



SATIN Creditcare Network Limited

Document Control

| Document Name | Policy on Fair Practices Code (FPC) |
|---------------------------|---|
| Document Reference Number | 17 |
| Version Number | 6.3 |
| Created by | Pravupada Pandit, Saurabh Mishra |
| Reviewed by | Vikas Umrao |
| Approved by | Anil Kwatra, Dhiraj Jha, Gaurav Kumar Gupta |
| Effective From | 01/04/2025 |

Revision History

| Date | Version | Description (First Release/Revision) | Created By | Reviewed by | Approved by | Board Approval |
|------------|---------|--------------------------------------|-----------------------------|--------------|--|----------------|
| 10/12/2024 | 6.3 | Policy on Fair Practices Code | Pravupada, Saurabh | Vikas Umrao | Anil Kwatra, Dhiraj Jha, Gaurav Gupta | 12/03/2025 |
| 15/02/2024 | 6.2 | Policy on Fair Practices Code | Pravupada, Saurabh, Binayak | Vikas Umrao | Anil Kwatra, Dhiraj Jha | 22/03/2024 |
| 23/03/2023 | 6.1 | Policy on Fair Practices Code | Pravupada, Shalini | Vikas Umrao | Anil Kwatra, Dhiraj Jha | 27/03/2023 |
| 21/03/2022 | 6.0 | Policy on Fair Practices Code | Bhawna, Shalini, Prashant | Divyam Gupta | K Thangaraju, Divakar Jha, Anil Kwatra | 23/03/2022 |

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.

Classification / INTERNAL

Introduction

The Reserve Bank of India (RBI) issued Circular No. RBI/2011-12/470 on 26th March 2012, outlining the Fair Practices Code (FPC) for all Non-Banking Financial Companies (NBFCs) engaged in lending. The FPC document was updated in line with RBI's Master Direction DNBR.PD.008/03.10.119/2016-17 dated 1st September 2016, and further revised as per the 2016 Directions for Systemically Important NBFCs.

In accordance with the latest RBI Circular on the Regulatory Framework for Microfinance Loans (2022), additional guidelines for conduct towards Microfinance Borrowers have been provided. The RBI has also introduced the Scale Based Regulation (SBR) framework in 2023, categorizing NBFCs based on size, activity, and risk profile for a more tailored regulatory approach.

Satin Creditcare Network Ltd (the Company) is committed to adhering to these guidelines. Below are the Fair Practice Codes adopted by Satin Creditcare Network Limited (SCNL):

1. Applications for loans and their processing

- **Loan Application Information:** The loan application form will include all necessary information that affects the borrower's interest. This ensures borrowers can make meaningful comparisons with the terms and conditions offered by other NBFCs and make informed decisions. The form will also specify the documents required to be submitted with the application.
- **Acknowledgement System:** SCNL will implement a system to acknowledge the receipt of all loan applications. The acknowledgement will also indicate the time frame within which the loan applications will be processed.
- **Pricing Disclosure:** SCNL will provide pricing-related information to prospective borrowers in a standardized, simplified factsheet. Any fees to be charged by SCNL and/or its partners/agents will be explicitly disclosed in the factsheet (KFS). The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.

2. Loan Appraisal and Terms/Conditions

- **Communication of Loan Terms:** SCNL will communicate the sanctioned loan amount and its terms and conditions, including the annualized rate of interest and its application method, in writing to the borrower in the vernacular language or a language understood by the borrower. This will be done through a sanction letter or other means, and the borrower's acceptance of these terms and conditions will be recorded.
- **Penal Interest and Penalties:** SCNL does not charge penal interest on delayed payments. Any penalty for delayed payment will be applied only to the overdue amount, not the entire loan amount. This will be communicated to borrowers in bold letters within the loan agreement.
- **Loan Agreement Documentation:** SCNL will provide a copy of the loan agreement, preferably in the vernacular language or a language understood by the borrower, along with all enclosures referenced in the agreement, at the time of loan sanction/disbursement.

3. Disbursement of Loans and Changes in Terms and Conditions

- **Notification of Changes:** SCNL will notify the borrower in the vernacular language or a language the borrower understands of any changes in the terms and conditions, including disbursement schedule, interest rates, service charges, prepayment charges, etc. These

changes will be implemented prospectively, and this condition will be incorporated into the loan agreement. Any decision to recall or accelerate payment or performance under the contract will be in accordance with the terms of the loan agreement.

