

Vivardhana Microfinance Ltd.

Fair Practices Code - Ver 3.0

Introduction

Vivardhana Microfinance Ltd is extending Microfinance loans since March 2018. In this connection it has been following work practices that are fair and consistent. In the interests of ensuring that these practices become a permanent part of the organizational culture and are well ingrained in the staff of VMFL, they were formally documented as VMFL's Fair Practices Code. This policy document was approved by the Board in June 2018. This policy is being periodically reviewed and also being modified in the light of the feedback received from the Reserve Bank of India.

Scope

This document describes the comprehensive fair business practices that will be adopted by VMFL in all its lending operations and other dealings with the customers. It includes the following guidelines:

1. Reserve Bank of India circular No. RBI/2014-15/34.DNBS(PD)CC No.388/03.10.042/2014-15 dated July 1, 2014 (updated on October 30, 2014) regarding Fair Practice Code (FPC) to be adopted by all NBFCs while doing lending business.
2. Updated "Code of Conduct for the Microfinance Industry" circulated by Sa Dhan in Oct 2022.
3. Reserve Bank of India's Regulatory Framework for Microfinance Loans issued in July 2022.

Review

This policy will be reviewed once a year or as and when necessitated by changes in Business/ Regulatory environment. Based on the review suitable modifications will be made to the policy.

Accordingly, this policy is being reviewed and amended from time to time as per the details given below:

Date	Version	Description of Changes
18 Jun 2018	1.0	Initial Version of Fair Practices Code.
17 Nov 2018	1.1	Board Approved Version of Fair Practices Code.
05 Mar 2020	2.0	Previous Version reviewed and staff details updated.
29 Dec 2023	3.0	Policy revised based on the updated "Code of Conduct for the Microfinance Industry" circulated by Sa Dhan in Oct 2022.

Applicability

This policy is applicable to all VMFL customers and employees (full-time, part-time and contract) as well as to the vendors who may provide any lending related services to VMFL. Contents of this policy will, therefore, have to be made known to all employees, customers, borrowers and vendors currently providing services to VMFL.

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Goals of Fair Practices Code

VMFL will use the Fair Practices Code (FPC) to achieve the following goals:

1. Ensure all customers are treated equally without any discrimination based on their religion, caste, sex, colour, financial or social characteristics;
2. Ensure no loan is granted in the name of a fictitious or benami person; and
3. Ensure transparency in loan approval, disbursement and recovery operations.

Application for loans and their processing

VMFL is currently operating in Tamilnadu and Puducherry states. All its customers are conversant with Tamil language only. Hence all communications (including SMS messages) to the customers will be in Tamil.

Subsequently as and when VMFL expands its operations to other neighbouring states, it will use the local language of the respective states to communicate with the customers in those states.

VMFL's loan application form will include information that will enable customers to make a meaningful comparison of the terms and conditions with those offered by other NBFCs and take an informed decision. The loan application form will also indicate the documents required to be submitted with the application form.

VMFL will strive to issue an acknowledgement for all the loan applications accepted from customers. The acknowledgement will also indicate the time frame within which the application would be disposed of. VMFL will, subject to availability of lendable resources, strive to appraise and approve all eligible applications within a period of 21 working days.

Loan appraisal and terms/conditions

VMFL shall adhere to the following principles while appraising and approving loan applications:

1. VMFL shall not discriminate against loan applicants on grounds like religion, caste, gender, marital status, sexual orientation, etc.
2. Requested loan amount should be more than Rs. 5,000 and less than Rs100,000.
3. Annual income of the loan applicant's family should not exceed Rd. 3,00,000.
4. Neither the applicant nor any of his/ her family members should have any delinquency as per the report (not more than a week old) from a CRIF High Mark or any other Credit Information Bureau.
5. Loan applicant's monthly repayment commitment should not exceed 50% of the total household income including the proposed loan. Also, the total monthly repayment commitment should not exceed Rs 12,500.
6. Copies of documents proving the identity and address of the loan applicant and the respective proposed nominee should be obtained and verified.

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7. Video Verification of the loan applicant should be done before disbursement of the loan.

VMFL maintains in its database the mobile numbers of all accepted customers. As and when a customer's application for a loan is approved, an SMS Alert (in the local language of the area) will be sent to the customer on the registered mobile number. The alert will indicate the sanctioned loan amount, applicable interest rate, the number of repayment installments, the frequency of the installments, the installment amount and the expected disbursement date. All these data elements will also be printed in the Loan Card that will be issued to each customer after the loan amount is disbursed.

This alert will also enable the customer to withdraw his/ her loan application before loan disbursement, if he/ she so desires.

