



SATIN CREDITCARE NETWORK LTD.
Reaching out!

CODE OF CONDUCT: VERSION 4

DATE: 06/11/2019

Preamble

MFIN along with Sa-Dhan has released the revised Code of Conduct (COC) for the industry on 16th September 2019. Satin Creditcare Network Limited (SCNL), being a member of MFIN and Sa-Dhan, endorses the Industry's COC and therefore released the Version 4 of CoC.

Microfinance sector, irrespective of legal form, seeks to create individual and social benefits and promote financial inclusion by providing financial services to clients of financially un-served and underserved households. Over time, the Microfinance Sector has become an integral part of the financial infrastructure for the vulnerable sections of society in India.

It is important to define core values and fair practices for the microfinance sector so as to ensure that microfinance services through MFIs are provided in a manner that benefit clients, and is ethical and dignified.

Approved on - November 06, 2019



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Contents

- I. Customer Engagement 3
 - a. Fair Interaction 3
 - b. Suitability (avoiding multiple/over-lending)..... 3
 - c. Education & Transparency 23
 - d. Information & Privacy 23
 - e. Grievance Redressal 24
 - f. Others 24
- II. Employee Engagement..... 23
 - a. Recruitment 23
 - b. Orientation (training and appraisal) 23
 - c. Well-being..... 24
- III. Corporate Governance 23
 - a. Policies, Strategic Directions & Oversight..... 23
 - b. Risk Management & Internal Audit..... 24
 - c. Industry Cooperation 24

Code of Conduct

Employee Engagement

Recruitment

Orientation
(training and
appraisal)

Well-being

Customer Engagement

Suitability
(avoiding multiple/
over-lending)

Information &
Privacy

Others

Fair
Interaction

Education &
Transparency

Grievance
Redressal

Corporate Governance

Policies, Strategic
Directions & Oversight

Risk Management
& Internal Audit

Industry
Cooperation

I. Customer Engagement

a. Fair Interaction

1. SCNL to ensure that customer is not unfairly discriminated against on grounds such as religion, caste, marital status or sexual orientation etc.
2. SCNL to ensure that all employees and persons acting on its behalf:
 - Use respectful language, maintain decorum and are respectful of social and cultural sensitives
 - Do not use coercion of any sort to make recovery of loans and take recovery only at a central designated place. An employee can take recovery at the place of residence or work of the customer only if customer fails to appear at the central designated place on two or more successive occasions.
 - Do not intimidate or humiliate verbally or physically.
 - Do not contact customers at odd hours or at inappropriate times such as bereavements, illness, social occasions such as marriages and births.

b. Suitability (avoiding multiple/over-lending)

1. SCNL to assess customer's financial situation (income and expenses), credit requirement, repayment capacity and indebtedness based on information from the customer, Credit Information Report (CIR) and field level intelligence before disbursing a loan.
2. SCNL to use a valid¹ CIR before sanctioning all loans including top-up loans, second and subsequent cycle loans.
3. SCNL to disburse the loan commensurate with the customer's ability to repay. Prior to sanctioning of loans, based on micro-credit loans captured in the microfinance section of the valid CIR, SCNL to ensure that:
 - It does not become the fourth lender to a customer if a customer has active loans from three (3) different Providers. In addition it will also ensure that SCNL does not become third NBFC-MFIs to lend to a customer².
 - It does not breach the total indebtedness of Rs 1,25,000 per customer. SCNL to verify the total indebtedness of customer factoring all unsecured micro- credit loans (individual as well as group) captured in the microfinance section of the CIR prior to sanctioning of the loan.
 - It does not sanction/disburse a loan to customer who has non-performing (delinquency > dpd 90 days) accounts with loan amount outstanding > Rs 1,000 with SCNL or another Provider.

¹ CIR is considered as 'valid' for 15 calendar days from the date of extraction of the CIR. This implies that SCNL needs to disburse a loan to the customer within 15 calendar days from date of extracting her CIR.

