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IIFL SAMASTA FINANCE LIMITED

# FAIR PRACTICE CODE

**IIFL SAMASTA FINANCE LIMITED**

**ADDRESS: 110/3, LAL BAGH MAIN RD,**

**KRISHNAAPPA LAYOUT, BENGALURU, KARNATAKA 560027**

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Fair Practices Code (FPC)

For IIFL Samasta Finance Limited  
(Erstwhile, Samasta Microfinance Ltd)  
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Authorized Signatory

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## Introduction

This Fair Practices Code (FPC) of IIFL Samasta Finance Limited (ISFL) is as per the Guidelines issued by the RBI on 14<sup>th</sup> March 2022 and has been updated based on the RBI circular from time to time. The FPC of the Company has been reviewed and approved by the Board of Directors on 6<sup>th</sup> April 2022.

## Guidelines

### Applications for loans and their processing:

- All communications to the borrower will be in the vernacular language or a language as understood by the borrower.
- Loan application forms will include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other financial institutions can be made and informed decision can be taken by the borrower. The loan application form indicates the details / documents required to be submitted with the application form.
- ISFL gives acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of is also indicated in the acknowledgement.
- ISFL will inform all charges applicable to the borrower either through sanction letter or loan card or through loan agreement.
- Penal interest if applicable will be mentioned in bold either in sanction letter or loan card or loan agreement.

### Loan appraisal and terms/conditions:

ISFL will furnish a copy of the loan agreement in the vernacular language along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of disbursement of loan.

### Disbursement of loans including changes in terms and conditions:

- ISFL will give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. ISFL will ensure that changes in

interest rates and charges are affected only prospectively. A suitable condition in this regard is incorporated in the loan agreement.

- Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.
- ISFL will 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 ISFL may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which ISFL is entitled to retain the securities till the relevant claim is settled / paid.

### **General:**

- ISFL will refrain from interference 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 ISFL)
- In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of ISFL, if any, will 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 the matter of recovery of loans, ISFL will not resort to undue harassment viz. persistently bothering the borrowers, relatives, friends or co-workers of borrower at odd hours (before 9:00 a.m. and after 6:00 p.m), use of muscle power for recovery of loans etc. ISFL will ensure that the staff are adequately trained to deal with the customers in an appropriate manner;
- ISFL will refrain from using or threat or violence or other similar means to harm the borrower or borrower's family/ assets/ reputation or publish name of the borrower
- ISFL employees will not mislead the borrower about the extent of the debt or the consequences of non-repayment
- The Board of Directors of ISFL have laid down the appropriate Grievance Redressal Mechanism within the organization to resolve disputes arising in this regard. The Grievance Redressal Mechanism has been set up to ensure that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level. The Board of Directors will also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the Grievances Redressal Mechanism at various

levels of management. A consolidated report of such reviews will be submitted to the Board at regular intervals, as may be prescribed by it.

- At the operational level, ISFL will display the following information prominently, for the benefit of the customers, at our branches/places where business is transacted:
- 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.
- 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 ISFL falls, which is as under:

**Officer-In-charge**

**DNBS Department**

**Reserve Bank of India,**

10/3/8, Nrupathunga Road,

Post Bag No.5467,

Bangalore-560 001

Phone: 2275020.Fax: 2210185

- The Fair Practices Code will be in the vernacular language as understood by the borrower and will be put in place with the approval of the Board.
- The board of ISFL has laid out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans have also been kept in view.

**Regulation of excessive interest charged by NBFCs:**

- The Board of ISFL will adopt an interest rate model considering relevant factors such as cost of funds, margin and risk premium etc and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers will be disclosed to the borrower or customer in the application form/Loan card/Sanction letter/loan Agreement.

- The rates of interest and the approach for gradation of risks will be made available on the website of IIFL Samasta Finance Ltd. The information published in the website will be updated whenever there is a change in the rates of interest.
- The rate of interest is annualized rates so that the borrower is aware of the exact rates that would be charged to the account.
- ISFL will charge interest on the loan amount only from the actual date of disbursement of funds to the customer and only for the period for which loan is outstanding.
- For disbursement through cheque interest will be charged from the date of cheque handover to the customer not from date of cheque issue.
- ISFL will not collect any advance loan instalment from the loan amount at the time of disbursement.

