

Fair Practice Code

Sarwadi Finance Pvt. Ltd. will commit to the Fair Practice outlined below, in adherence with the guidelines issued by Reserve Bank of India (RBI) on Fair Practices Code for NBFC-MFIs (Master circular RBI/2015-16/16 DNBR(PD) CC.No.054/03.10.119/2015-16 dated July 1, 2015).

This Fair Practice Code in vernacular language shall be displayed in all our offices and website. Sarwadi Finance commits to the following practices outlined below:

1. General Practices

- 1.1. No officer, employee, agent or other person acting on our behalf shall take unfair advantage of anyone by manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair practice.
- 1.2. We shall train the field staff to make necessary enquiries with regard to existing debt of the borrowers
- 1.3. We shall ensure field staff make the borrowers fully aware of the procedure and systems related to loan /other products,
- 1.4. We shall incorporate a transparent and professional governance system to ensure that staff are oriented and trained to put this Code into practice.

2. Lending Practices

2.1. Applications for loans and their processing

- 2.1.1. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- 2.1.2. Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. Loan Application form shall indicate the documents required to be submitted with the application form.
- 2.1.3. We shall give acknowledgement to applicant for receipt of loan application and indicate in the acknowledgement the time frame within which loan applications will be disposed of.
- 2.1.4. We shall ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per the predetermined time structure.
- 2.1.5. We shall comply with the KYC guidelines of RBI.

2.2. Loan appraisal and terms/conditions

- 2.2.1. We 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 annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record.
- 2.2.2. We shall conduct proper due diligence to ensure the repayment capacity of the loan applicant

2.3. Disbursement of loans including changes in terms and conditions

- 2.3.1. We shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule,

interest rates and charges. We shall ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.

2.3.2. We shall ensure that any decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

2.3.3. We shall sanction and disburse loans only at a central location and more than one individual shall be involved in this function. There shall be close supervision of the disbursement function.

2.3.4. In case of receipt of request from the borrower for transfer of borrowal account, the consent or objection of Sarwadi Finance, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.

2.4. Grievance redressal mechanism

2.4.1. We shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).

2.4.2. We shall lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. We shall perform review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management

2.4.3. We shall designate at least one grievance redressal official to handle complaints and/ or note any suggestions from the clients and make his/ her contact numbers easily accessible to clients.

2.4.4. We shall inform clients about the existence and purpose of these mechanisms and how to access them. We shall display the grievance redressal system prominently in all branches including the name and contact detail of the Grievance Redressal Officer and Regional Office DNBS of RBI who can be approached by the public for resolution of complaints against the company

2.5. Interest rates and other charges

2.5.1. The effective interest rate along with other charges, if any shall be prominently displayed in all our branch offices, literature and website;

2.5.2. We shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. We 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.

2.6. Board approved standard form of loan agreement, loan sanction letter/ loan card

2.6.1. The following shall be disclosed in the loan agreement

- i. all the terms and conditions of the loan
- ii. that the pricing of the loan involves only three components viz; the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof)

- iii. that there will be no penalty charged on delayed payment
 - iv. that no Security Deposit / Margin is being collected from the borrower
 - v. that the borrower cannot be a member of more than one SHG / JLG
 - vi. the moratorium between the grant of the loan and the due date of the repayment of the first instalment
 - vii. an assurance that privacy of borrower data will be respected
 - viii. a declaration of our accountability for preventing inappropriate staff behaviour and timely grievance redressal
- 2.6.2 The following shall be disclosed in the loan sanction letter/ loan card
- i. the effective rate of interest charged
 - ii. all other terms and conditions attached to the loan
 - iii. information which adequately identifies the borrower
 - iv. acknowledgement of all repayments including instalments received and the final discharge
 - v. grievance redressal system set up and also the name and contact number of the nodal officer
 - vi. fee structure of all non-credit products issued
 - vii. non-credit products, excepting 'term life insurance' (loan based), are optional for the borrowers

2.7. Non-coercive methods of recovery

- 2.7.1. We shall ensure that a Board approved policy is in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code shall lay down minimum qualifications necessary for the field staff and shall have necessary training tools identified for them to deal with the customers. Training to field staff shall include programs to inculcate appropriate behaviour towards borrowers without adopting any abusive or coercive debt collection / recovery practices. Compensation methods for staff shall have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties may also be imposed in cases of non-compliance by field staff with the Code of Conduct. Generally only employees and not out sourced recovery agents will be used for recovery in sensitive areas.
- 2.7.2. We shall have clearly defined guidelines for employee interactions with clients and shall provide a valid receipt for each and every payment received from the borrower.
- 2.7.3. We shall ensure that all Staff and persons acting on behalf of the MFI
- i. use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients
 - ii. do not contact clients at odd hours, as per the RBI guidelines for loan recovery agents
 - iii. do not indulge in any behaviour that in any manner would suggest any kind of threat or violence
 - iv. do not visit clients at inappropriate occasions such as bereavement, sickness, etc. to collect dues

2.8. Internal control system to ensure compliance with FPC

- 2.8.1. We shall put systems in place to ensure compliance with the Fair Practice Code. The company will make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the company and establish systems of internal control including audit and periodic inspection to ensure the same.

2.8.2. We shall perform periodical review of the compliance of the Fair Practices Code at various levels of management. A consolidated report of such reviews shall be submitted to the Board every quarter.

3. Governance

3.1. We shall observe high standards of governance by inducting persons with good and sound reputation, as members of Board of Directors.

3.2. We shall ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditor/s.