

SARVODAYA NANO FINANCE LIMITED

Fair Practices Code (FPC) and the mechanism of Grievance Redressal

1. Introduction:

The Reserve Bank vide its master circular no. RBI/DoR/2023-24/106, DoR FIN.REC.NO.45/03.10.119/2023-24 dated October 19, 2023 issued guidelines on Fair Practices Code (FPC) for all NBFCs, covering inter alia the general principles on adequate disclosures on the terms and conditions of a loan, adopting a non-coercive recovery method. Based on this, Sarvodaya Nano Finance Limited (SNFL) formulated this Policy known as Fair Practices Code (FPC).

2. Objectives:

Loan products of SNFL will be available to all qualified applicants without discrimination on the basis of race, caste, color, religion, marital status or handicap. All Customers shall be treated consistently and fairly. Employees will offer assistance, encouragement and service in a fair, equitable, transparent and consistent manner. The FPC shall apply to all categories of products, all categories of services, all aspects of operations of the Company including marketing, loan origination, processing, and servicing and collection activities.

1. Application for loans and their processing

- Loan application forms should be in vernacular language furnishing necessary information which affects the interest of the borrower.
- The loan application form shall indicate the documents required to be submitted with the application form.
- As the loans are for shorter duration, to avoid furnishing the same information repeatedly 'Borrower Profile' giving detailed information should be compiled.
- The borrower should also be given an ID card.
- A copy of borrower profile and ID card should be attached to the loan application so that all the details can be easily accessed and the borrowers are not harassed for information.

2. Loan Appraisal and Terms / Conditions

- The borrowers should be conveyed in writing by means of passbook, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof, processing fee, any other charges and repayment schedule.
- The company would furnish a copy of the loan agreement preferably in the vernacular language, if executed, 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. The Company shall comply with the instructions contained in the circular on "Key Facts Statement (KFS) for Loans & Advances.

3. Disbursement of loans including changes in terms and conditions

- The Company would give notice to the borrower in the vernacular language of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company would also ensure that changes in interest rates and charges are effected only prospectively.
- Decision to recall/accelerate payment or performance under the agreement would be in consonance with the loan agreement.
- NOC to be issued on recovery of all dues.

4. Recovery

- In the matter of recovery of loans, the Company would not resort to undue harassment viz. persistently bothering the borrowers at odd hours, or at inappropriate occasions like death and sickness, use of muscle power for recovery of loans, etc.
- The company would ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

5. General

In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the Company, if any, would 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.

In addition to the general principles as above, the company will adopt the following fair practices.

- a) The FPC in vernacular language will be displayed by in office, SMBTs and branch premises.
- b) A statement shall be made in vernacular language and displayed in our premises articulating our commitment to transparency and fair lending practices.
- c) Field staff shall be trained to make necessary enquiries with regard to 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/other products.
- e) The effective rate of interest charged and the grievance redressal system set up by the company would be prominently displayed in all our offices and in the literature issued by us (in vernacular language) and on our website.
- f) A declaration that we will be accountable for preventing inappropriate staff behaviour and timely grievance redressal shall be made in the FPC displayed in our office/branch and SMBT premises.

- g) The KYC Guidelines of RBI will be complied with. Due diligence will be carried out to ensure the repayment capacity of the borrowers
- h) All sanctioning and disbursement of loans will be done only at a central location and more than one individual will be involved in this function. In addition, there will be close supervision of the disbursement function.
- i) Adequate steps will 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.

