

Fair Practice Code

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Fair Practice Code

Chapter-I

1. Preamble

Uttrayan Financial Services Pvt. Ltd. is a Microfinance Institution registered as a Non-Deposit taking Non-Banking Financial Company (NBFC-ND-MFI) under Reserve Bank of India Section 45 IA. UFSPL began microfinance operations in October 2001 with its head office at Kolkata (West Bengal). The Company provides livelihood promotion services mainly to the low-income rural, urban, semi-urban and peri-urban households, comprising of livelihood and other Micro financial services to those population segments which are mostly un-reached by the formal banking systems with the principal purpose of promoting sustainable livelihoods. The Company is mainly working for alleviation of poverty through economic intervention and social empowerment of the underprivileged class of the society, with a special focus on women.

Uttrayan Financial Services Private Limited (“UFSPL” or “Company”) has framed and adopted the “Fair Practices Code” (“FPC”) which sets the fair practice standards while dealing with individual customers and legal entities.

The Code has been prepared based on the Chapter VII, of the RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, RBI/ DoR/ 2023-24/ 105n DoR. FIN. REC. No.45 /03. 10. 119/ 2023 24 dated October 19, 2023 (Updated as on March 21, 2024).

Outline of SA-DHAN code of conduct (COC) for microfinance Industry, October 2022 adopted by BOD on 01-11-2023 also duly taken care of at the time of framing the Code.

2. Overview of the policy

2.1 Purpose & it’s applicability

UFSPL has adopted the FPC for implementation with an endeavor to achieve fair and transparent practices while dealing with its customers/ borrowers. The FPC intends to promote good and fair practices by setting minimum standards to be followed while doing business with its customers. Further, the FPC seeks to increase transparency so that the customers can have better understanding of the products/ services being offered by the Company.

This FPC shall apply across all aspects of the Company’s lending business operations including Co-lending, loan origination, processing, etc. UFSPL’s commitment to the FPC would be demonstrated in terms of employee accountability, monitoring and auditing programs, training and technology.

The Company’s Board of Directors (BOD) and the management are responsible for establishing practices designed to ensure that its operations reflect a strong commitment to the FPC and that all employees are aware of the FPC.

2.2 Background

Uttrayan Financial Services Pvt. Ltd. (UFSPL), in its board meeting held on March 25, 2022 accepted the policy for Fair Practices Code (FPC) in line with instructions contained in Reserve Bank of India notification issued from time to time in this regard.

Considering that it is quite some time since the Fair Practice Code (FPC), per se, has been approved by the Board of Directors of the Company, we have revisited the existing Policy and made suitable changes in line with recent RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, dated October 19, 2023 (Updated as on March 21, 2024).

2.3 Non-discrimination Policy

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The Company will not discriminate between its customers on the basis of gender, physical ability, race or religion. The Company will also not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services, facilities, etc. However, this does not preclude the Company from instituting or participating in schemes framed for different sections of the society.

2.4 Language of the Communication

All required communications by the Company to the borrower will be in the language as understood by the borrower (English or Vernacular language).

3. Fair Practice Code

Existing Fair Practice Code of UFSPL is being revisited and the provision for penal charges as per RBI Direction dated August 18, 2023 on Fair Lending Practice - Penal Charges in Loan Accounts along with RBI Master Direction dated October 19, 2023 (Updated as on March 21, 2024) duly taken care of in this amended Fair Practice Code (FPC).

A. Applications for Loans and their Processing

1. The company shall communicate with the borrower in the vernacular language or the language as understood by the borrower.
2. Loan applications form shall include, among others the following Information.
 - a) All the terms and conditions of the loan.
 - b) That 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).
 - c) There shall no pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall not be capitalized and shall not be applied on the entire loan amount.
 - d) That no security deposit/Margin is being collected from the borrower,
 - e) Preferably the borrower should not be a member of more than one SHG/JLG.
 - f) The moratorium between the grant of the loan and the due date of the repayment of the first installment.
 - g) An assurance that the privacy of borrower data will be respected.
 - h) The company shall have a board-approved policy to provide the flexibility of repayment periodicity on microfinance loans as per borrowers' requirement.
3. The Company shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.

B. Loan appraisal and terms/conditions

1. The Company 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. The Company shall mention the penalties charged for late repayment in bold in the loan agreement.
2. Borrowers may not be fully aware of the terms and conditions of the loans including rate of interest at the time of sanction of loans. The Company shall 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 sanction / disbursement of loans.
3. The Company shall disclose pricing related information to a prospective borrower in a standardized simplified factsheet. Any fees to be charged to the microfinance 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.

C. Penal Charges in Loan Accounts

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- (1) Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and 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.
- (2) The Company shall not introduce any additional component to the rate of interest and company will ensure compliance to these guidelines in both letter and spirit.
- (3) The Company shall update the existing board approved interest rate policy on penal charges or similar charges on loans.
- (4) 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.
- (5) The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- (6) The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on Company's website under Interest rates and Service Charges.
- (7) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefore shall also be communicated.