² As per the RBI Directions for the NBFC-MFIs.

c. Education & Transparency

1. SCNL to provide following key information to the customer and include them in the loan documents such as loan application, loan sanction letter/loan agreement and loan card:
 - Identity and address of SCNL
 - Identity and address of the customer
 - Product details (loan amount, tenure, repayment frequency, annualised interest rate on reducing balance method, processing fee, any other charges or fees howsoever described, total amount payable, total charges recovered towards premium of credit-linked life insurance cover, coverage amount and risks covered, if applicable and other key terms and conditions)
 - Details of customer grievance redressal system (CGRM)
2. SCNL to communicate all the terms and conditions to customers in the official regional language or language understood by them. SCNL to promptly communicate to the customers, any changes in terms and conditions.
3. SCNL to provide a receipt/written acknowledgement for every payment received from the customer.
4. SCNL to take measures (such as training, assessment and periodic interactions with customers) to ensure that the customer fully understands the products, process and terms of the contract.
5. SCNL to give emphasis in educating customers on the importance of timely repayment for good credit history with the CICs, benefit, risks and necessary safeguards of digital financial transactions and grievance redressal mechanism including internal and external escalation mechanism³.
6. SCNL to educate customers against blind trust on group and centre leader and how any default in the fictitious loan (also referred to as ghost lending / pipelining taken by group/centre leader in customer's name) can ruin her credit records and access to credit in future. This to be part of the Compulsory Group Training (CGT)/Group Recognition Test (GRT) process. SCNL to ensure customer attendance in the group meetings.
7. SCNL to disclose the reason to the customer if her loan is rejected. For this purpose, acknowledgment of loan application given to the customer, to carry SCNL's CGRM number and Turn Around Time (TAT), so that the customer can reach out to it.

d. Information & Privacy

1. SCNL to obtain copies of Know Your Customer (KYC) documents from customers as per RBI norms.

³ External escalation mechanism includes regulatory channels available to customer to escalate including Ombudsman where applicable.

2. SCNL to upload accurate and comprehensive customer data with all RBI approved credit information companies (CICs) as per the Uniform Credit Data Format on a weekly basis.
3. SCNL to promptly address any dispute raised by the customer about her data with CICs. This is to be done within 7 calendar days from receipt of such dispute.
4. SCNL to keep personal customer information strictly confidential. Customer information may be disclosed to a third-party subject to any of the following conditions:
 - Such information is required to be provided under the law or it is provided for a mandated business purpose (for example, to CICs)
 - Customer has been informed about such disclosure and prior permission has been obtained in writing
 - The party in question has been authorized by the customer with intimation to SCNL, to obtain customer information
5. SCNL to take customer's consent for loan application, checking her CIR and her accepting terms and conditions of loan. For every product availed by the customer, credit as well as insurance or any other product, separate and explicit customer consent should be taken.

e. Grievance Redressal

1. SCNL to provide a robust customer grievance redressal system to address customer complaints in an effective and timely manner. SCNL to provide easy access to CGRM to all customers through a dedicated phone-number or a staff assisted procedure at the branch to register grievances.
2. SCNL to clearly communicate the details of customer grievance redressal in branches, loan documents and other communication materials.
3. SCNL to have least one Grievance Redressal Officer (GRO) to over-see the CGRM and make his/her contact details (e-mail, phone number) accessible to customers.
4. SCNL to assure the customer that she will be treated fairly despite the grievance being lodged.

f. Others

1. SCNL to charge the customers in line with relevant RBI Directions.
2. While offering any third-party sell (non-micro-credit product) to customer, SCNL to clearly disclose all necessary details of such product (pricing, benefits, warranties, exclusions). SCNL to ensure that the customer is not forced to buy any such product as a pre- condition to access micro-credit or vice versa.
3. With regard to offering credit-linked life insurance to customer, SCNL to clearly disclose all necessary details including but not limited to as under:
 - Name of insurer
 - Policy number
 - Individuals covered