Disclosures in passbook

- j) The company will have standard form of passbook in vernacular language.
- k) In the passbook the following shall be disclosed
- l) 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) if any.
- m) that there will be a penalty charged on delayed payment,
- n) the moratorium between the grant of the loan and the due date of the repayment of the first installment
- o) The passbook should reflect the following details
- p) the effective rate of interest charged
- q) all-important terms and conditions attached to the loan
- r) information which adequately identifies the borrower and
- s) Acknowledgements of all repayments including installments received and the final discharge.
- t) the passbook would prominently mention the grievance redressal system set up by the Company and also the name and contact number of the nodal officer
- u) Non-credit products issued will be with full consent of the borrowers and fee structure will be communicated in the passbook itself.
- v) All entries in the passbook would be in the vernacular language.

w) Non-Coercive Methods of Recovery

Recovery would 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.

x) Internal control system:

The primary responsibility for compliance with the RBI guidelines will be with Executive Director cum CFO. The internal audit function would also ensure compliance.

y) Interest Rate

While the interest rates charged by the Company would differ depending on the product, tenure and repayment schedule, the basic interest rate would be decided taking into account the cost of funds, cost of operations, provision for bad loans and the margin of profit. The cost of funds depends not only on the

interest rate charged by banks (13% to 14%) but also on the processing fee payable and the deposits to be kept as margin. While RBI has stipulated a cap on the rate charged by NBFCs, there is no such ceiling on the rates charged by the banks to NBFC. The nature of financial activities requires frequent interaction with borrowers. With the recent substantial hike in bus fare in the State, cost of traveling has almost doubled. Due to various developments in the sector and recent RBI directives on provisioning, the amount of provisions will also increase. Taking all these factors into account, an interest rate of 22% to 24% on reducing balance method appears to be unavoidable without even considering declaration of dividend.

z) Grievances Redressal:

Master Direction – RBI (NBFC Scale based Regulation) Directions, 2003 (DoR. FIN.REC.No.45/03.10.119/2023-24(dt.19.10.2003 updated as on 10.11.2023 mandate the Board of the Company to lay down an appropriate grievance redressal mechanism within the Company and to review its functioning periodically. RBI has notified on 12.11.2021, The Reserve Bank of India – Integrated Ombudsman Scheme, 2021 and Master Direction- Reserve Bank of India (Integrated Ombudsman for Regulated Entities) Directions dt.29.12.2023 to address Customer Grievances.

If the borrowers at a Branch / SMBTs have any grievances about the delay in sanction and disbursement of loans, levy of charges, non-issue of receipts and improper demands and behavior of the staff at the Branch/ SMBTs, they may submit complaints in writing to the Zonal Executive. If they do not get a reply within 15 days or the reply is not satisfactory, or the complaint is against the Zonal Executive they may write to the Manager Credit who is the Nodal Customer Care Officer

(a) The Manager (Credit) should ensure that the grievances, if genuine, are immediately attended to and proper communication also is sent to the complainants, after making suitable enquiries with the Zonal Executive and the Staff concerned. He should submit a monthly report on grievances redressed and pending to the Executive Director cum CFO.

(b) The customer can make his complaint through any of the following modes:

(c) Website

- Email: nodalofficer@sarvodayanano.in
- Customer Walk-in at Branch
- Direct Number: 044 2813 1880
- Toll Free No. **1800 5699 770**

In case, the complaint is not redressed within a period of one month from the date of lodgment of complaint, the customer may appeal to the

The Officer -in-Charge,
Dept. of Non-Banking Supervision (DNBS),
Reserve Bank of India, Fort Glacis,
16, Rajaji Salai, Chennai – 600001
Tel: 044-2539922 Fax No: 25393797

Email ID: <https://cms.rbi.org.in>

- All the complaints received from RBI and other authorities with regard to this shall be forwarded to the Nodal Customer Care Officer for resolution.
- The Nodal Customer Care Officer shall appraise the Board of Directors/ Audit/ Risk Management Committee on quarterly basis with the status of complaints.
- The Nodal Customer Care Officer of the Company shall be such officer as may be decided by the Board of Directors of the Company from time to time.

Reporting

The Zonal Executive should submit a report as at the end of every quarter regarding the grievances received and redressed and pending to the Manager (Credit). A half-yearly report as on 30th September and 31st March should be submitted to the Board regarding compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism.