

FAIR PRACTICE CODE

VIRUTCHAM MICROFINANCE LIMITED

A. (i) Applications for loans and their processing

(a) All communications to the borrower will be in Tamil

(b) Loan application forms will contain all necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form will indicate the documents required to be submitted with the application form.

(c) Acknowledgement for receipt of all loan applications will be given. The loan applications should be disposed of as early as possible depending on the availability of funds.

(ii) Loan appraisal and terms/conditions

The Company will convey in writing to the borrower in Tamil by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and keeps the acceptance of these terms and conditions by the borrower on record.

The Company does not collect penal interest for late repayment of loan instalment due.

It will furnish a copy of the loan agreement in Tamil along with a copy each of all enclosures quoted in the loan agreement to the group leader at the time of sanction / disbursement of loans.

iii) Disbursement of loans including changes in terms and conditions

(a) Notice will be given to the borrower in Tamil of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. Changes in interest rates and charges will be effected only prospectively. A suitable condition in this regard will be incorporated in the loan agreement.

(b) Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.

(c) All securities will be released on repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim we may have against borrower. If such right of set off is to be exercised, the borrower will be given notice about the same with full particulars about the remaining claims and the conditions under which we are entitled to retain the securities till the relevant claim is settled / paid.

(iv) General

(a) The company 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 lender).

(b) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise, if any, will be conveyed within 21 days from the date of receipt of request. Such transfer will be as per transparent contractual terms in consonance with law.

(c) In the matter of recovery of loans, the company will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loan etc., Adequate training is provided by the Company to staff, so as to ensure enhanced customer relationship.

(v) The Board of Directors has laid down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. All disputes arising out of the decisions of officials of the company will be heard and disposed off at the next higher level. The Board of Directors will review 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.

(vi) The company shall display the following information at all their branches / places, the business is transacted;

- The Customers can contact **Grievance Redressal Officer** for resolution of complaints against the Company. The Details of the **Grievance Redressal Officer** are as below;

Name : Mr. M R ARULRAJA
Telephone/Mobile No : +91 95669 52002
Mail ID : arulraja@virutcham.org

- If the complaint / dispute are 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**. The Details as follow;

Name & Contact Details : Mr. A MADAVAN

General Manager,

Department of Non-Banking Financial Companies

Reserve Bank of India,

Fort Glacis, Rajaji Salai, Chennai - 600 001

(vi) Fair Practices Code in Tamil based on the guidelines outlined hereinabove will be put in place by us.

This code will be put up in our web-site. The Board of Directors will lay down 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 will be kept in view.

(vii) Regulation of excessive interest charged by NBFCs

(a) The Board of Directors will adopt an interest rate model taking into account factors such as, cost of funds, margin and risk premium, prevailing market rate, interest cap fixed by RBI etc and determine the rate of interest to be charged for loans and advances.

(b) The rates of interest and the approach for gradation of risks will also be made available on the web-site of the company. The information published in the website will be updated whenever there is a change in the rates of interest.

(c) The rate of interest will be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

B. NBFC-MFIs:

i. General:

a. The Fair Practice Code in Tamil will be displayed in the Head Office and branch premises.

b. A statement will be made in Tamil and displayed in our premises and in loan cards articulating our commitment to transparency and fair lending practices,

c. Field staff will be trained to make necessary enquiries with regard to existing debt of the borrowers,

d. The training officer at Head office will conduct training programmes to group leaders free of cost. Field staff will be trained to offer such training in due course 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 will 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 the company will be accountable for preventing inappropriate staff behavior and timely grievance redressal will be made in the loan agreement and also in the FPC displayed in our office/branch 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. 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. The Branch Manager should be physically present at the place where loan is disbursed.

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.

ii. Disclosures in loan agreement / loan card

a. The company is having a standard form of loan agreement which is approved by the Board. The loan agreement will be in Tamil or language as of understood by borrower.

b. In the loan agreement the following will 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 ,
- vi.** The moratorium between the grant of the loan and the due date of the repayment of the first instalment is strictly implemented (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 will 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
- iv. Acknowledgements by us of all repayments including instalments received and the final discharge.
- v. The loan card will prominently mention the grievance redressal system set up by the company and also the name and contact number of the nodal officer
- vi. Non-credit products issued shall be with full consent of the borrowers and fee structure will be communicated in the loan card itself.
- vii. All entries in the Loan Card will be in Tamil.

iii. Non-Coercive Methods of Recovery

Recovery will normally be made only at a central designated place or at the branch office. 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. The company will have a policy with regard to 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 will 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. Penalties will also be imposed on cases of non-compliance of field staff with the Code of conduct. Only employees and not out sourced recovery agents will be used for recovery in sensitive areas.

iv. Internal control system:

The system of internal control and internal audit as prescribed in the Operation Manual are followed meticulously by the branch officials and Internal Audit Team at Head Office.