- Premium paid
 - Coverage amount
 - Period/term of coverage
 - Events covered
 - Exceptions: terms related to pre-closure, loan rescheduling and loan default etc.
 - Process to file claims (documents required, TATs etc.)
 - Grievance process for insurance
 - Other key conditions
4. Since SCNL has digital (i.e. paper-less) process for sourcing (loan application), customer consent, due-diligence, contracts, disclosures, payment receipts, grievance redressal etc, it will ensure that process are aligned with relevant regulatory norms and customer is made fully aware, educated and comfortable with digital modes.
 5. If withdrawing operations from an area, SCNL to make alternate arrangement to service the existing loans of the customers. As an example, arrangement with an existing Provider can be worked out to receive loan repayments from customers.
 6. SCNL to establish direct contact with the customers, avoiding influential unscrupulous intermediaries amongst group or centre leaders. SCNL to regularly rotate their group/centre leaders to restrain the disproportional influence of leaders in the group.

II. Employee Engagement

a. Recruitment

1. SCNL to not unfairly discriminate against a candidate for recruitment based on gender, religion, caste, marital status or sexual orientation etc.
2. SCNL to select candidates based on merit, ethics and integrity.
3. SCNL to recruit a candidate from other Provider based on satisfactory relieving letter or reference check only. SCNL to seek reference check from candidate's current employer only after an offer letter is issued to the candidate. However, if request for reference check is not responded to within 15 calendar days (from date of sending the request), SCNL to go ahead with the recruitment.
4. SCNL to respond to request from other Provider for reference check within 15 calendar days from receipt of such communication.
5. SCNL to participate in Employee Bureau to submit their employees' data and check candidate's employment records.
6. While recruiting from other Provider, SCNL to honour the notice period as mutually agreed between prospective employee and her/his current employer.
7. While recruiting an employee up to the position of Area Manager, from other Provider, SCNL to preferably position such employee at least 50 km away from location of her/his last posting (i.e. location of branch where employee was last posted) for a year. The fundamental spirit behind this clause is to ensure that an employee does not encroach upon the business of Provider (where she/he was last employed) by virtue of her/him being privy to business information of the area and familiarity with the customers from last employment.

b. Orientation (training and appraisal)

1. SCNL to give comprehensive induction training to the employees on policies, processes, regulations, as well as CoC. Emphasis to be given on customer-interface aspect such as fair treatment, credit assessment, privacy of data, service quality, CGRM, relationship management and dealing with customer facing difficulty in repayment etc.
2. SCNL to regularly assess employees' understanding of the above elements and conduct refresher training to address the gaps in understanding.
3. SCNL to train their employees on understanding and dealing with gender issues including appropriate interaction with women colleagues and customers.
4. SCNL to necessarily orient their employees on professional conduct and integrity issues including expected behaviour and not indulging in any unlawful and anti-social activities.
5. SCNL to engage new employees in the branch-level business operations only after completion of the induction training.
6. SCNL to ensure that employees directly responsible for CGRM receive detailed training about the system, processes and soft skills for resolving the complaints.

7. SCNL to institute a transparent incentive and appraisal structure in such a way that it does not lead to perverse sales behaviour, factors for the service quality, incentivizes responsible lending, rewards compliance with the CoC and penalizes breach of the same. SCNL to set targets for the branch-level employees based on a reasonable-objective criterion including understanding of micro-credit requirement and repayment capacity in that area.

c. Well-being

1. SCNL to ensure the well-being (for example, adequate remuneration, working hours, working conditions, leaves for personal reasons such as family commitments and emergencies) and security of employee is given due importance .
2. SCNL to have well-defined protocol to be followed by employee to handle risks arising from going to difficult area and cash-handling. SCNL to indemnify the employees for cases where protocol has been followed but mishap still occurred.
3. SCNL to not collect shortfalls in collections from employees unless in proven cases of frauds by employees.
4. SCNL to create conducive professional environment for both genders to work and grow.
5. SCNL to have an appropriate mechanism to hear and redress the grievances of the employees and provide counselling.
6. For routine cases⁴, SCNL to complete the relieving formalities (including final settlement of pending dues, issuing no-objection certificate and relieving letter) of the employees within 30 calendar days from the last working day of the employee.
7. SCNL to respond to request from prospective employer for reference check within 15 calendar days from receipt of such communication.
8. SCNL to ensure that notice period is not more than 3 months for employees.

