreement. The loan agreement shall preferably be in vernacular language.
- b. The loan agreement shall disclose the following information:
 - i. all the terms and conditions of the loan,
 - ii. the pricing of the loan involving only three components viz; the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof),
 - iii. no penalty charges on delayed payment,
 - iv. no collection of Security Deposit / Margin from the borrower,
 - v. the borrower cannot be a member of more than one SHG / JLG,

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- vi. the moratorium period between the grant of the loan and the due date of the repayment of the first installment,
 - vii. an assurance that the privacy of borrower data will be respected,
 - viii. Details regarding auction procedure.
- c. The loan card shall reflect the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011, as subsumed into the Master Directions:
- 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 acknowledgements by the company of all repayments including installments received and the final discharge,
 - iv. The loan card shall prominently mention the grievance redressal system set up by the company and also the name and contact number of the nodal officer,
 - v. Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself,
 - vi. All entries in the Loan Card shall be in the vernacular language.

C. Recovery Mechanism

Recovery shall normally be made only at a central designated place unless borrower fails to appear at central designated place on two or more successive occasions in which case recovery shall be made at the place of residence or work of the borrower.

D. Internal control system

As the primary responsibility for compliance with the Directions rests with the Company; it shall make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the Company and establish systems of internal control to ensure the same.

The Company will abide by all guidelines, directives, instructions and advices of Reserve Bank of India as well be in force from time to time. The contents in this document shall be read in conjunction with these guidelines, directives, instructions and advices. The Company will apply better practice so long as such practice does not conflict with or violate Reserve Bank of India regulations.