



SAMVEDNA MICROFINANCE PRIVATE LIMITED

Policy on Fair Practice Code

Version 1 (April 2025)

Registered Office:

G002, Ground Floor, Plot no A-1, Sector 59, Noida, Gautam Buddha Nagar – 201301,
Uttar Pradesh

DISCLAIMER

This Fair Practice Code Manual is a property of Samvedna Microfinance Pvt. Ltd. and it is designed to promote ethical conduct, transparency, and fairness in all organizational dealings and interactions. While it outlines the principles and practices expected from all employees and employer, it serves as a guiding document. In case of any inconsistency between this policy and statutory provisions or official company directives, the latter shall take precedence.

CONTENTS

1. INTRODUCTION.....	4
2. APPLICATIONS FOR LOANS AND THEIR PROCESSING	4
3. LOAN APPRAISAL AND TERMS/CONDITIONS	5
4. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS.....	5
5. RESPONSIBILITY OF THE BOARD OF DIRECTORS.....	6
6. GRIEVANCE REDRESSAL OFFICER.....	6
7. NODAL OFFICER/ PRINCIPAL NODAL OFFICER.....	7
8. REGULATION OF EXCESSIVE INTEREST CHARGED BY NBFCS	7
9. GUIDELINES FOR CHARGING INTEREST RATE BY COMPANY	8

1. INTRODUCTION

The Reserve Bank of India had issued the guidelines on Fair Practices code for Non-Banking Finance Companies (NBFC) in a Circular no. RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated 1st July, 2015 (as and when amended) while dealing with individual customers and to serve as a part of best corporate practice. We at Samvedna Microfinance Pvt. Ltd (Company) are committed to comply with the said fair practices as per the directive issued by the regulator.

This Fair Practices Code (FPC) applies to all categories of products and services offered by the Company—both existing functioning and those may be introduced in the future. It is applicable to all, including but not limited to branch offices, telephonic communication, online platforms, or any other mode the company is currently using or introduced later. The Company is committed to maintain a strong grievance redressal mechanism, and the resolution of customer complaints shall not be compromised, regardless of whether any service is outsourced.

2. APPLICATIONS FOR LOANS AND THEIR PROCESSING

- a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- b) Loan application form shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other Banks/FIs/NBFCs/Regulated Entities (REs) can be made and informed decision can be taken by the borrower. The loan application form shall indicate the documents required to be submitted with the application form. The loan application form and the sanction letter issued to the customer shall disclose the approach for gradation of risks and rationale for charging different rates of interest to different categories of borrowers and the same shall also be made available on the web-site of the Company or published in the relevant newspapers. The information shall be updated whenever there is a change in the rates of interest.
- c) The Company shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of, shall also be indicated in the acknowledgement.

- d) Samvedna Microfinance Pvt. Ltd. (SMPL) shall disclose all pricing related information to a prospective borrower in a standardised simplified factsheet. Any fees to be levied by SMPL and/ or its partner/ agent shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount that is not explicitly mentioned in the factsheet.

3. LOAN APPRAISAL AND TERMS/CONDITIONS

The Company 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 and keep the acceptance of these terms and conditions by the borrower on its record.

The Company does not charge any penal interest on delayed payments from its borrowers. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount, and the same will be communicated to the borrowers by way of bold letters in the loan agreement.

The Company shall furnish a copy of the loan agreement preferably in the vernacular language as understood by the borrower along with a copy of all the enclosures quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of loans.

4. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND 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 also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard shall be incorporated into the loan agreement.
- b. Decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

- c. The Company 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 new information, not earlier disclosed by the borrower, comes to our notice).
- d. In case of receipt of the request from the borrower for transfer of borrower's account, the consent or otherwise i.e. objection of the Company, if any, shall be conveyed within 21 days from the date of receipt of the request. Such transfer shall be as per transparent contractual terms in consonance with law.
- e. SMPL as a regulated entity will be responsible & accountable for any of the actions/conduct/inappropriate behaviour by its employees or employees of the outsourced agency & shall timely provide grievance redressal. The Company shall ensure that the employees are adequately trained to deal with the clients in an appropriate manner.
- f. As a measure of customer protection and also in order to bring in uniformity regarding prepayment of various loans by borrowers of banks, the company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

5. RESPONSIBILITY OF THE BOARD OF DIRECTORS

- a. With the approval of Board of Directors, Company has laid down the appropriate grievance redressal mechanism within the organization. Such mechanism ensures that all disputes arising out of the decisions of Company's functionaries are heard and disposed-off, at least at the next higher level.
- b. The Board of Directors shall periodically review the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report in this regard shall be submitted to the Board at regular intervals.

6. GRIEVANCE REDRESSAL OFFICER

At the operational level, the Company shall display the following information prominently, for the benefit of its clients, at its branches/places where business is transacted:

- a. The name and contact details (Telephone/Mobile nos. and 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, the client may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (with complete contact details), under whose jurisdiction the registered office of the Company falls.

7. NODAL OFFICER/ PRINCIPAL NODAL OFFICER

Pursuant to the company being covered under the RBI's Integrated Ombudsman Scheme for Non-Banking Financial Companies, 2021. The Company shall update its client grievance redressal mechanism to align with the guidelines specified under the RBI Integrated Ombudsman Scheme.

Accordingly, the company appoints Nodal Officer/ Principal Nodal Officer in accordance with directions as provided under the scheme. The appointed Nodal Officer shall be responsible for representing the Company and furnishing information on behalf of the Company in respect of complaints filed against the Company.