⁴ Routine case is where employee has orderly served the notice period, finished the tasks, completed handover, has no pending financials and disciplinary clearances required.

III. Corporate Governance

a. Policies, Strategic Directions & Oversight

1. SCNL to align relevant policies such as Fair Practices Code (FPC), Product Development, Operational, Human Resources, CGRM, Internal Audit, Information & Technology etc to clauses stipulated in the CoC. SCNL to align processes with the updated policies. Specifically,
 - a. SCNL to have clearly defined guidelines for employee interaction with customers, including policy to deal with aberrations from the guidelines.
 - b. SCNL to have a Board approved CGRM policy covering process to register, resolve and escalate the complaints, internal and external escalation mechanism, complaints categories and TAT, review/audit of CGRM and reporting to Board and top management.
 - c. SCNL to have a section in credit policy to deal with delinquencies at the customer level including rescheduling of loans for the customer who is facing difficulty in repayment of loans on account of loss of business assets, loss of earning members of the family, natural disasters or other emergencies.
 - d. SCNL to have a Board approved framework to deal with crisis arising from natural disasters, mass defaults, negative media, local-level hostility etc.
 - e. SCNL to have a policy to safeguard customer's data (capturing, transmitting, storing) covering the universally accepted principles of data protection as under:
 - Collection limitation
 - Purpose specification
 - Use limitation
 - Data minimisation
 - Preservation of data quality
 - Breach-notification
 - Incorporation of access controls
 - Encryption of data wherever feasible.
 - Incorporation of Data protection impact assessments to actively identify and mitigate threats to personal data and undertaken periodically.
2. SCNL to get all key policies and plans (encompassing aspects of customer acquisition, expansion, targets, operations, HR, CGRM etc) reviewed and updated annually by the Board.
3. SCNL to assess its product offering through multi-dimensional lens including its impact on the well-being of customers (such as increasing income, access to assets, reducing drudgery, improving skills etc).
4. SCNL to develop its business plans based on both supply and demand side factors including current supply of micro-credit and need and repayment capacity of customers in an area. Data available from CICs to be used to understand the supply and repayment behaviour of a geography. Geographies which are saturated, to be avoided or approached with utmost caution.

5. SCNL to conduct the annual assessment of its performance (adherence and well as lapses) vis a vis CoC, through an external agency and discuss the report at Board and top Management level. The reports must disclose the methodology used for evaluating the performance. A copy of assessment report on CoC to be shared with the SROs.
6. SCNL to record and analyse individual and aggregate level data for CGRM capturing nature of complaints, action taken and turn-around time. Report on grievances received, resolved and pending along with nature of complaints should be shared with the Board for review.

b. Risk Management & Internal Audit

1. SCNL to have a well-laid out risk management framework to identify key risks (such as credit and operational risks due to concentration, excess supply, political, people, natural disasters) and steps to mitigate them.
2. SCNL to audit the branches, customer, employees, process and system to check adherence to the elements described in CoC.
3. SCNL to internally probe persistent abnormally high performance with respect to assigned targets of branches and employees, as this may be an indicator of coercive sales practices.
4. SCNL to undertake quarterly audits on a reasonable sample to capture instances of lending breaching the norms on total indebtedness, lender count and lending to customer having a delinquent account with another Provider. For this purpose, SCNL may use data available from CICs to capture adherence with the norms of total indebtedness and Provider count per customer.
5. SCNL to develop specific internal controls to identify and avoid informal unscrupulous intermediaries in the lending process and system. For example, direct connect with customers, pre-disbursement confirmation calls to customers, loan utilization checks, regular rotation of group/centre leaders, and customer verification during internal audit.

c. Industry Cooperation

1. SCNL to share data and information required by the SROs to understand industry level practices, research etc. For this purpose, SCNL to identify a focal person to coordinate with the SROs.
2. SCNL to cooperate with other NBFC-MFIs to deal with industry-level issues.