

FAIR PRACTICE CODE.

Fino Finance Pvt. Ltd. (FFPL) falls under the category of **NBFC-MFI** as per the RBI directives and commits itself for implementing and adopting fair practices in all its activities and transactions with the stakeholders. The Company has adopted a code of conduct to promote good and fair practices by setting minimum standards in dealing with the borrowers and increasing transparency so that the borrowers have a better understanding of the services provided. The Company commits itself for implementing and adopting these fair practices in all its activities and transactions with its members while functioning as an **NBFC-MFI**.

METHODOLOGY OF EXTENDING MICROFINANCE LOANS TO JOINT LIABILITY GROUPS

The methodology of loan delivery is initiated by motivation/Projection meeting organized in the villages where women are briefed on the loan disbursements and procedures. Women are then asked to form groups of 5 to 10 members of their choice and 2 to 5 such groups form a Center. The concerned credit Officer will collect the ID proof and address proof, and the required data is sent to Credit Bureau for generating credit reports of applicants. Applicants are passed and rejected basis Credit policy which defines limits of indebtedness and number of active MFIs/ loans, among other parameters. For applicants that pass the Credit check, CGT (Continuous Group Training) will be conducted for 3 days to provide adequate information to borrowers on loan procedures, products, policies, insurance etc. Once the CGT is complete, Group Recognition test (GRT) is conducted by the Branch Manager. The members undertake the responsibility of other members repaying the loans. After successful GRT loan sanctioning is done centrally. After sanctioning of loans, the sanctioned loan amount is transferred in the bank account of the branch to which the borrower belongs. The branch manager informs the centre about loan disbursement date and the disbursement is done at the branch. The company is implementing cashless disbursements where loan amount is disbursed directly into the customer's bank account. The centre meets weekly/ fortnightly/ monthly in their villages at a convenient place and time pre-decided by all the members of the groups. The field staff of the Company (Credit officer) facilitates the loan utilization, repayments and credit discipline of the groups. At the field level, the Branch manager, Area manager and other supervisors make surprise visits to the centers/villages and verify the operations with the borrowers. The borrowers have access to a central helpline to highlight their issues/grievances; this direct Head Office phone number is printed on each passbook.

FAIR PRACTICES CODE FOR ALL LENDING ACTIVITIES

Loan Proposal and their Processing

- FFPL conducts eKYC on-boarding of all its loan customers, and also mandatorily collects Voter ID cards as KYC. Once eKYC validation is received for the customer, the details are checked with a Credit Bureau before further processing. The entire loan application process along with data entry is completed on a digital platform.
- Once the loan application is sourced in completion by the Field Officer, the assigned Branch Manager verifies the loan application along with all the sureties and approvals, applicable as per the policies of the Company. The BM checks on the quality of data filled by the Field Officer. The digital application used for customer on boarding ensures that the following information is filled completely:
 - Date of application
 - Borrower identification particulars
 - Loan amount and product details
 - Applicable interest rate
 - Term of the loan
 - Repayment particulars
 - Income details
 - Purpose of the Loan
- All communications by FFPL to the borrower is done in the vernacular language.
- Loan application forms provided by FFPL includes the necessary information which affects the interest of the borrower, so that borrowers can make an informed decision on taking the loan from FFPL. Borrower is mandated to submit the following documents along with the application to obtain the loan from the Company.
 - KYC document as prescribed by the RBI (for both ID Proof & Address Proof)
 - Address proof
- Once the onboarding process is completed or the application is rejected by FFPL, FFPL gives a printed acknowledgement receipt to the applicants.

Loan Appraisal and Terms & Conditions

- Once a loan is approved, the Field Staff conveys to the borrower in the vernacular language the following information :
 - The amount of loan sanctioned
 - The terms and conditions of the loan
 - Annualized rate of interest
 - Method of application of the annualized rate of interest
 - Processing Fees
 - Insurance Fees

Disbursement Procedure of loans

- At the time of disbursement, FFPL completes the following documentation:
 - Demand promissory note
 - Mutual Guarantee Form and loan Agreement
 - The acceptance of the terms and conditions by the borrower, rate of interest, processing charges, repayment terms and all other terms and conditions if any.
- FFPL keeps the acceptance of these terms and conditions by the borrower on its record/safe custody by the authorized persons.
- FFPL provides a copy of the loan agreement containing all the terms and conditions attached to the loan in the vernacular language to all the borrowers at the time of disbursement of loans.
- All disbursements of loans is done only at FFPL's branch offices and more than one individual is required to be should be present at the time of loan disbursement.
- Loan passbook is provided to every borrower for each loan. The loan passbook contains the repayment schedule, effective interest rate and processing charges and Insurance premium details etc.
- FFPL does not charge any penalty on delayed payments and the same has been mentioned in the Loan agreement in vernacular language.
- FFPL will inform the borrowers in the vernacular language of any change in the terms and conditions including disbursement schedule, interest rates etc. The Company will also ensure that changes in interest rates and charges are affected only prospectively.

Security/ Collateral

FFPL does not take any security or collateral from microfinance borrowers. The borrowers in a group mutually agree to guarantee each others loans.

General

- FFPL will not interfere 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, has come to the notice of the Company.
- FFPL will not resort to undue harassment i.e. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.
- FFPL will ensure that its staff is adequately trained to deal with the borrowers in an appropriate manner without resorting to rude behavior.

Grievance Redressal Mechanism

- FFPL has adopted a Grievance Redressal Mechanism. In case any of FFPL's staff is involved in any kind of misbehavior, disciplinary action against such staff shall be taken immediately.
- For all the borrower related grievances, borrowers can make phone calls between 10.00am

to 6.00pm on all working days to the grievance phone number at Head Office. At the time of making calls the borrowers have to provide the information of their borrower ID and branch name. In case the borrower has not been provided loan but has submitted the loan application, they can quote the loan application number mentioned on the acknowledgement slip of loan application form.

- All the branches have a suggestion and complaint register where the borrowers can register their grievances.
- All the borrowers have access to the higher level staff (i.e. Branch Manager, Area Manager & above) to highlight and discuss their issues/grievances if any.
- FFPL is accountable for preventing inappropriate staff behavior and timely grievance redressal.

Review of the Compliance of the Fair Practices Code

- The CEO/COO of FFPL reviews the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism from time to time.
- A report on the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism is placed before the Board of Directors of FFPL once in a quarter.
- The Board of Directors of FFPL reviews the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management once in quarter.

Measures/ Regulations against Charging of Excessive Interest

- Board of Directors of FFPL lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.
- FFPL obeys the guidelines with regard to transparency of terms & conditions of the loan as mentioned in the Fair Practices Code of the Company.
- FFPL adopts a interest rate model with Board approval by taking into account the relevant factors such as Cost of Funds, Margins, and Risk Premiums etc.
- Charging different rates of interest for different product shall be disclosed in the loan application form and loan sanction letter to the Borrower.

Privacy of Borrower Information

- FFPL keeps personal borrower information strictly confidential.
- FFPL discloses borrower information to a third party only under the following conditions:
 - Borrower has been informed about such disclosure and permission has been obtained in writing.
 - The party in question has been authorized by the borrower to obtain borrower information from the Company.
 - It is legally required to do so.
 - This practice is customary amongst financial institutions and

available for a close group on reciprocal basis (such as a credit bureau).

In addition to the general principles as above, as FFPL belongs to the category of NBFC-MFI it adopts the following fair practices that are specific to its lending business and regulatory framework.

General Practices

- The Fair Practices Code in vernacular language is displayed by the Company in its office and branch premises.
- A statement made in vernacular language is displayed in FFPL's branch offices and in loan cards articulating our commitment to transparency and fair lending practices.
- FFPL conducts mandatory and structured training for its Field staff to enable them to convey all necessary loan information to the borrowers and also to be able to make necessary enquiries with regard to existing debt of the borrowers.
- FFPL conducts Compulsory Group Training (CGT) for all borrowers to inform them of loan products, process, and all terms and conditions. All such trainings are done free of cost.
- The effective rate of interest charged and the grievance redressal system set up by FFPL are prominently displayed in all branch offices in the respective vernacular language and on its website.
- A declaration that FFPL is accountable for preventing inappropriate staff behavior and timely grievance redressal is made in the loan agreement and also in the Fair Practice Code displayed in its branch premises.
- FFPL shall comply with the KYC Guidelines of RBI and due diligence shall be carried out to ensure the repayment capacity of the borrowers.
- All disbursement of loans is done only at FFPL's branch office and the Branch Manager does close supervision of the disbursement function.
- FFPL does not collect any security on any loan provided under the microfinance activity.

Disclosures in loan agreement / loan card

- FFPL has a Board approved, standard form of loan agreement which is in vernacular language.
- The loan agreement of FFPL discloses the following details:
 - All the terms and conditions of the loan
 - Pricing of the loan which involves only three components i.e., the interest charge, the processing charge and the insurance premium.
 - No penalty is charged on delayed payment
 - No pre-payment charges will be collected.
 - No Security Deposit / Collateral will be collected from the borrower
 - The borrower cannot be a member of more than one SHG / JLG
 - Moratorium between the grant of the loan and the due date of the

repayment of the first installment will not be less than number of days between two consecutive repayments

- An assurance that the privacy of borrower data will be respected.
- The Loan Card provided by FFPL reflects the following details:
 - The effective rate of interest charged
 - All other terms and conditions attached to the loan
 - Information which adequately identifies the borrower
 - Acknowledgements by the Company of all repayments including installments received and the final discharge.
 - The loan card will prominently mention the grievance redressal hotline number of the Company and also the name and contact number of the nodal officer of Grievance Redressal cell.
 - Declaration that all products other than the primary JLG loan and the attached credit-life insurance are non-mandatory
 - The loan card should be in vernacular language except for numerals mentioned on the card.

Avoiding Over-indebtedness

- FFPL conducts proper due diligence to assess the need and repayment capacity of borrower before making a loan and only make loans commensurate with the borrower's ability to repay.
- FFPL does not give loan to a borrower who is a member of more than one SHG/JLG.
- FFPL does not breach the total debt limit for any borrower, as prescribed by the RBI.

Non-Coercive Methods of Recovery

- Collections shall be done in the common place where the borrowers can feel free for paying their installments.
- Staff members of FFPL will not visit borrowers at odd hours for loan recovery. Loan recoveries are not made in the field before 06.00 am in the morning and after 07.00pm in the evening.
- FFPL staff are trained and follows borrower protection guidelines adopted by FFPL.
- FFPL makes recovery at the place of residence or work of the borrower only if the borrower fails to appear at the centrally designated place on 2 or more successive occasions.
- FFPL does not use any persons other than its own staff for collection of repayments from the borrowers.
- FFPL staff updates the loan passbook after collecting the repayments and the staff also issues a receipt to the borrower as evidence for repayment.

FFPL has adopted a Board approved policy with regard to the Code of Conduct by field staff and systems for their recruitment, training and supervision.

Internal control system

FFPL has a dedicated internal audit team and conducts audit in all branches/ service outlets in a periodic manner. The audit findings are reviewed by the senior management and used as reference to make policy, process revisions. A dedicated resource is assigned to monitor compliance issues and closure/ compliance to audit findings. Compliance to Fair Practice Codes is reviewed by the senior management on a periodic basis.