VMFL as on date does not charge any penalty/ penal interest for any delayed installment payment. However, VMFL has the right to levy such charges to the extent permitted by RBI after due notice to all existing clients. Also, VMFL does not levy any pre-payment penalty/ charges, if the customer chooses to pre-close the loan or accelerate the repayment.

Disbursement of loans including changes in terms and conditions

The loan application form will show the interest rate charged by VMFL for its loans, the number of expected repayment installments, the frequency of the installments and the indicative installment amount. In addition, the customer specific data will be sent through an SMS alert, as indicated above.

Any change in these parameters will be enforced by VMFL only prospectively. In all such cases, VMFL will send an intimation to the customer by a suitable communication medium (like SMS, Letter, Public Notice, etc.) at least one month before the date on which the changes take effect.

Repayment schedules intimated to the customer will not be normally changed by VMFL. Only in exceptional circumstances (like natural calamities, government notifications, etc.) or based on the customer's written request for justified reasons, the repayment schedule may be changed prospectively.

Grievance Redressal

VMFL believes in providing all its customers transparent fair just and ethical services to its customers. Hence, VMFL would like all its customers to bring to the notice of the Management any shortfall in the services provided by VMFL and/ or any complaint/ grievance they may have about its services. In keeping with this expectation, VMFL has an approved Grievance Redressal Policy. This policy provides for the following four-level structured Grievance Redressal Mechanism:

Level 1 – Field Unit Level

A customer of VMFL may contact the Field Officer of the location concerned. If the customer's grievance is not addressed by the Field Manager within, then the customer may contact VMFL's Customer Help Desk at the mobile number displayed in the Centre Minutes Register.

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(OR)

A customer can also drop the complaint letter in the complaint box kept at the (physical) branch, where established. The key of the complaint box will be with the Internal Auditor.

Internal Auditor will open the box during his/ her branch visit and inform Corporate Office details of any complaint letter found in the complaint register. The complaint will be recorded in the "Suggestions/ Complaint Register" maintained at the Corporate Office.

Level 2 – VMFL’s Customer Help Desk

If the customer feels that the VMFL has not addressed his/ her complaint satisfactorily, he/ she may get in touch with VMFL’s Help Desk Officer at Corporate Office, Mr. Karan V K through the Customer Care no. 8610294462.

Level 3 – VMFL’s Customer Redressal Officer

If the member is not satisfied with the response received from VMFL’s Customer Helpdesk or if he/ she does not receive a response within 3 working days, then the customer may call or write to VMFL’s Customer Redressal Officer, namely **HR & Admin Officer**, who can be reached at the Phone Number 044-24621742.

Customer may also lodge the complaint with Sa Dhan, the Microfinance Institutions’ Self-Regulatory Organization, at their Phone Number 011-47174400.

Level 4 - RBI - General Manager (DNBS)

If the complaint is not redressed by VMFL within a period of one month, customer may appeal to:

The General Manager
Dept, of Non-Banking Supervision (DNBS)
Reserve Bank of India
3rd Floor RBI Building
Opp. Mumbai Railway Station
Byculla, Mumbai - 400008

VMFL’s Board of Directors will periodically review of the compliance of the Fair Practices Code and the functioning of the grievance’s redressal mechanism at various levels of management. For this purpose, a consolidated review report will be submitted to the Board by MD & CEO at half-yearly intervals.

VMFL will also disseminate the following information in all the communication media used by it to contact the customers, both at the Head Office and at the branches:

(a) Name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the customers 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, Fort Glacis, Rajaji Salai, Chennai 60001.

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General

VMFL will not interfere in the affairs of any customer except for the purposes that may be provided in the terms and conditions of the loan or when any adverse information, not disclosed earlier by the customer, comes to light.

In case of receipt of a request from a customer for transfer of the loan account, VMFL's consent or otherwise (i.e. objection, if any), will be conveyed within 21 working days from the date of receipt of request. Such a transfer will be as per the contractual terms and will be in consonance with extant law.

In the matter of recovery of loans, VMFL will not resort to undue harassment (viz. persistently bothering the borrowers at odd hours, using muscle power for recovery of loans etc.). Also, VMFL's staff will be regularly sensitized to deal with the customers in an appropriate manner.

A copy of the Fair Practices Code in Tamil will be displayed at VMFL's office and branch premises. As and when VMFL extends its operations to other states, it will be displayed in the applicable local languages of those states at the respective branches.

Details of interest rates charged by VMFL and others charges (like insurance premium, processing fees, etc.) as well as the Grievance Redressal mechanism set up VMFL will be displayed at the branch offices in the local language.

VMFL's commitment to transparency and fair lending practices will be also included in the loan cards issued to its customers.