The instructions in paragraph "C" shall be implemented in respect of all the fresh loans availed from April 01, 2024 onwards. The Company ensures implementation of the instructions in respect of all the fresh loans availed/ renewed from the effective date. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date falling on or after April 01, 2024, but not later than June 30, 2024.

D. Disbursement of loans including changes in terms and conditions

- 1 The Company shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.
- 2 Decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
3. UFSPL shall 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 they 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 the Company is entitled to retain the securities till the relevant claim is settled/paid. (At this moment total Micro Finance exposure of UFSPL is unsecured.)

E. General

1. The Company shall mandatorily submit information regarding household income to the Credit Information Companies (CICs).
The Company shall provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the level of indebtedness. Besides, the company shall also ascertain the same from other sources such as declaration from the borrowers, their bank account statements and local enquiries.
2. Recovery practice of UFSPL will be totally Non-Coercive. The recovery shall normally be made only at a central designated place. Field staff shall 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 or more successive occasions.
3. UFSPL has a board approved policy with regard to the Code of Conduct by their field staff and systems for their recruitment, training and supervision. There is provision for penalty for the field staff in case of noncompliance with the code of conduct.
4. UFSPL has designated officials for compliance of each of the functions. The Company does have a well-established system of internal control including audit and periodical inspection.
Nodal Officer/Principal Nodal Officer as per the Master Directions for NBFC-MFI and the guidelines of RBI's



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Ombudsman Scheme, 2021 shall be prominently displayed in vernacular language in all its offices and also on its website.

5. UFSPL has a strong learning and Development Function, which has the mandate to train field staff and to equip them with skills for rendering best possible customer service.

6. UFSPL offers regular training to its borrowers for which it does not charge any fees. The field staff of UFSPL is also trained in a structured manner to undertake such training session.

7. All offices of UFSPL clearly display the rate of interest Charged, the salient features of the Fair Practices Code as well as the process for grievance redressal in a language that can be read and understood by the borrowers.

8. UFSPL strictly follows the KYC (know your customer) norms set forth by the Reserve Bank of India.

9. The **loan /pass book** shall reflect the following details:

- a) Simplified factsheet of pricing
- b) All other terms and conditions attached to the loan
- c) Information which adequately identifies the borrower and
- d) Acknowledgements by the Company of all repayments including installments received and the final discharge
- e) The loan card/pass book shall prominently mention the grievance redressal system set up by the Company and also the name and contact number of the GRO(nodal officer).
- f) Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself. Training, if any, offered to the borrowers shall be free of cost.
- g) All entries in the loan card shall be in the vernacular language.

10. A declaration that the company shall be accountable for inappropriate behavior by its employees or employees of the outsourced agency and shall provide timely grievance redressal, shall be made in the loan agreement and also in the FPC displayed in its office/branch premises/ website.

11. In the matter of recovery of loans, UFSPL shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behaviour from the staff of the companies, UFSPL shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

Following practices shall be deemed as harsh:

- (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

12. 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.

13. To ensure due notice and appropriate authorization, 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 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.

The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and the company.

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

15. UFSPL shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).

16. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the Company, if any, shall 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.

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17. As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers, UFSP 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).

F. Reserve Bank – Integrated Ombudsman Scheme, 2021

UFSP being an NBFC (Base Level)-MFI is covered under the Reserve Bank – Integrated Ombudsman Scheme, 2021 (RB IOS, 2021) and shall comply with the directions provided under the said Scheme.

G. Regulation of excessive interest charged

1. The Board of UFSP has adopted an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determined 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 shall be communicated explicitly in the sanction letter.

2. The rates of interest and the approach for gradation of risks shall be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated by UFSP whenever there is a change in the rates of interest.

3. The applicable as well as annualised rate to be properly communicated so that the borrower is aware of the exact rates that would be charged to the account.

4. Board of UFSP has laid out appropriate internal principles and procedures in determining interest rates and processing and other charges. The guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are followed in letter and spirit.

H. Responsibility of Board of Directors

UFSP has a grievance redressal mechanism approved by its board to resolve disputes arising out of the Company's Decisions. Such a mechanism shall ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level.

The Board of Directors reviews the compliance of the fair practice code and functioning of the grievance's redressal mechanism at various levels of management.

I. Grievance Redressal Mechanism (GRM)

1. A grievance needs to be redressed in order to bring about the smooth functioning of the organization. Broadly, a grievance is any discontent or dissatisfaction with any aspect of the organization. It can be real or imaginary, legitimate or ridiculous, rated or unvoiced, written or oral; it must be however, find expression in some form of the other. Discontent or dissatisfaction is not a grievance. They initially find expression in the form of a complaint. When a complaint remains unattended to and concerned feels a sense of lack of justice and fair play, the dissatisfaction grows and assumes the status of grievance. In order to resolve the disputes between the company and its customers, the following mechanism for redressal of Grievances of the Customers is adopted in our Customer grievance Redressal Policy. The mechanism aims to ensure that all the disputes arising out of the decision of the company functionaries are heard and disposed of at the next higher level.

