

JF SERVICES

FAIR PRACTICES CODE FOR MICROFINANCE LOANS

INTRODUCTION

The Company has in place a Fair Practices Code ("Fair Practices Code") aimed to provide to the customers effective overview of practices, which will be followed by the Company in respect of the financial facilities and services offered by the Company to its customers.

In addition to the matters set out therein, this Fair Practices Code for Microfinance Loans ("FPC-MF") shall also be adhered to by the Company with respect to Microfinance loans and customers of Microfinance loans. The FPC-MF shall be read along with the Fair Practices Code and in case of any conflict between the provisions of the Fair Practices Code and this FPC-MF, the FPC-MF will prevail with respect to Microfinance loans and customers of Microfinance loans.

A microfinance loan is a collateral-free loan given to a household having annual household income up to Rs.3,00,000/-. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.

All collateral-free loans, irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels), provided to low-income households, i.e., households having annual income up to ₹3,00,000, shall be considered as microfinance loans.

1. Applications for Loans and their processing

- (a) Interest rates and other charges/fees on microfinance loans will not be usurious
- (b) The Company shall disclose pricing related information to a prospective borrower in a standardised simplified factsheet
- (c) Any fees to be charged to the borrower by the Company and/or its partner/agent shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.
- (d) The factsheet shall also be provided for other loans (i.e. collateralised loans) extended to borrowers from low-income households
- (e) There shall be no-prepayment penalty on micro-finance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount
- (f) The Company shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/pamphlets) issued by it and details on its website. The information shall also be included in the supervisory returns and subject to supervisory scrutiny.
- (g) Any change in the interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively
- (h) The Company shall have a standard form of loan agreement for microfinance loans in a language understood by the borrower
 - (i) The Company shall provide a loan card to the borrower which shall incorporate the following:
 - i. Information which adequately identifies the borrower;
 - ii. Simplified factsheet on pricing;
 - iii. All other terms and conditions attached to the loan;
 - iv. Acknowledgement by the Company of all repayments including instalment received and the final discharge; and
 - v. Details of the grievance redressal system, including the name and contact number of the nodal officer of the Company
 - (j) All information in the loan card will be in a language understood by the borrower
 - (k) Issuance of non-credit products shall be with the full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself;

2. Recovery

(a) The Company shall put in place a mechanism for identification of borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.

(b) Recovery shall be made at a designated/central place decided mutually by the borrower and the Company. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated/ central designated place on two or more successive occasions.

(c) The Company or its agent shall not engage in any harsh methods towards recovery including the following:

- i. Use of threatening or abusive language
- ii. Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
- 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

(d) The Company shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursal.

(e) the Company 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 Company along with the identity card issued to him/her by the Company or the agency. Further, where the recovery agency is changed by the Company during the recovery process, in addition to the Company notifying the borrower of the change, the new agent shall carry the notice and the authorization letter along with his identity card.

(f) The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and the Company.

(g) The up-to-date details of the recovery agencies engaged by the Company shall also be hosted on the Company's website.

3. Others

(a) Where any training is provided to the borrowers, the same be offered free of cost

(b) The Company shall be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal.

4. Grievance/Complaint Redressal Mechanism

The Complaint redressal mechanism set out in the Fair Practices Code available at www.tatacapital.com shall also apply to Microfinance loans and microfinance customers.