



BELSTAR MICROFINANCE LIMITED

FAIR PRACTICES CODE

Policy Certification	
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Owned by	CGRM Department
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1. Introduction-Belstar Microfinance Limited (hereinafter referred as “Company”/ “BML”) provides scalable microfinance services to micro entrepreneurs to enable their financial inclusion. The Company is a NBFC- MFI registered with Reserve Bank of India (RBI). This Fair Practices Code (FPC) of BML is as per the Guidelines issued by the RBI. The FPC of the Company has been reviewed as per the Master Direction of RBI/DoR.FIN.REC.No45/03.10.119/2023-24 dt19.10.2023 (updated as on 21.03.2024); RBI notification vide DOR.STR.REC.13/13.03.00/2024-25 dt15.04.2024 on Key Facts Statement (KFS) for loans and advances; the Reserve Bank-Integrated Ombudsman Scheme, dt12.11.2021 and Appointment of Internal Ombudsman by NBFCs dt29.12.2023.

2. 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;
- The 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 NBFC’s can be made and informed decision can be taken by the borrower. The loan application form indicates the documents required to be submitted with the application form;
- BML shall give acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of is also indicated in the acknowledgement.

3. Loan appraisal and terms/conditions

BML shall convey in writing to the borrower 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 method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record.

BML 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.

4. Penal charges in loan accounts

- BML shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions. The quantum and reason for penal charges shall be clearly disclosed by BML to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) (in vernacular language in format prescribed by RBI in their notification dt15.04.2024) as, in addition to being displayed on websites of BML under Interest rates and Service Charges. Penal charges shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

5. Disbursement of loans including changes in terms and conditions

- In terms of RBI directions vide RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 dt 12.11.2021 on Prudential Norms on IRACP, BML will specify the exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. in the loan agreement.
- BML 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/repayment schedule, interest rates, service charges, prepayment charges etc. BML will ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.
- BML will release all securities 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 BML may have against a 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 BML is entitled to retain the securities till the relevant claim is settled / paid.

6. General

- BML 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 BML).
- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of BML, 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, BML will not resort to undue harassment viz. viz. (i) Use of threatening or abusive language, (ii) persistently calling the borrowers before 9 am and after 6 pm, (iii) Harassing relatives, friends, or co-workers of the borrower, (iv) Publishing the name of borrowers, (v) Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation, (vi) Misleading the borrower about the extent of the debt or the consequences of non-repayment. BML will ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and NBFCs, BML shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).

7. Responsibility of Board of Directors

The Board of Directors of BML 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 quarterly intervals.

8. Grievance Redressal

At the operational level, BML 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 Principal Nodal Officer who can be approached by the public for resolution of complaints against the Company;
- If the complaint / dispute is not redressed by BML within a period of one month, the customer may complain in any language to RBI through any one of the following methods under the RBI-Integrated Ombudsman Scheme:

- (i) Online: Through RBI's CMS portal (<https://cms.rbi.org.in>)
- (ii) Email at: crpc@rbi.org.in or Call to RBI Toll Free No : 14448.
- (iii) Physical complaint (letter/post) in the RBI prescribed format to: Centralised Receipt and Processing Centre (CRPC), 4th Floor, Reserve Bank of India, Sector 17, Central Vista, Chandigarh – 160017.

8.1 RBI's Integrated Ombudsman Scheme, 2021

Since BML is covered under The Reserve Bank-Integrated Ombudsman Schemes, 2021, (briefly stated in Annexure-1) it shall appoint Principal Nodal Officer at HO / Nodal Officers at field level to assist the Principal Nodal Officer to implement this scheme. On receipt of a complaint from RBI, CRPC, BML will file its written version in reply to the averments in the complaint enclosing therewith copies of the documents relied upon, within 15 days before the Ombudsman for resolution. For the benefit of its customers, BML shall display prominently in English, Hindi and the regional language in all its offices/ branches, the name and contact details (Telephone/mobile number and E-mail ID) of the Principal Nodal Officer along with the details of the complaint lodging portal of the RBI, Ombudsman (<https://cms.rbi.org.in>). BML shall also ensure that a copy of the Scheme is available in all its branches to be provided to the customer for reference upon request. The salient features of the Scheme along with the copy of the Scheme and the contact details of the Principal Nodal Officer shall be displayed and updated on the website of BML.

