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### **Statement of Confidentiality**

This document is confidential in nature and contains information that is proprietary and confidential to Satin Creditcare Network Limited (SCNL) which shall not be disclosed outside SCNL, transmitted, or duplicated, used in whole or in part for any purpose other than its intended purpose. Any use or disclosure in whole or in part of this information without explicit written permission of Satin Creditcare Network Ltd is prohibited.

## **Fair Practice Code (FPC) of Satin Creditcare Network Limited**

The Reserve Bank of India had issued a Circular, no. RBI/2011-12/470 DNBS.CC.PD.No.266/03.10.01/2011-12 dated 26<sup>th</sup> March, 2012 regarding Fair Practices Code (FPC) to be adopted by all NBFCs while doing lending business. We at Satin Creditcare Network Ltd (Company) are committed to comply with the said fair practices as per the directive issued by the regulator. The Fair Practice Code document was further updated as per the RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01<sup>st</sup> September, 2016,

The Fair Practices Code was further updated as per the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

According to the latest RBI Circular, Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 Circular, no. RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/2021-22 has mentioned additional guidelines on conduct towards Microfinance Borrowers.

Following are the fair practice code adopted by the Company:

### **A (I) 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 NBFCs 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.
- 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) SCNL shall disclose pricing related information to a prospective borrower in a standardised simplified factsheet. Any fees to be charged to the borrower by SCNL and/ or its partner/ agent shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.

### **(II) 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.

### **(III) 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 in the loan agreement.
- b) Decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- c) In case the Company accepts any security against the loans made, the same shall be released on repayment of all dues or on realization of the outstanding amount of loan, subject to any legitimate right or lien for any other claim the Company 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 the Company is entitled to retain the securities till the relevant claim is settled/paid.

### **(IV) General**

- a) 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).
- b) In case of receipt of 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 request. Such transfer shall be as per transparent contractual terms in consonance with law.
- c) SCNL can be approached on toll free number for any inappropriate behavior of its employee/employee of outsourcing agencies & we shall address the grievance within the timeframe as mentioned in client grievance redressal. The Company shall ensure that the staffs are adequately trained to deal with the customers in an appropriate manner.
- d) As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and NBFCs, it is advised that NBFCs shall not charge foreclosure charges/pre-payment penalties on all floating rate term loans sanctioned to individual borrowers. There shall be no pre-payment penalty on loans provided by SCNL. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

### **(V) Responsibility of Board of Directors**

The Board of Directors of the Company shall lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism shall ensure that all disputes arising out of the decisions of Company' functionaries are heard and disposed of, at least at the next higher level. The Board of Directors shall 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 shall be submitted to the Board at regular intervals, as may be prescribed by it.

### **(VI) Grievance Redressal Officer**

At the operational level, the Company shall display the following information prominently, for the benefit of its customers, 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 customer 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.

#### **(VII) Nodal Officer/ Principal Nodal Officer**

Since covered under the RBI's Integrated Ombudsman Scheme for Non-Banking Financial Companies, 2021 the Company shall update its client grievance redressal mechanism to include guidelines specified by the RBI Integrated Ombudsman Scheme and appoint Nodal Officer/ Principal Nodal Officer in accordance with directions as provided under the scheme. Same shall be approved by the Company's Board of Directors

#### **(VIII) Regulation of excessive interest charged by NBFCs**

- (a) The Board of the Company shall adopt an interest rate model taking into account 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 customer 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.

#### **(IX) Complaints about excessive interest charged by NBFCs**

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.

**B. 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.**

##### **i. General:**

- a. The FPC in vernacular language shall be displayed by the Company in all its offices including corporate office, regional and branch premises. The same shall be put up on Company's 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 staff 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 staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan I 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 staff behavior and timely grievance redressal shall be made in the loan agreement and also in the FPC displayed in its office/branch premises.
  - g. The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers,
  - h. Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.
  - i. All sanctions and disbursement of loans shall be done only at a central location and more than one individual shall be involved in this function. In addition, there shall be close supervision of the disbursement function,
  - j. Adequate steps shall be taken to 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 Group Loan Application form / 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.
  - 1. All the terms and conditions of the loan,
  - 2. The pricing of the loan has been separately provided in the policy on pricing.
  - 3. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount,
  - 4. No security deposit/margin is being collected from the borrower,
  - 5. The moratorium period between the grant of the loan and the due date of the repayment of the first installment.
  - 6. An assurance that the privacy of borrower data will be respected.
- c. The loan card shall reflect the following details:
  - 1. The effective Rate of Interest (ROI) charged
  - 2. All other terms and conditions attached to the loan
  - 3. Information which adequately identifies the borrower and acknowledgements by the Company of all repayments including installments received and the final discharge.
  - 4. The loan card shall prominently mention the grievance redressal system set up by the Company and also the name and contact number of the nodal officer
  - 5. Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.
  - 6. All entries in the Loan Card shall be in the vernacular language.

## **iii. Non-Coercive Methods of Recovery**

- a. Recovery shall normally be made only at a central designated place. Field staff shall 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.



- b. The Company 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 Company 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 behavior towards borrowers without adopting any abusive or coercive debt collection or recovery practices.
- c. 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 shall also be imposed on cases of non-compliance of field staff with the Code of conduct. Generally, only employees and not outsourced recovery agents shall be used for recovery in sensitive areas.
- d. SCNL has a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available. The details of this mechanism shall be provided to the borrower at the time of loan disbursal.
- e. SCNL will follow below guidelines related to recovery of loans. Recovery will be happened 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). SCNL will not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:
  - Use of threatening or abusive language
  - Persistently calling the borrower and/ or calling the borrower before 9:00 AM and after 6:00 PM
  - Harassing relatives, friends, or co-workers of the borrower
  - Publishing the name of borrowers
  - Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
  - Misleading the borrower about the extent of the debt or the consequences of non- repayment

#### **iv. Customer Protection Initiatives**

- a. The Company shall ensure that greater resources are devoted to professional inputs in the formation of JLG and appropriate training and skill development activities for capacity building and empowerment after formation of the groups.
- b. The Company shall be prudent and responsible in its lending activity besides educating its borrowers on the dangers of wasteful conspicuous consumption.

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

**COO**

**HEAD -OPERATIONAL EXCELLENCE & INNOVATION**