- **Release of Security:** If SCNL accepts any security for a loan, it will be returned within 30 days after the full repayment of all dues or the settlement of the outstanding loan amount. This is subject to any legitimate right or lien for any other claim SCNL may have against the borrower. If the right of set-off is to be exercised, the borrower will be notified with full details of the remaining claims and the conditions under which SCNL is entitled to retain the securities until the relevant claim is settled or paid. Currently SCNL does not take any collateral/security margin against any loan.

4. General

- **Non-Interference:** SCNL will refrain from interfering in the affairs of the borrower, except for the purposes provided in the terms and conditions of the loan agreement. This includes situations where new information, not previously disclosed by the borrower, comes to our notice.
- **Account Transfer Requests:** Upon receiving a request from the borrower to transfer their account, SCNL will convey its consent or objection within 21 days from the date of receipt of the request. Such transfers will be conducted as per transparent contractual terms in accordance with the law.
- **Responsibility and Accountability:** As a regulated entity, SCNL will be responsible and accountable for the actions, conduct, and behaviour of its employees and those of any outsourced agency. SCNL will ensure timely grievance redressal and that all staff are adequately trained to interact with clients appropriately.
- **Prepayment and Penalties:** To protect customers and ensure uniformity with banks and other NBFCs, SCNL will not charge foreclosure charges or pre-payment penalties on all floating rate term loans sanctioned to individual borrowers. There will be no pre-payment penalty on loans provided by SCNL. Any penalty for delayed payment will be applied only to the overdue amount, not the entire loan amount.

5. Responsibility of the Board of Directors

- **Establishing Grievance Redressal Mechanism:** The Board of Directors of SCNL will establish an effective grievance redressal mechanism within the organization to resolve disputes. This mechanism will ensure that all disputes arising from the decisions of SCNL functionaries are heard and resolved at least at the next higher level.
- **Grievance Redressal Officer:** SCNL will prominently display the name and contact details (telephone/mobile numbers and email address) of the Grievance Redressal Officer at all branches and business locations for client benefit. If a complaint or dispute is not resolved within one month, customers can appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI, with full contact details provided.
- **Principal Nodal Officer/Nodal Officer:** Under the RBI's Integrated Ombudsman Scheme for Non-Banking Financial Companies, 2021, SCNL will appoint a Principal Nodal Officer/Nodal Officer as directed by the scheme, with this appointment approved by the Board of Directors.
- **Periodic Reviews and Reporting:** The board will also conduct periodic reviews of compliance with the Fair Practices Code and the functioning of the grievance redressal

mechanism at various management levels. A consolidated report of these reviews will be submitted to the Board at regular intervals, as prescribed.

6. Regulation of Excessive Interest and Complaints

- **Interest Rate Model:** SCNL will create a board-approved interest rate model based on factors like cost of funds, margin, and risk premium. This model will determine the interest rates for loans. The interest rate and reasons for different rates for various borrowers will be shared in the application form and sanction letter.
- **Transparency in Interest Rates:** The interest rates and reasons for different rates and charges will be available on SCNL's website or in newspapers. This information will be updated whenever there are changes.
- **Annualized Interest Rate:** The interest rate will be annualized so borrowers know the exact rates. Any changes in interest rates or charges will be communicated in advance and will only apply going forward.
- **Fair Interest Rates:** SCNL will not charge excessive rates. Rates will reflect market conditions, cost of funds, and regulatory conditions. The board will set internal rules for determining interest rates, fees, and charges, ensuring transparency.

7. General Fair Practices

- **Display of FPC:** The Fair Practices Code (FPC) will be displayed in local languages at all SCNL offices and on the official website.
- **Commitment to Transparency:** A statement in local languages will be displayed in office premises and loan cards, showing the commitment to transparency and fair lending practices.
- **Staff Training:** Field staff will be trained to check borrowers' income, expenses, and existing debt. Any training for borrowers will be free, ensuring they understand loan procedures.
- **Interest Rate and Grievance Redressal Display:** The effective interest rate and grievance redressal system will be displayed in all offices, literature (in local languages), and on the website.
- **Accountability Declaration:** SCNL will declare its responsibility for preventing inappropriate staff behaviour and ensuring timely grievance redressal in the loan agreement and FPC displayed in offices.
- **KYC Compliance:** The KYC Guidelines of the RBI must be followed. Due diligence will be conducted to assess the repayment capacity of borrowers.
- **Non-Credit Products:** Issuing non-credit products will require borrowers' consent, and the fee structure will be clearly communicated in the loan card.
- **Centralized Loan Disbursement:** All loan approvals and disbursements will be done at a central location with multiple people involved, ensuring close supervision.
- **Efficient Loan Application Process:** SCNL will make sure the loan application process is simple and that disbursements are made on time.

