

Guidelines on Fair Practices Code for NBFC-MFI

Introduction:

UFIN Financial services limited has been extending Microfinance loans through JLG model for income generation activities and other requirements like water and sanitation, education, medical, emergency etc to the low-income households (“MFI Loans”). The company is governed by balanced team of learned, experienced practitioners and professionals. To bring total transparency in the working of the Company the following ‘Code of Fair Practices’ are recommended to be adopted by the Board. The loans offered by the Company is categorized as Microfinance Loans (MFI Loans).

General:

1. The Company shall lay down effective Grievance Redressal Mechanism by way of installing complaint boxes in all its offices, arrange for the designate a senior level officer as Grievance Redressal Officer.
2. The Company shall provide 7 (Seven) working days’ time to redress grievance of any member at the branch level failing which the borrower is free to escalate the matter through the Compliance register/ Letter to Grievance Redressal Cell at Company’s Head Office which shall resolve the grievance within 1 month thereof. If the borrower does not receive any response from the Company or customer remains dissatisfied with the reply of the Company, he / she can escalate the matter to the next level to MFIN and RBI.
3. Grievance Redressal Mechanism including Branch Manager’s name and contact number, Area Manager’s name and contact number and MFIN contact numbers availability of complaints box.
4. A declaration that the Company shall be accountable for any inappropriate behaviour by its employees and shall provide timely grievance redressal to the customers.
5. Offer training to the borrowers 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
6. The Company’s field staff shall not call on the borrowers for overdue recovery before 9 am and after 6 pm and shall not visit their residence or workplace on days of festival, marriage or any mourning occasions, for the purpose of recovery.
7. The Company shall ensure that the procedure for application of loan is not cumbersome and loan disbursements are made as per pre-determined time schedule driven through the well-defined process.
8. The Company shall declare its accountability for any inappropriate staff behaviour and for providing timely grievance redressal for the borrowers.

Loan Applications and processing:

1. The Company shall communicate with all its members/ borrowers in the respective local / official languages of the states concerned or in a language as understood by the borrower. (MFI Loans)
2. The Company shall collect all necessary documents from borrowers to comply with KYC norms of Reserve Bank of India (RBI).
3. The minimum, maximum and average interest rates to be charged on MFI loans shall be prominently displayed on Company’s website, all its branch premises and in other literature issued by the Company. (MFI Loans)
4. The loan application shall contain list of documents required for availing the loan.

5. The loan card issued to the borrower shall contain all relevant details specified by RBI, from time to time. (MFI Loans)
6. The Company shall provide a fact sheet containing all necessary details of the loan product along with pricing related information and the fee charged to the borrower. (MFI Loans)
7. The Company shall dispose off all the loan applications within 3 weeks from the date of loan application. (MFI Loans)
8. The details of dedicated mechanism for redressal of recovery related grievances of customers shall be provided to the borrower at the time of loan disbursement. (MFI Loans)

Loan Appraisal and terms/conditions:

1. The Company shall train and equip all our Managers/ Field Officers to conduct proper income assessment and due diligence to understand the repayment capacity of the household. (MFI Loans)
2. The Company shall obtain credit bureau report for all loan applications to get details of the existing loan repayment obligations of the household/borrower/co-borrower. The Company shall make informed decision on sanction of loans to borrowers based on credit bureau report. (MFI Loans)
3. The Loan amount sanctioned along with the detailed terms and conditions shall be communicated to borrower by means of a sanction letter / loan card with specific details in the language understood by the borrower and keep the acceptance of these terms and conditions by the borrower on record at the branches. (MFI Loans)

The Loan agreement shall contain the following details:

1. The interest rate to be charged, method of application thereof, the processing fee charged and the insurance premium applicable for member. (MFI Loans)
2. The Company shall always adopt interest rate model as per the Pricing Policy considering relevant factors such as cost of funds, margin and risk premium, etc., duly approved by the Board. The Company shall disclose minimum, maximum and average rates of interest for different set of products through formal communications, display in all offices/branch premises, Company's website and other literature issued by the Company. The Company shall communicate the rate of interest explicitly in the sanction letter / loan card.
3. The rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers in retail finance shall be disclosed to the borrower in the application form and communicated explicitly in the sanction letter / loan card / fact sheet
4. The Company shall not levy any pre-payment charges for Group lending borrowers and shall not stipulate any Security Deposit/ Margin
5. The Company shall provide a minimum moratorium of one instalment between the grant of loan and due date of the first instalment
6. The Company shall assure the privacy of borrower's data except for sharing the same with all Industry Associations, Credit Bureau, Lenders to the company and any statutory/regulatory/rating agencies
7. The Company shall declare its accountability for any inappropriate staff behaviour and timely Grievance Redressal of the borrowers. Grievance redressal channels shall be available on the loan cards issued to the borrowers, as well as displayed at all branches of the Company

8. In addition to the loan sanction letter and passbook / loan card, a copy of the Loan agreement shall be made available to the borrowers.

Disbursement of Loans:

1. The Company shall serve notice to borrowers in local language of any change/s in terms and conditions including disbursement schedule, interest rates, service charges, etc. The Company shall also effect such changes only prospectively
2. The Company shall organize all sanctioning and disbursement of loans to happen at the branch location and more than one official shall be involved in this function. The Company shall have close supervision of the disbursement function by its senior officials and monitoring teams through random checks
3. The Company shall issue loan card containing following information in the language understood by the borrower for MFI Loans:
 - i. Borrower's identity and the relevant information
 - ii. Simplified fact sheet on pricing as recommended by RBI
 - iii. Details of non-credit products wherever applicable and obtain consent of the borrowers
 - iv. Acknowledgements by the Company for the repayments by borrowers including instalments received and final discharge
 - v. Grievance Redressal System including the Customer complaint number, Branch address and Branch Manager number of the branch.

Non-Coercive Methods of Recovery:

1. The Company shall collect all its recoveries at the central designated place namely Group leader/customer house which is decided mutually by borrowers and the Company. Only in case the borrower fails to attend Meeting on 2 or more successive occasions, the Company's field staff shall visit the place of residence or place of work of the borrower for recovery.
2. The Company shall ensure that a uniform systems and procedure approved by the Board as a policy in the matter of staff recruitment, training and supervision is in place. The Company's policy shall focus on training field staff through training programs to inculcate appropriate behaviour towards borrowers without adopting any abusive or coercive debt collection / recovery practices
3. The Company shall initiate necessary disciplinary action against staff who abuses any of the items under Code of conduct
4. The Company currently shall not engage/outsourcing any recovery agents for recovery.

Internal Control System:

Periodical review of compliance to fair practices code and grievance redressal system

1. The Company shall incorporate verification and checks for compliance of all the practices through the specific designated officials in the hierarchy and through effective internal audit/ periodical inspections.
2. Company's management will ensure to submit an annual report to its Board on review of compliance to Fair Practices Code and functioning of grievance redressal system at various levels of management.
3. Internal audit shall review the implementation of Fair Practices Code and effectiveness of grievance redressal system during branch audits.

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4. The functioning of grievance redressal system shall be reviewed by internal audit at HO
5. Internal audit shall furnish feedback on the same to the Audit Committee at Quarterly intervals.