

FAIR PRACTICES CODE OF S V CREDITLINE PRIVATE LIMITED

S V Creditline Private Limited (SVCL) has the main objective of uplifting households out of poverty by supporting them in income- generation activities through financial intermediation and to provide financial assistance to poor households across India, so as to significantly improve their living standard. Our endeavor is to build a sustainable microfinance model that not only delivers high standards of service and value to our customers but is also rewarding to all our stakeholders.

PREAMBLE

The Fair Practices Code of SVCL aims at providing its members an overview of practices, which will be followed by SVCL in regard to the financial services being provided. SVCL's main emphasis is to provide a fair and reliable service to its members while lending and collection of dues. The organization's fair practice code is based on the principle of being aware of the sensitive condition of the member and respecting their dignity while adopting a sensible approach towards recovery of dues.

OBJECTIVE OF THE CODE

This code had been developed to:

1. Promote reliable system in dealing with the loan applicants by setting up a standard of fair practice.
2. Enhance transparency so as to enable loan applicants to have better understating of what they can reasonably expect of the services.
3. Encourage market forces, through competition so as to achieve qualitative operating standards.
4. Ensure and sustain a fair and cordial relationship between the loan applicants and SVCL.

COMMITMENTS AND DECLARATIONS

A. We shall act efficiently, fairly and diligently in our dealings with all out loan applicants by :

1. Meeting the commitments and standards in this Fair Practices Code for the financial products and services, we offer, and the procedures and practices our employees follow.
2. Ensuring that all the financial services meet relevant Laws and Regulations.
3. Providing professional, courteous and speedy services.
4. Providing accurate and timely disclosure of terms and conditions, costs, rights and liabilities as regards financial transactions.
5. Being accountable and taking appropriate steps for preventing inappropriate staff behavior and providing for appropriate grievance redressal system.
6. Ensuring that loan application is not cumbersome and loan disbursements are done as per predetermined time structure.
7. Ensuring that the Company is transparent and adopts fair lending practices in dealing with them.

B. We shall help the loan applicant understand how our financial products and services work by :

1. Providing verbal information about our financial schemes in Hindi and other local languages.
2. Ensuring that our advertising and promotional literature is clear and self explanatory.
3. Explaining financial implications of the transactions.

"FAIR PRACTICE CODE"

SVCL commits to implement and adopt fair practice in all its activities and transactions with its members while providing microfinance services as per the guidelines issued by Reserve Bank of India from time to time.

Methodology of extending credit

- Meeting of members; Training of the Group 3 days which shall include providing information of the Company to the members, educating members about KYC norms, verifying the details of the members and completion of the baseline data form;
- Submission of Application form for loan;
- Group recognition test;
- Centre meetings;
- Loan approval and Disbursement;
- Loan Repayments;
- Loan monitoring.

I. Applications for Loans and their Processing

- A. Any member who is desirous of availing loan facilities from SVCL shall attend the compulsory group training program conducted by Field Officer or designated staffs who has been authorised by the Company.
- B. The members also have to qualify Group recognition test organized by the company through the Branch Manager or designated staffs who has been authorized by the company.
- C. The primary data should be collected from the member along with know your Customer details in the baseline data form issued by the company.
- D. The member shall submit the Loan Application form as issued by the company which shall include necessary information, affecting the interest of the member, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken the member.
- E. The Loan application form and the sanction letter/loan agreement issued to the customer shall disclose the rate of interest to be charged from the member along with the rationale for charging different rate of interest if any from different borrowers and the same shall also be made available on the web site of the Company.
- F. The rates on Interest charged by the Company and the approach for gradation of risks shall also be made available on the web site of the Company.
- G. The Loan application form shall also indicate the documents required to be submitted with the form.
- H. If any additional information/documents are required from the member, the same shall be immediately informed to the member.
- I. The Company would give acknowledgement for receipt of all loan applications.
- J. A loan application form shall be disposed off within 15 working days of the receipt of the application.
- K. All communications to the borrower shall be in vernacular language or language as understood by the borrower.

II. Loan Appraisal and Terms/Conditions

The Company shall convey in writing or otherwise to the member 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 other applicable charges in a transparent manner and method of application thereof. The Company shall keep the acceptance of these terms and conditions by the member on its record. The Company does not charge any penal interest for late repayment and the same is mentioned in the loan agreement.

The Company shall furnish a copy of the loan agreement as understood by the borrower along with a copy each of all 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 staff of SVCL should verify the loan application along with all the securities, sureties and approvals, which is applicable as per applicable policy of the Company.

B. The Company should complete the following documentation which ever applicable at the time of disbursement of loan:

- . Demand Promissory note,
- . Surety or guarantee,
- . Group Acceptance,
- . The acceptance of the terms and conditions by the member, rate of interest, processing charges if any and repayments terms,
- . Documentation for security or surety/ guarantee,
- . The acceptance letter.

C. The Company shall give notice to the member/borrower in the vernacular language or a 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 and a suitable condition in this regard shall be incorporated in the loan agreement.

D. Decision to recall/ acceptance payment or performance under the agreement shall be in consonance with the loan agreement.

