



Fair Practice Code

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Approved by Board 21.04.2017

This Fair Practices Code (FPC) of Samasta Microfinance Limited is as per the Guidelines issued by the RBI on February 18, 2013. The FPC of the Company has been reviewed and approved by the Board of Directors on 26th April, 2018.

A.

(i) Applications for loans and their processing

- All communications to the borrower will be in the vernacular language or a language as understood by the borrower;
- Loan application forms will 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. The loan application form indicates the documents required to be submitted with the application form;
- Samasta gives acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of is also indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

Samasta will furnish a copy of the loan agreement in the vernacular language along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of disbursement of loan.

(iii) Disbursement of loans including changes in terms and conditions

- Samasta will 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 Samasta will ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard is incorporated in the loan agreement;
- Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement;
- Samasta will release all securities on repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim Samasta

may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which Samasta is entitled to retain the securities till the relevant claim is settled / paid.

(iv) General

- Samasta will 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, has come to the notice of Samasta);
- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of Samasta, if any, will 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;
- In the matter of recovery of loans, Samasta will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. Samasta will ensure that the staff are adequately trained to deal with the customers in an appropriate manner;
- The Board of Directors of Samasta have laid down the appropriate Grievance Redressal Mechanism within the organization to resolve disputes arising in this regard. The Grievance Redressal Mechanism has been set up to ensure that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level.

The Board of Directors will also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the Grievances Redressal Mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board at regular intervals, as may be prescribed by it;

- At the operational level, Samasta will display the following information prominently, for the benefit of the customers, at our branches/places where business is transacted:
- 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;
- If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI, under whose jurisdiction the registered office of the Samasta falls, which is as under:

Officer-In-charge
DNBS Department
Reserve Bank of India,
10/3/8, Nrupathunga Road,
Post Bag No.5467,
Bangalore-560 001
Phone: 2275020.Fax: 2210185

(vii) Fair Practices Code will be in the vernacular language as understood by the borrower;

(viii) The board of Samasta has laid out appropriate internal principals 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 have also been kept in view;

(ix) Regulation of excessive interest charged by NBFCs

- The Board of Samasta will 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 will be disclosed to the borrower or customer in the application form;
- The rates of interest and the approach for gradation of risks will be made available on the web-site of Samasta The information published in the website will be updated whenever there is a change in the rates of interest;
- The rate of interest is annualized rates so that the borrower is aware of the exact rates that would be charged to the account;

B. NBFC-MFIs:

(i) General:

- The FPC in vernacular language will be displayed by Samasta in its office and branch premises;

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- Samasta is committed to transparency and fair practices lending to its borrowers. Samasta will make a statement to this effect in the vernacular language and display the same in all its branches and also print it in all borrower loan cards;
 - Samasta's field staffs are trained to make necessary enquiries with regard to existing debt of the borrowers;
 - All training offered by Samasta to its borrowers will be free of cost. All field staff are trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products;
 - Samasta displays the effective interest rate it charges in all its offices and in the literature issued by it in vernacular language. The Grievance Redressal System of Samasta will also be prominently displayed in all its offices;
 - Samasta will be accountable for preventing inappropriate staff behavior and timely Grievance Redressal of the borrower. The above declaration is also made in the loan agreement given to the borrower;
 - Samasta ensures that the KYC guidelines of RBI and complied with. Due diligence of each and every borrower will be carried out to ensure the repayment capacity of borrowers;
 - As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, all sanctioning and disbursement of loans will be done only at a central location and more than one individual will be involved in this function. In addition, there will be close supervision of the disbursement function;
 - Samasta will ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.

(ii) Disclosures in loan agreement / loan card

a. Samasta has a board approved standard form of loan agreement. The loan agreement will be in the vernacular language;

b. In the loan agreement the following are disclosed:

- All the terms and conditions of the loan.
- 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)
- That there will be no penalty charged on delayed payment.
- That no Security Deposit / Margin is being collected from the borrower

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- That the borrower cannot be a member of more than one SHG / JLG
 - The moratorium between the grant of the loan and the due date of the repayment of the first instalment (as guided by the NBFC-MFIs (Reserve Bank) Directions, 2011)
 - An assurance that the privacy of borrower data will be respected.

c.

(i) The loan card reflects the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011.

- the effective rate of interest charged;
- all other terms and conditions attached to the loan;
- information which adequately identifies the borrower and acknowledgements by Samasta of all repayments including instalments received and the final discharge;
- The loan card will prominently mention the Grievance Redressal System set up by Samasta and also the name and contact number of the nodal officer;
- Non-credit products issued will be with full consent of the borrowers and fee structure will be communicated in the loan card itself;
- All entries in the Loan Card will be in the vernacular language;

(ii) Non-Coercive Methods of Recovery

As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, recovery will normally be made only at a central designated place. Field staff will be allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at central designated place on 2 or more successive occasions.

Samasta has a Board approved policy in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code will 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 will include programs to inculcate appropriate behaviour towards borrowers without adopting any abusive or coercive debt collection / recovery practices. Compensation methods for staff will have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties will also be imposed on cases of non-

compliance of field staff with the Code of conduct. Samasta will use only employees for recovery in sensitive areas.

(iii) Internal control system:

The responsibility of compliance to the FPC is assigned to the Audit Manager of the Company. Samasta has an internal audit department which does periodic audit of all aspects of the operations to check on the compliance of the FPC.