Field staff will be counselled and trained to make necessary discrete enquiries with regard to existing debt of the customers.

Any training provided by VMFL to the customers will be free of cost. Field staff and other officials will be suitably trained to offer such trainings aimed at making the customers fully aware of the systems and procedures related to loan / other products,

The effective rate of interest charged and the grievance redressal system set up by VMFL will be prominently displayed in all its offices and in the literature issued by it (in vernacular language) and on its website,

This Fair Practices Code will not in any way dilute VMFL's commitment to and compliance with RBI's KYC Guidelines. All loan sanctions will thus be in keeping with the KYC regulations.

At VMFL all loan sanctions and disbursements will be done only at its Head Office in Chennai. While the customer registration activity will be done by the field staff, the loan creation in the system will be done by an exclusive team of loan assistants at Head Office. The approval and disbursement activities will be done only by one or more authorized Credit Officers at the Head Office. Reconciliation of the bank accounts (from which disbursements are made) will be performed by the Accounts Department.

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Regulation of Interest Rates

VMFL's policy on determining the interest rates applicable to various loan products is defined in its Loan Policy. VMFL will at all times determine applicable interest rates purely based on cost of funds, risk premium and regulatory restrictions/ stipulations. VMFL will always calculate and apply interest on all loan accounts only based on the reducing balances method.

VMFL does not charge differential interest rates among its customers. VMFL as on date does not charge any penalty/ penal interest for any delayed installment payment. However, VMFL has the right to levy such charges to the extent permitted by RBI after due notice to all the existing clients. Also, VMFL does not levy any pre-payment penalty/ charges, if the customer chooses to pre-close the loan or accelerate the repayment.

The rates of interest charged by VMFL for its loan products will be printed on the Loan Cards issued to all customers. Details of the annualized interest rates applied on the loan accounts and other charges (insurance premium, processing charges, etc.) will also be displayed on VMFL's website.

Disclosures in loan agreement / loan card

VMFL will use a Board approved standard form of loan agreement in the vernacular language of the place where it will be used. This document will include the following details:

1. All the terms and conditions of the loan,
2. Pricing of the loan which includes only the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof),
3. No penalty charged on delayed payment,
4. No Security Deposit / Margin is being collected from the borrower,
5. That the borrower cannot be a member of more than one JLG,
6. Moratorium period between the grant of the loan and the due date of the repayment of the first instalment and
7. Assurance that the privacy of borrower data will be respected.

For all loan repayments, SMS Alerts in local language advising the receipt of the amounts will be sent to the respective customers on their registered mobile numbers. In addition, the loan card issued by VMFL to its customers in the local language will show the following details:

1. Effective rate of interest charged,
2. Other terms and conditions attached to the loan,
3. Customer's name and the loan account number,
4. Record of all repayments (including date of payment and amount) and
5. Name and contact number of the nodal officer as well as the grievance redressal system set up by VMFL.

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Non-Coercive Methods of Recovery

VMFL's field staff will normally recover instalment payments only at the central meeting place of each loan group on the appointed meeting date. If a customer does appear at the meeting place on two or more consecutive occasions, then the assigned field staff will be allowed to make the recovery at the place of residence or work of the customer.

VMFL has put in place a Board approved HR policy detailing the staff recruitment process including the required qualifications, screening procedures and their training. The reporting structure for the staff is also defined in the policy and in place. The staff evaluation and staff incentives schemes have been put in place and they are focused on the quality of their performance.

VMFL will not outsource any of its loan related activities. Such activities will be done only by VMFL's own staff.

Employee Engagement and Training

VMFL shall recruit any employee only after proper background verification and after production of a proper relieving letter from his/ her previous employer, if any.

VMFL shall ensure that every employee inducted into the company is sensitized on the following principles:

1. Treat all customers fairly without any discrimination.
2. Treat customers with dignity and respect.
3. Maintain professional conduct and integrity.
4. Not indulging in any unlawful and anti-social activities.
5. Respect the privacy of customers and maintain confidentiality of customer-related information.
6. Need to follow VMFL's work practices and report deviations to the Management.

VMFL will encourage its employees to complete Sa Dhan approved online certification programs on Microfinance Lending.

Internal Control

VMFL has a designated Operations Manager, who will monitor the loans from the Head Office. He will follow up with the field staff the installments due and ensure that they are recovered in time. The field staff will be provided in advance with the complete recovery list for the next 30 days.

Operations Manager will visit each of the branches and meet with the customers at least once in a quarter. These visits will be supplemented by additional field audits by other Head Office staff as and when directed by the Managing Director. After these audits, the assigned staff will submit a formal report highlighting their observations and any deviations noticed. These reports will be consolidated and placed to the Board.