E. The Company will keep all the documents in the safe custody in the respective premises by the authorised persons.

IV. Release of Security

The Company shall release all securities 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 the member.

If such right of set off is to be exercised, the member 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.

V. General

- a. The Company shall refrain from interference in the affairs of the members for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the member, has come to the notice of the Company)
- b. The policy in respect of transfer of borrowed account is not applicable as SVCL is engaged in the business of providing microfinance services.
- c. Maintain decency and decorum during visits to house of the member for recovery of dues and avoid any conduct suggesting threat or violence.
- d. The Company do not charge any foreclosure charges/pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

VI. Grievance Redressal Mechanism

SVCL has laid the appropriate grievance redressal mechanism within the organization to resolve the disputes arising in this regard. All grievances will be addressed to Customer Services Manager assigned by the Company. The Board of Directors will periodically review the compliances of fair practice code and functioning of grievance redressal mechanism at various levels of management to ensure that all disputes arising out of the decisions of lending institutions functionaries are heard and disposed of at least at the next higher level. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.

Grievance Redressal Officer

The Company shall display the following information prominently, for the benefit of our customers, at their branches / places where business is transacted:

(a) 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.

(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, under whose jurisdiction the registered office of the NBFC falls and the complete details of the said Officer-in-charge will be available at all the branches.

VII. Regulation of Excessive Interest

- (a) SVCL's Board shall frame internal principles and procedures to determine the rate of interest, processing fees and other charges to be charged for loans and advances by taking into account relevant factors such as cost of funds, margin and risk premium.
- (b) 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.
- (c) The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the companies or published in the relevant newspapers. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest.
- (d) The rate of interest should be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

VIII. OTHERS

A. General

- i. This FPC shall be displayed by SVCL in its office and branch premises in vernacular language,
- ii. A statement articulating their commitment to transparency and fair lending practices shall be made in vernacular language and displayed in their premises and in loan cards.
- iii. Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers. 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 / other products,
- iv. The effective rate of interest charged and the grievance redressal system set up by SVCL should be prominently displayed in all our offices, on our website and in the literature issued by us in vernacular language,
- v. A declaration shall be made that SVCL will be accountable for preventing inappropriate staff behaviour and timely grievance redressal shall be made in the loan agreement and also in the FPC displayed in our office/branch premises.
- vi. The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers.

- vii. As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, all sanctions and disbursement of loans should be done only at a central location and more than one individual should be involved in this function. In addition, there should be close supervision of the disbursement function.
- viii. Adequate steps may 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.

B. Disclosures in loan agreement / loan card

- a) SVCL 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:
 - i. all the terms and conditions of the loan,
 - ii. 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),
 - iii. that there will be no penalty charged on delayed payment,
 - iv. that no Security Deposit / Margin is being collected from the borrower,
 - v. that the borrower cannot be a member of more than one SHG / JLG,
 - vi. the moratorium period between the grant of the loan and the due date of the repayment of the first installment(as guided by the NBFC-MFIs(Reserve Bank) Directions, 2011),
 - vii. an assurance that the privacy of borrower data will be respected.
- c) The loan card should reflect the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011:
 - i. the effective rate of interest charged,
 - ii. all other terms and conditions attached to the loan,
 - iii. information which adequately identifies the borrower and acknowledgements by the NBFC-MFI of all repayments including installments received and the final discharge,
 - iv. The loan card should prominently mention the grievance redressal system set up by the MFI and also the name and contact number of the nodal officer,
 - v. Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself,
 - vi. All entries in the Loan Card should be in the vernacular language.

IX. Non-Coercive Methods of Recovery

Recovery shall 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 two or more successive occasions.

SVCL 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 Code should 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 / recovery practices. Compensation methods for staff should have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties may also be imposed in cases of non-compliance by field staff with the Code of conduct. Generally only employees and not out sourced recovery agents be used for recovery in sensitive areas.

X. Internal Control System

There shall be necessary organizational arrangements to assign responsibility for compliance to designated individuals within the company and establish systems of internal control including audit and periodic inspection to ensure the same.

XI. Clarification regarding repossession of vehicles financed by NBFCs

The same shall not be applicable to the company as the company is not into the business of financing of Vehicles.

XII. Lending against collateral of gold Jewellery

The same shall not be applicable to the company as the Company is not into the business of Lending against collateral of gold jewellery.

Declaration:

SVCL will be accountable for preventing inappropriate staff behaviour and timely grievance redressal shall be made in the loan agreement and also in the FPC displayed in our office/branch premises.

In case the borrower is not satisfied with the decision of the Grievance Redressal Officer of the Company, he /she may approach the Officer in Charge of the Regional Office of the Department of Non Banking Supervision of RBI at the address given below:

Department of Non Banking Supervision Reserve Bank of India.

Delhi Regional Office

Parliament Street,

New Delhi- 110001

Tel: 011-23318759

Email: dnbsnewdelhiPrbi.org.in

Grievances, if any, in connection with this code shall be addressed to Mr. Rakesh Dubey, Chief Executive Officer (CEO), S V Creditline Private Limited, at 815, 8th Floor, Hemkunt Chamber, 89, Nehru Place, New Delhi-110019, India, by letter or by email to grievance@svcl.in.