## **NBFC-MFIs:**

### **General:**

- The FPC in vernacular language will be displayed by IIFL Samasta Finance Ltd in its office and branch premises.
- ISFL is committed to transparency and fair practices lending to its borrowers. ISFL will make a statement to this effect in the vernacular language and display the same in all its branches and also print it in all borrower loan cards/Sanction letter/Loan Agreement.
- ISFL's field staffs are trained to make necessary enquiries with regard to existing debt of the borrowers.
- All training offered by ISFL to its borrowers will be free of cost. All field staff are trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products.
- ISFL displays the effective interest rate it charges in all its offices and in the literature issued by it in vernacular language. The Grievance Redressal System of ISFL will also be prominently displayed in all its offices.
- IIFL Samasta finance Ltd shall be accountable for preventing inappropriate behavior by its employees or employees of the outsourced agency, if any and shall provide timely grievance redressal, shall be made in the loan agreement and also in the FPC displayed in its office/ branch premises/ website.

- ISFL ensures that the KYC guidelines of RBI are complied with. Due diligence of each borrower will be carried out to ensure the repayment capacity of borrowers.
- As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, 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.
- ISFL will ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.

#### **Disclosures in loan agreement/loan card:**

- ISFL has a standard form of loan agreement. The loan agreement will be in the vernacular language.
- In the loan agreement the following details will be disclosed:
  - All terms and conditions of the loan.
  - Simplified Key Fact sheet (KFS) on pricing of the loan
  - If there is penalty charges on delayed Overdue payment and same will be disclosed in Loan agreement.
  - For all Microfinance loan there will be no Security Deposit / Margin
  - The moratorium between the grant of the loan and the due date of the repayment of the first instalment as applicable.
  - An assurance that the privacy of borrower data will be respected.

#### **The loan cards**

Loan card shall reflect the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions:

- The effective rate of interest charged.
- ISFL will provide the all-pricing related information in the simplified factsheet as per the direction of RBI through circular date 14 March, 2022
- All other terms and conditions attached to the loan.
- Information which adequately identifies the borrower and acknowledgements by ISFL of all repayments including instalments received and the final discharge.



- The loan card will prominently mention the Grievance Redressal System set up by ISFL and also the name and contact number of the nodal officer.
- Non-credit products issued will be with full consent of the borrowers and fee structure will be communicated in the loan card.
- All entries in the Loan Card will be in the vernacular language.

### **Non-Coercive Methods of Recovery:**

As specified in the NBFC-MFIs (Reserve Bank) Directions, recovery will normally be made only at a central designated place. Field staff will 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.

ISFL has a Board approved policy in place regarding Code of Conduct by field staff and systems for their recruitment, training, and supervision. The Code will 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 will include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices. Compensation methods for staff will have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties will also be imposed on cases of non-compliance of field staff with the Code of conduct. ISFL will use only employees for recovery in sensitive areas.

### **Engagement of Recovery Agents:**

- ISFL shall have a due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals involved in the recovery process. ISFL shall ensure that the recovery agents engaged by them carry out verification of the antecedents of their employees, which shall include police verification. It shall also decide the periodicity at which re-verification of antecedents shall be resorted to.
- ISFL will ensure that there will be no persistent bothering of the borrowers, relatives, friends, or co-workers of borrower at odd hours (before 9:00 a.m. and after 6:00 p.m).

- To ensure due notice and appropriate authorization, ISFL shall provide the details of recovery agents to the borrower while initiating the process of recovery. The agent shall also carry a copy of the notice and the authorization letter from the organization along with the identity card issued to him by the organization or the agency. Further, where the recovery agency is changed by ISFL during the recovery process, in addition to ISFL notifying the borrower of the change, the new agent shall carry the notice and the authorization letter along with his identity card.
- The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and ISFL
- The up-to-date details of the recovery agencies engaged by ISFL a shall also be hosted on the ISFL's website.

#### **Internal Control System:**

The responsibility of compliance to the FPC is assigned to the Audit Manager of the Company. ISFL has an internal audit department which does periodic audit of all aspects of the operations to check on the compliance of the FPC and will submit the report on the compliance of FPC to the board atleast on a half-yearly basis.

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