8. REGULATION OF EXCESSIVE INTEREST CHARGED BY NBFCS

- a. The Board of the Company shall adopt an interest rate model considering relevant factors such as cost of funds, margin and risk premium 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 client in the application form and communicated explicitly in the sanction letter.
- b. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest and other charges, shall also be made available on the website of the Company or published in the relevant newspaper. The information so published shall be updated whenever there is a change in the rates of interest.
- c. The rate of interest shall be annualized rate so that the borrower is aware of the exact rates that would be charged to the account. Any change in interest rate or any other

charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.

9. GUIDELINES FOR CHARGING INTEREST RATE BY COMPANY

The Company shall not charge excessive rates and the rates charged by the Company from its borrowers shall be as per prevailing market conditions, cost of fund, operating costs and subject to regulations and conditions from the regulator. Board of the Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view.

In addition to the general principles as above, the Company shall adopt the following fair practices that are specific to its lending business and regulatory framework.

A. General

- a. The FPC in vernacular language shall be displayed by the Company in all its offices including corporate office, regional and branch premises. Additionally, the same shall be made available on Company's official website for the information of various stakeholders.
- b. A statement shall be made in vernacular language and displayed by the Company in its premises and in loan cards articulating its commitment to transparency and fair lending practices.
- c. Field employees shall be trained to make necessary enquiries with regard to income, expenses and existing debt of the borrowers.
- d. Training if any, offered to the borrowers shall be free of cost. Field employees 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 its offices and in the literature issued by it (in vernacular language) and on its website,
- f. A declaration that the Company will be accountable for preventing inappropriate employee behaviour and timely grievance redressal shall be made

in the loan agreement and also in the FPC displayed in its office/branch premises.

- g. The company shall strictly adhere KYC Guidelines of RBI. Appropriate due diligence shall be conducted to assess and ensure the repayment capacity of the borrowers.
- h. Issuance of non-credit products shall be offered with the explicit consent of the borrowers. The fee structure for such products shall be clearly communicated and disclosed in the loan card issued to borrower.
- i. All sanctions and disbursement of loans shall be carried out only at a central location, with the involvement of more than one individual to ensure the checks. In addition, there shall be close supervision of the disbursement function.
- j. Adequate steps shall be taken by the company to ensure that the procedure for application of loan is not cumbersome. the loan disbursements are done as per pre-determined time frame, as communicated to the borrower.

B. Disclosures in Sanction Letter cum promissory Note/ 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. In the loan agreement the following shall be disclosed.
 - All the terms and conditions of the loan,
 - The pricing of the loan has been separately provided in the policy on pricing.
 - Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount,
 - No security deposit/margin is being collected from the borrower,
 - The moratorium period between the grant of the loan and the due date of the repayment of the first instalment.
 - An assurance that the privacy of borrower data will be respected.
- c. The loan card shall reflect the following details:
 - The effective Rate of Interest (ROI) charged
 - All other terms and conditions attached to the loan
 - Information which adequately identifies the borrower

- acknowledgements by the Company of all repayments including instalments received and the final discharge.
- The loan card shall prominently mention the grievance redressal system set up by the Company and the name and contact number of the nodal officer
- Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.

All entries in the Loan Card shall be in the vernacular language

C. Non-Coercive Methods of Recovery

- a. Recovery shall normally be made only at a central designated place. Field employee shall be allowed to make recovery at the place of residence or workplace of the borrower only if the borrower fails to appear at the central designated place on 2 or more successive occasions.
- b. The Company shall ensure that a Board approved policy is in place with regard to the Code of Conduct for field employees and systems for their recruitment, training and supervision. The Company shall lay down the minimum qualifications necessary for the field employees and shall have the necessary training tools identified for them to deal with the clients. Training to field employees shall include programs to inculcate appropriate behavior towards borrowers. Conduct of employees towards customers shall not be inappropriate/ abusive or coercive for the recovery.
- c. Compensation methods for employees shall prioritize service quality and borrower satisfaction over the mere number of loans mobilized and the rate of recovery. Penalties shall also be imposed on cases of non-compliance of field employees with the Code of Conduct. Generally, recovery in sensitive areas shall only be undertaken by employees and not outsourced recovery agents.
- d. SMPL has a mechanism for identification of the borrowers facing repayment-related difficulties, engagement with such borrowers and providing them with necessary guidance about the recourse available. The details of this mechanism shall be provided to the borrower at the time of loan disbursal.

- e. SMPL will follow below guidelines related to recovery of loans. Recovery will happen on centrally designated place mutually agreed with borrowers & RE (Recovery can be done at door step if borrower fails to appear at the central designated place on two or more successive occasions). SMPL will not engage in any coercive methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh, unethical and strictly prohibited:

- Use of threatening or abusive language
- Persistently calling the borrower including calling the borrower before 9:00 AM and after 6:00 PM
- Harassing borrower's relatives, friends, or co-workers
- Publishing the name or details of borrowers
- Use or threat or use of violence or any other means intended to harm the borrower, borrower's family, assets, reputation.
- Misleading the borrower about the extent of the debt or the consequences of non-repayment

D. Customer Protection Initiatives

- a. The Company shall ensure that greater resources are devoted to professional inputs in the formation of JLG. Post formation, appropriate training and skill development activities shall be undertaken to enhance capacity building and empowerment of the group members.
- b. The Company shall be prudent and responsible in its lending activities. It shall also educate its borrowers on the risk of wasteful conspicuous consumption.

Any lapse in the above-mentioned process will lead to the serious disciplinary action against concerned employees.