Fair Practice Code-MFI Borrowers

1. Fair Practice Code of Conduct towards Micro Finance Borrowers:

1.1. The Bank shall ensure that all dealings with microfinance borrowers are conducted in a fair, transparent, non-discriminatory and customer-centric manner, consistent with RBI directions on microfinance loans.

The Bank shall provide a Key Facts Statement (KFS) to every prospective borrower before execution of the loan contract, in the standardised format and in a language understood by the borrower, to enable an informed borrowing decision. The contents of the KFS shall be explained to the borrower, and an acknowledgement confirming that the borrower has understood the same shall be obtained.

The KFS shall bear a unique proposal/reference number and shall remain valid for at least three working days. No fee, charge or other amount not disclosed in the KFS shall be recovered from the borrower at any stage during the tenor of the loan without the borrower's explicit consent.

1.2. The loan agreement for micro finance loans should be in a standard format and in a language understood by the borrower.

1.3. The Bank shall transparently disclose all applicable loan-related terms and charges to the borrower. Bundling of products viz. obtaining any third-party product shall not be a pre-condition for availing the loan facility.

1.4. The bank has Board approved Customer Grievance Redressal Policy for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursal.

1.5. The bank shall provide an acknowledgement for every loan application received.

1.6. A loan card to be provided to the borrower incorporating the following:

- **1.6.1.** Information which adequately identifies the borrower.
- **1.6.2.** Simplified factsheet on pricing.
- **1.6.3.** All other terms and conditions attached to the loan.
- **1.6.4.** Acknowledgement by the Bank of all repayments including instalments received and the final discharge of loan amount.
- **1.6.5.** Details of the grievance redressal system, including the name and contact number of the nodal officer of the Bank.
- **1.6.6.** All entries in the loan card should be in a language understood by the borrower.

1.7. A fair practices code (FPC) based on RBI Directions to be put in place by the bank. The FPC shall be displayed by the bank in all its MFI branches and on its website. The FPC should be issued in a language understood by the borrower.

1.8. The Bank shall process loan applications within the stipulated timelines. The credit sanctioning decision shall be conveyed to the borrower, and, where an application is rejected, the reason(s) for rejection shall be communicated in writing.

1.9. Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

1.10. Charges recovered by the Bank from borrowers, on an actual basis, on behalf of third-party service providers, including insurance charges, shall form part of the Annual Percentage Rate (APR) and shall be disclosed separately. Wherever the Bank recovers such charges, receipts and relevant supporting documents shall be provided to the borrower for each payment within a reasonable period.

1.11. Field staff shall be trained to make necessary enquiries regarding the income and existing debt of the household. The minimum qualifications for staff engaged in Micro Finance activities shall cover academic qualifications (Class 10/High School) as well as working knowledge of the local language and local geographies.

1.12. The Bank shall maintain a Board approved policy governing recruitment, conduct, training and monitoring of employees engaged in microfinance activities. Staff shall be provided the necessary training tools to deal with the customers. Training to employees shall include programs to inculcate appropriate behaviour towards customers. Conduct of employees towards customers shall also be incorporated appropriately in their compensation matrix.

1.13. Training, if any, offered to the borrowers will be free of cost.

1.14. The Bank shall establish a mechanism for identification of borrowers facing repayment difficulties and engage with such borrowers to provide appropriate guidance regarding available repayment options and grievance redressal channels.

1.15. Recovery should be made at a designated group centre, decided mutually by the borrower and Bank. However, field staff should be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the group centre on centre meeting on two or more successive occasions. The recovery in any other place should preferably be in the presence of one or more other members of the group. The Bank may recover the outstanding dues through digital channels as well.

1.16. Staff or agents shall not engage in any harsh methods towards recovery by using threatening or abusive language; calling borrowers before 9:00 a.m. and after 6:00 p.m.; harassing relatives, friends and co-workers of the Borrower; publishing the names of the borrowers; use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation; misleading the borrower about the extent of the debt or the consequences of nonrepayment. Bank/ Staff/ Agents should not use harsh and coercive methods for recovery. For guidelines on Engagement of Recovery Agents for Recovery of Microfinance Loans; board approved Collection of dues & Repossession of Security policy to be referred.

1.17. Bank shall ensure that borrowers are not unfairly discriminated against on grounds such as religion, caste, marital status, sexual orientation, etc.

1.18. Bank shall ensure that all employees and persons acting on its behalf:

- **1.18.1.** Shall Undergo training on how to inculcate appropriate behaviour towards the borrowers.
- **1.18.2.** Shall Use respectful language, maintain decorum, and are respectful of social and cultural sensitivities
- **1.18.3.** Will not use coercion of any sort to make recovery of loans and take recovery only at a central designated place. Bank's employee can take recovery at the place of residence or work of the borrower only if the borrower fails to appear at the central designated place on two or more successive occasions.
- **1.18.4.** Bank will not resort to intimidate or humiliate borrowers either verbally or physically.
- **1.18.5.** Bank's employees will not contact borrowers at odd hours or at inappropriate times.
- **1.18.6.** Bank's employees will not harass relatives, friends, neighbours, or co-workers of the borrower.
- **1.18.7.** Training for Borrowers if imparted will be at free of cost.

1.18.8. Bank will not engage in any harsh methods towards recovery. Bank will not resort to the following harsh methods of recovery:

1.18.9. Use of threatening or abusive language

1.18.10. Publishing the name of borrowers

1.18.11. Misleading the borrower about the extent of the debt or the consequences of nonrepayment.