8.2 Appointment of Internal Ombudsman

BML has crossed the asset size of Rs5000 cr. in Sept 2022 and has appointed an Internal Ombudsman in compliance with RBI's directions vide RBI/2021-2022/126 dt15.11.2021 and adheres to the corresponding guidelines.

9. Language and mode of communicating Fair Practice Code

Fair Practices Code will be in the vernacular language as understood by the borrower. BML shall display the Board approved Fair Practices Code in all places having a customer interface. This Board approved FPC may enhance the scope of the relevant RBI guidelines but in no way sacrifice the spirit underlying these guidelines. The same shall be put up on website of BML, for the information of various stakeholders.

10. Regulation of excessive interest charged.

- Keeping in mind the periodic directives of RBI regarding charging of interest on loan products, the Board of BML shall adopt an interest rate model considering relevant factors such as cost of funds, margin and risk premium 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 shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- The rates of interest and the approach for gradation of risks shall also be made available on the website of the company ([www. Belstar.in](http://www.Belstar.in)) and shall be updated whenever there is a change in the rates of interest.
- The rate of interest must be an annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- Though interest rates are not regulated by the Reserve Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. This should be kept in mind while deciding interest rates charged to borrowers. Moreover, interest will be charged from the date of actual disbursement of the loan to the borrower.
- The Board of BML shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard the RBI guidelines in the Fair Practices Code about transparency in respect of terms and conditions of the loans will be kept in view.

11. NBFC-MFIs:

In addition to the general principles on FPC as provided in RBI's periodic Directions, BML shall adopt the following fair practices that are specific to them:

I. General:

- a) The FPC in vernacular language will be displayed by BML in its office and branch premises.
- b) BML is committed to transparency and fair practices lending to its borrowers. BML will make a statement to this effect in the vernacular language and display the same in all its branch premises and also print it in all borrower loan cards.
- c) BML's field staffs are trained to make necessary enquiries about existing debt of the borrowers.
- d) All training offered by BML 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 procedures and systems related to loan / other products.
- e) BML 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 BML and The Reserve Bank- Integrated Ombudsman Scheme, 2021 will also be prominently displayed in all its offices.
- f) BML will be accountable for preventing inappropriate staff behaviour and timely Grievance Redressal of the borrower. The above declaration is also made in the loan agreement given to the borrower.
- g) BML ensures that the KYC guidelines of RBI and complied with. Due diligence of each borrower will be carried out to ensure the repayment capacity of 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) BML will 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) BML has a board approved standard form of loan agreement. The loan agreement will be in the vernacular language.
- b) In the loan agreement the following are disclosed:
 - All the terms and conditions of the loan.

- The exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. will be specified in the loan agreement. Borrowers will be given notices in the vernacular language of any change in the terms and conditions including disbursement / repayment schedule, interest rates, service charges, prepayment charges etc.
 - 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)
 - That there will be no penalty charged on delayed payment.
 - That no Security Deposit / Margin is being collected from the borrower
 - That the borrower cannot be a member of more than one SHG / JLG
 - The moratorium between the grant of the loan and the due date of the repayment of the first instalment
 - An assurance that the privacy of borrower data will be respected.
- c) The loan card reflects the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011 and amendments thereto.
- -The simplified factsheet on pricing.
 - all other terms and conditions attached to the loan.
 - information which adequately identifies the borrower and acknowledgements by BML of all repayments including instalments received and the final discharge.
 - The loan card will prominently mention the Grievance Redressal System set up by BML and the name, contact number and email id of the Principal Nodal Officer.
 - Non-credit products issued will be with full consent of the borrowers and fee structure will be communicated in the loan card itself.
 - All entries in the Loan Card will be in the vernacular language.
 - The loan card will display whether the loan is under Qualifying Asset or not.

