



FAIR PRACTICE CODE OF CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED

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Policy owner	Anand Rao
Approved by	Board of Directors

Reference : RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015.
RBI/DNBR/2016-17/44 CC.No.DNBR.PD.007/03.10.119/2016-17 dated March 09, 2017
RBI/DOR/2021-22/89DoR.FIN.REC.95/03.10.038/2021

Chaitanya India Fin Credit Pvt. Ltd. has formulated this Fair Practices Code to lay down the following procedures/practices in dealing with the business transactions, as per the RBI Guidelines on Fair Practices Code

The details of the RBI revision and subsequent board approval is mentioned below in the table:

Revision Sl No.	RBI Revision Date	Board Approved Date
1	26-Mar-12	09-Apr-12
2	08-Feb-13	11-Mar-13
3	09-Mar-17	26-Aug-17
4	14-Mar-22	28-Mar-22 #

This revised policy shall be effective from April 1, 2022.

1. General:

- a. The FPC will be displayed by Chaitanya in its offices and website in the language understood by the borrowers.
- b. Chaitanya is committed to transparency and fair practices lending to its borrowers. Chaitanya will make a statement to this effect in the language understood by the borrowers. and display the same in all its branches and also print it in all borrower loan cards.
- c. Field staff are trained to make necessary enquiries regarding the income and existing debt of the household.
- d. All training offered by Chaitanya to its borrowers will be free of cost. They are also trained to offer training to make borrowers fully aware of the procedure and systems related to loan / other products.
- e. Chaitanya displays the effective interest rate it charges in all its offices and in the literature issued by it in the language understood by the borrowers. The Grievance Redressal System of Chaitanya will also be prominently displayed in all its offices
- f. Chaitanya will be accountable for preventing inappropriate behavior by its employees or employees of the outsourced agencies and shall provide timely Grievance Redressal to the borrower. The above declaration is also made in the loan agreement given to the borrower
- g. Chaitanya 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. 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
- i. Chaitanya will ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.
- j. Chaitanya 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 Chaitanya)
- k. In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of Chaitanya, 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.
- l. In the matter of recovery of loans, Chaitanya will not resort the undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. Chaitanya will ensure that the staffs are adequately trained to deal with the customers in an appropriate manner.
- m. Chaitanya will not charge foreclosure charges/ pre-payment penalties on all Micro Finance loans.
- n. Chaitanya will put in place a mechanism for identification of the borrowers facing repayment-related difficulties and engage with such borrowers to provide necessary guidance about the recourse available.
- o. Chaitanya will provide non-credit products only with the explicit consent of the borrower
- p. Chaitanya will ensure that there is no direct or indirect linkage between the loan provided to the borrower and other non-credit products and non-credit products will not be sold as a pre-condition for the loan products.
- q. Any non-credit product sold by Chaitanya to its microfinance borrowers will be purely on a voluntary basis

2. Applications for loans and their processing

- a. All communications to the borrower will be in a language as understood by the borrower
- b. 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 NBFCs-MFI can be made and an informed decision can be taken by the borrower. The loan application form indicates the documents required to be submitted with the application form
- c. Chaitanya gives acknowledgment for receipt of all loan applications. The time frame within which loan applications will be disposed of is also indicated in the acknowledgment

3. Loan appraisal and terms/conditions

- a. Chaitanya will convey in writing to the borrower in the language 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 keeps the acceptance of these terms and conditions by the borrower on its record.
- b. Chaitanya at its discretion will charge a penalty for delayed payment only on the overdue amount.
- c. Chaitanya will furnish a copy of the loan agreement -as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of disbursement of the loan. The details/ clauses in the loan agreement is explained orally in the language understood by the borrowers by the Branch Manager.

4. Disbursement of loans including changes in terms and conditions

- a. Chaitanya will give notice to the borrower in the language understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc
- b. Chaitanya 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
- c. Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.
- d. Chaitanya 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 Chaitanya 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 Chaitanya is entitled to retain the securities till the relevant claim is settled / paid

5. Disclosures in loan agreement / loan card

- I. Chaitanya has a Board approved standard form of loan agreement. The loan agreement will be preferably in the language understood by the borrowers. The terms and clauses of the loan agreement are explained to the customers orally in the language understood by the borrowers. by Branch Manager.
- II. In the loan agreement the following are disclosed:
 - a. All the terms and conditions of the loan.
 - b. The pricing of the loan is based on the effective annualized interest rate computed on net disbursement amount using IRR approach on reducing balance method
 - c. That there will be no penalty charged on delayed payment.
 - d. That no Security Deposit / Margin is being collected from the borrower
 - e. An assurance that the privacy of borrower data will be respected.
- III. The loan card reflects the following details as specified in the Master direction-RBI (regulatory framework for Micro Finance Loans) Directions, 2022.
 - a. The effective rate of interest charged
 - b. Simplified fact sheet on pricing
 - c. All other terms and conditions attached to the loan
 - d. Information that adequately identifies the borrower
 - e. Acknowledgements by Chaitanya of all repayments including installments received and the final discharge
 - f. The loan card will prominently mention the Grievance Redressal System set up by Chaitanya and also the name and contact number of the nodal officer

- g. Non-credit products issued will be with full consent of the borrowers and fee structure will be communicated in the loan card itself
- h. All entries in the Loan Card will be in the language understood by the borrowers.

6. Responsibility of Board of Directors

- a. The Board of Directors of Chaitanya 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.
- b. 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 Officer

At the operational level, Chaitanya will display the following information prominently, for the benefit of the customers, at our branches/places where business is transacted:

- i. 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.
- ii. 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 Chaitanya 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

8. Language and mode of Communication Fair Practice code

Fair Practices Code will be in the language understood by the borrowers. and will be put in place with the approval of the Board within one month from the date of issue of this circular, which is 15th March 2022

9. Interest Charged by Chaitanya

The Board of Chaitanya has laid out appropriate internal principals 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.

10. Regulation of excessive interest charged by NBFCs

- a. The Board of Chaitanya will adopt an interest rate model taking into account 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.
- b. The rates of interest will be made available on the web-site of Chaitanya. The information published in the website will be updated whenever there is a change in the rates of interest.
- c. The rate of interest is annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

11. Non-Coercive Methods of Recovery

- a. As specified in the Master direction-RBI (regulatory framework for Micro Finance Loans) Directions, 2022, recovery will normally be made only at a central designated place mutually decided by borrower and the company. 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.

- b. Chaitanya has a Board approved policy in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code lays 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. Chaitanya will use only employees for recovery in sensitive areas

12. Customer Protection Initiatives

- a. Chaitanya will ensure that greater resources are devoted to professional inputs in the formation of JLG and appropriate training and skill development activities for capacity building and empowerment after the formation of the groups.
- b. Chaitanya will be prudent and responsible in their lending activity besides educating their borrowers on the dangers of wasteful conspicuous consumption.

13. Internal control system:

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