



BELSTAR MICROFINANCE LIMITED

FAIR PRACTICES CODE

@Reviewed by The Board of Directors on April 29, 2021

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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 DNBR. PD. 008/03.10.119/2016-17 date September 01,2016 and further amended from time to time.

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;
- 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 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.

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. Disbursement of loans including changes in terms and conditions

- 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 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 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.

5. 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. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. 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).

6. 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 regular intervals, as may be prescribed by it.

7. Grievance Redressal Office

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 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 the BML falls, which is as under:

**General Manager
Department of Supervision,
Reserve Bank of India, Regional Office,
Bakery Junction, Thiruvananthapuram-695033
Tel-0471-2320612 / 2337188
Email- helptrivandrum@rbi.org.in**

- Since BML is covered under the Ombudsman Scheme for Non-Banking Financial Companies, 2018 it shall appoint Nodal Officer/ Principal Nodal Officer in accordance with directions as provided under Annex IX of RBI's Master Directions which is reproduced as Annexure -1 & Appendix-A to this policy.

8. 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 customer interface. This Board approved FPC may enhance the scope of the relevant RBI directions but in no way sacrifice the spirit underlying these directions. The same shall be put up on website of BML, for the information of various stakeholders

9. Regulation of excessive interest charged

- 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 web-site of the company (www. Belstar.in) and shall be updated whenever there is a change in the rates of interest.
- The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- 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 directions in the Fair Practices Code about transparency in respect of terms and conditions of the loans will be kept in view.

10. NBFC-MFIs:

In addition to the general principles on FPC as provided in Chapter VI of these 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 with regard to 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 procedure 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 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 and every 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.
 - 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
 - the effective rate of interest charged;
 - 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 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 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 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. 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.

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

Annexure-1

Ombudsman Scheme for Non-Banking Financial Companies, 2018 - Appointment of the Nodal Officer/Principal Nodal Officer

The Reserve Bank of India (RBI) has brought into operation on February 23, 2018, the Ombudsman Scheme for Non-Banking Financial Companies, 2018 (The Scheme). The Scheme is available on the RBI website <http://www.rbi.org.in>. The Non-Banking Financial Companies (NBFCs) that are covered under the Scheme (covered NBFCs) 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.

2. In this connection attention is invited to para 15.3 of the Scheme in terms of which

(i) The NBFCs covered by the Scheme shall appoint Nodal Officers (NOs) at their Head/Registered/Regional/Zonal Offices and inform all the Offices of the Ombudsman about the same. (ii) The NOs so appointed shall be responsible for representing the company and furnishing information to the Ombudsman in respect of complaints filed against the NBFC.

(iii) Wherever more than one zone/region of a NBFC is falling within the jurisdiction of an Ombudsman, one of the NOs shall be designated as the 'Principal Nodal Officer' (PNO) for such zones or regions.

3. The PNO/NO shall be responsible, inter alia, for representing the covered NBFC before the Ombudsman and the Appellate Authority under the Scheme. The PNO/NO appointed at the Head Office of the NBFC shall be responsible for coordinating and liaising with the Customer Education and Protection Department (CEPD), RBI, Central Office. Covered NBFCs are at liberty to appoint the Grievance Redressal Officer (GRO) identified by the respective NBFCs in terms of extant guidelines on Grievance Redressal Mechanism, applicable to them, as the PNO or NO, provided that the officer concerned is sufficiently senior in the organisation. Where there is more than one Nodal Officer for a zone, the PNO shall be responsible for representing the company and furnishing information to the Ombudsman in respect of complaints filed against the NBFC.166

4. With a view to strengthening the Grievances Redressal System and enhancing its effectiveness, the NBFCs shall take necessary steps as outlined above. Further, the name and details of the PNO/NO at the Head Office may be forwarded to the Chief General Manager, Consumer Education and Protection Department, Reserve Bank of India, Central Office, 1st Floor, Amar Building, Sir P.M. Road, Mumbai 400 001 (email). The names and contact details of PNOs/NOs of the zones may be forwarded to the RBI Ombudsman of the concerned zone.