III. Non-Coercive Methods of Recovery

- ❖ Recovery will normally be made only at a central designated place. But BML as a policy of recovering at Branch level directly from the customers. 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/ BML's branch on 2 or more successive occasions.
- ❖ BML has a Board approved policy in place about 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 behaviour towards borrowers without adopting any abusive or coercive debt collection / recovery practices, The Reserve Bank- Integrated Ombudsman Scheme, 2021 and BML's customer grievance redressal mechanism. 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 noncompliance of field staff with the Code of conduct. BML will use only employees for recovery in sensitive areas.

IV. Internal control system

The responsibility of compliance to the FPC is assigned to the Internal Audit Head of the Company. BML has an internal audit department which does periodic audit of all aspects of the operations to check on the compliance of the FPC.

12. **Review**- This policy will be reviewed by the Board annually.

Annexure-1

The Reserve Bank- Integrated Ombudsman Scheme, 2021

The Reserve Bank of India (RBI) has launched/notified on November 12, 2021 "The Reserve Bank – Integrated Ombudsman Scheme, 2021" for resolving customer grievances in an expeditious and cost-effective manner, in relation to services provided by entities regulated by Reserve Bank of India. The Scheme is available on the RBI website <http://www.rbi.org.in>. All Regulated Entities (REs) including Banks or Non-Banking Financial Companies (NBFCs) or a System Participants are advised to ensure that a suitable mechanism exists for receiving and addressing complaints from their customers with specific emphasis on resolving such complaints expeditiously and in a fair manner. Any customer aggrieved by an act or omission of a Regulated Entity resulting in deficiency in service may file a complaint under the Scheme personally or through an authorised representative other than an Advocate, unless the Advocate is the aggrieved person, provided that the complaint was rejected wholly or partly by the Regulated Entity, and the complainant is not satisfied with the reply; or the complainant had not received any reply within 30 days after the RE received the complaint. The complaint can be made to the Ombudsman within one year after the complainant has received the

reply from the RE to the complainant or, where no reply is received, within one year and 30 days from the date of the complaint. The complaint may be made on line through the portal <http://cms.org.rbi.in> or in the prescribed format through email at: crpc@rbi.org.in or by post to RBI, Centralised Receipt and Processing Centre, 4th Floor, Reserve Bank of India, Sector 17, Central Vista, Chandigarh – 160017.

- (1) The Regulated Entity to which the Scheme is applicable shall facilitate the smooth conduct of the Scheme by ensuring meticulous adherence to the requirements under the Scheme, failing which, the Reserve Bank may take such action as it may deem fit.
- (2) The Regulated Entity shall appoint a Principal Nodal Officer at their head office who shall not be a rank less than a General Manager or an officer of equivalent rank and shall be responsible for representing the Regulated Entity and furnishing information on behalf of the Regulated Entity in respect of complaints filed against the Regulated Entity. The Regulated Entity may appoint such other Nodal Officers to assist the Principal Nodal Officer as it may deem fit for operational efficiency.
- (3) The Regulated Entity shall display prominently for the benefit of their customers at their branches/places where the business is transacted, the name and contact details (Telephone/mobile number and E-mail ID) of the Principal Nodal Officer along with the details of the complaint lodging portal of the Ombudsman (<https://cms.rbi.org.in>).
- (4) The Regulated Entity to which the Scheme is applicable shall ensure that the salient features of the Scheme are displayed prominently in English, Hindi and the regional language in all its offices, branches and places where the business is transacted in such a manner that a person visiting the office or branch has adequate information on the Scheme.
- (5) The Regulated Entity shall ensure that a copy of the Scheme is available in all its branches to be provided to the customer for reference upon request.
- (6) The salient features of the Scheme along with the copy of the Scheme and the contact details of the Principal Nodal Officer shall be displayed and updated on the website of the Regulated Entity.