8. Disclosures in Sanction Letter cum Promissory Note/ Loan Card

- **Standard Loan Agreement:** SCNL shall have a board-approved, standard form of loan agreement. The loan agreement shall preferably be in vernacular language.

- **Loan Agreement & Sanction Letter Details:** The loan agreement will include all terms and conditions of the loan, Key Fact Statement (KFS), pricing details as specified in the SCNL pricing policy, and penalty details for delayed payments, which will be applied only to the overdue amount, not the entire loan amount. It will also confirm that no security deposit/margin is collected from the borrower, specify the moratorium period between loan disbursement and the first repayment due date, and assure the privacy of borrower data.
- **Loan Card Details:** The loan card will reflect the effective Rate of Interest (ROI) charged, all terms and conditions attached to the loan, and information identifying the borrower along with acknowledgements of all repayments, including instalments and final discharge. SCNL will prominently mention the grievance redressal system, including the name and contact number of the Principal Nodal Officer. Any non-credit products issued will require the borrower's full consent, and the fee structure will be communicated in the loan card. All entries in the loan card will be in the vernacular language.


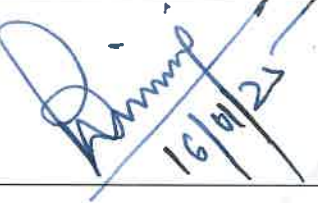

9. Non-Coercive Methods of Recovery

- **Centralized Recovery Process:** Recovery will typically be conducted at a designated central location. Field staff may collect payments at the borrower's residence or workplace only if the borrower fails to appear at the central location on two or more consecutive occasions.
- **Code of Conduct and Training:** The Company will maintain a Board-approved policy regarding the Code of Conduct for field staff, including their recruitment, training, and supervision. Minimum qualifications for field staff will be established, and appropriate training tools will be identified. Training programs will focus on fostering respectful behaviour towards borrowers and avoiding any abusive or coercive debt collection practices.
- **Staff Compensation and Penalties:** Staff compensation will prioritize service quality and borrower satisfaction over the number of loans mobilized and recovery rates. Penalties will be imposed for non-compliance with the Code of Conduct. Generally, only employees, not outsourced recovery agents, will be used for recovery in sensitive areas.
- **Support for Borrowers Facing Difficulties:** SCNL has a mechanism to identify borrowers facing repayment difficulties, engage with them, and provide necessary guidance on available recourse. Details of this mechanism will be provided to borrowers at the time of loan disbursal.
- **Guidelines for Loan Recovery:** Recovery will occur at a centrally designated place mutually agreed upon with borrowers and the Recovery Executive (RE). If the borrower fails to appear at the central location on two or more successive occasions, recovery can be conducted at their doorstep. SCNL will not engage in harsh recovery methods. The following practices are considered harsh and are prohibited:
 - a) Use of threatening or abusive language & Publishing the names of borrowers
 - b) Persistent calling of the borrower, or calling before 9:00 AM and after 6:00 PM
 - c) Harassing the borrower's relatives, friends, or co-workers
 - d) Using or threatening to use violence or other means to harm the borrower or their family/assets/reputation
 - e) Misleading the borrower about the extent of the debt or the consequences of non-repayment

10. Customer Protection Initiatives

- **Formation and Empowerment of JLGs:** SCNL 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 the formation of the groups.
- **Responsible Lending and Borrower Education:** SCNL will lend money responsibly and educate borrowers about the risks of unnecessary spending, encouraging them to make wise financial decisions.

Any deviation from the aforementioned policy will result in stringent disciplinary measures against the involved staff members.

| Approval Authorities Details & Signature | | |
|---|---|---|
| Anil Kwatra | Dhiraj Jha | Gaurav Gupta |
| Chief Business Officer | Chief Risk Officer | Head- Process & Policy |
|  16/01/25 |  16/01/25 |  16/01/25 |

End***