Display of Information

5. Covered NBFCs shall display prominently, for the benefit of their customers, at their branches/ places where business is transacted, the name and contact details (Telephone/ Mobile numbers as also email

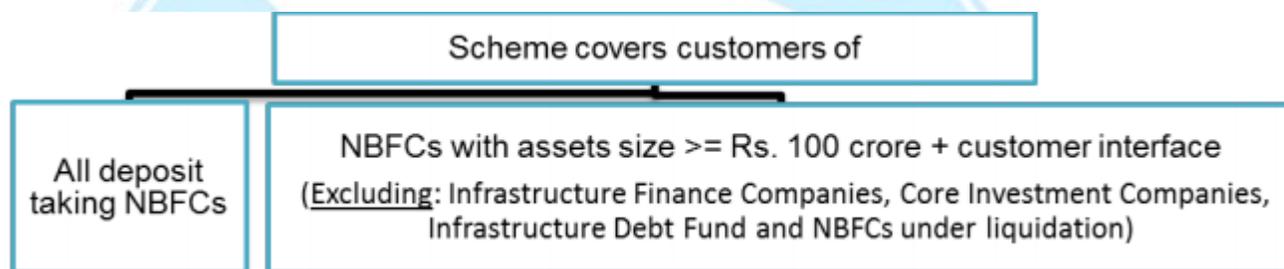
addresses) of the PNOs/NOs/GROs and the name and contact details of the Ombudsman, who can be approached by the customer.

6. Covered NBFCs shall prominently display the salient features of the Scheme (in English, Hindi and Vernacular language) at all their offices and branches in such a manner that a person visiting the office or branch has easy access to the information. A template for the salient features of the Scheme to be displayed is enclosed for reference.(Appendix A)

7. All the above details along with a copy of the Scheme should also be prominently displayed on the web-site of covered NBFCs.

Appendix A

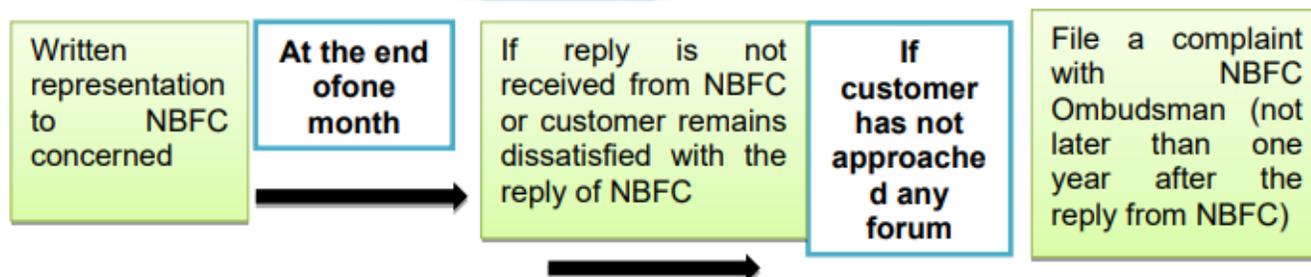
Ombudsman Scheme for Non-Banking Financial Companies, 2018 : Salient Features



Grounds for filing a complaint by a customer:

- Interest/Deposit not paid OR paid with delay
- Cheque not presented OR done with delay
- Not conveyed the amount of loan sanctioned, terms & conditions, annualised rate of interest, etc.
- Notice not provided for changes in agreement, levy of charges
- Failure to ensure transparency in contract/loan agreement
- Failure/ Delay in releasing securities/ documents
- Failure to provide legally enforceable built-in repossession in contract/ loan agreement
- RBI directives not followed by NBFC
- Guidelines on Fair Practices Code not followed

How can a customer file complaint?



How does Ombudsman take decision?

- Proceedings before Ombudsman are summary in nature
- Promotes settlement through conciliation → If not reached, can issue Award/Order

Can a customer appeal, if not satisfied with decision of Ombudsman?

Yes, If Ombudsman's decision is appealable ◊ Appellate Authority: Deputy Governor, RBI

Note:

- This is an Alternate Dispute Resolution mechanism
- Customer is at liberty to approach any other court/forum/authority for the redressal at any stage

Refer to www.rbi.org.in for further details of the Scheme