1.1 Grievance Redressal Officer (GRO)

The Board of Directors of the Company had appointed Regional Managers as Grievance Redressal Officer (GRO), for the borrowers of all the branches under his jurisdiction who shall be responsible for overall functioning of the Grievance Redressal Mechanism of the Company. The Grievance Redressal Officer shall also be responsible to address grievances escalated to him / her and for ensuring prompt and efficient functioning of grievances redressal mechanism.

The Branches/offices to display the following information prominently for the benefit of their customers:

The name and contact details (telephone/mobile number as well as email address) of the Regional Manager (GRO)

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under whose jurisdiction the branch falls. He/She can be approached by the public for resolution of compliance against the company.

If the Complain /disputes is not redressed within a period of 30 days, the customer may appeal to the Banking Ombudsman RBI.

Complain box to be maintained with all the branches for facilitating to register the complaint.

During Group Training program (CGT/GRT) customers to be appraised about the Grievance Redressed System and its benefits.

1.2 Resolution Process

- On receipt of complaint, the Company shall, within reasonable time, send an acknowledgement of the same to the complainant. All the complaints received shall be recorded.
- The Customer Service Officer shall ensure that all complaints are resolved in a timely and effective manners, and status of resolution / closure of complaints in records is updated.
- The Customer Service Officer shall monitor the complaints status to ensure that the complaints are resolved within 30 days of receipt of complaint.
- If in any case, the Company needs additional time, the Company will inform the customer the reasons of delay in resolution within the timelines specified above and provide expected time lines for resolution of the complaint.

2. Escalation Matrix

There are six formal stages in which any grievance can be redressed. At UFSPL, we want to make sure that our clients get only the very best of service from us.

STEP: 1 (TAT-5 days)

UFSPL members may contact our branches or write to the Branch Manager explaining the details of their issues. Our Branch Manager will be glad to assist them. Branch Manager has the responsibility to verify the issues and contact the client and solve issues within 5 working days.

STEP: 2 (TAT-5 days)

If the members are not satisfied with the responses received at the branch level or she doesn't receive a response within 5 working days from the day of complain from the channels under STEP:1, she can escalate her complain to our **Relationship Help Desk at our Corporate Office at the customer helpline no.: 7044048874**

(from 10.00 AM to 06:00 PM except Saturday, Sunday and other Holidays)

STEP: 3 (TAT-10 days)

If the members are not satisfied with the response that they receives from the Branch level or channels under STEP 2, or if they do not hear from us in 10 working days from the day of complain, they may call/contact the Grievance Redressal Officer, Regional Manager of the respective regions for a speedy investigation and fair resolution of your problem.

STEP: 4 (TAT-10 days)

If members are not satisfied with the response that they receive from the Grievance Redressal Officer under STEP 3, or if they do not hear from us in 20 working days from the day of complain, they may contact the Chief Grievance Redressal Officer for a speedy investigation and fair resolution of their problem. He is responsible for overall management of grievance redressal process and ensuring all borrowers grievances are addressed within the promised timeframe. The contact number is mentioned hereunder You may write to:

To, Chief Grievance Redressal Officer

Mr. Subhasis Banerjee

Contact No: 7044048868,

Registered/ Head Office Address:

Infinity Benchmark, 12th Floor, Unit No. 1202, Plot no. G-1, EP & GP
Block, Sector V, Salt Lake City-700091, West Bengal, India

Uttrayan Financial Services Private Limited (UFSP)

Kolkata-700064, West Bengal Phone: 7044048874

Email: admin@uttrayan-mfi.com

STEP: 5

If the customer is not satisfied with the resolution provided or if the customer does not hear from us in 30 days, then he/she may lodge his complaint to:

Sa-dhan (SRO)

Grievance Redressal Officer

Contact No: +91-11-47174400

Email: info@sa-dhan.org

And/or

STEP: 6

If the customer is not satisfied with the resolution provided or if the customer does not hear from us in 30 days, then he/she may lodge their complaint on RBI CMS portal - <https://cms.rbi.org.in> or reach them on the dedicated e-mail id - crpc@rbi.org.in Or send his complaint form (format available on the website under Integrated Ombudsman scheme 2022) to the below mentioned address: The Officer Incharge, Centralised Receipt and Processing Centre, Reserve Bank of India, 4th Floor, Sector 17, Chandigarh – 160017 Contact Centre with toll free no – 14448 (Timing – 9:30am to 5:15pm)

The Company installed complaints/suggestion box at all our branches at prominent places to receive written complaints.

J. Code of Conduct

The board of Directors, in their meeting held on 25th March 2022 last approved the code of conduct. The approved code of Conduct is being reviewed and placed before the BOARD for adoption and approval along with this Fair Practice Code.

The salient points are as under:

1. The Company to disclose all the terms and conditions to the client for all services offered. Disclosure must be made prior to disbursement in Individual sanction letter/ Loan card/ Loan schedule/passbook/through group centre meetings.
2. The company to communicate all the terms and conditions of loan/ services offered to clients in vernacular language and must disclose the following terms:
 - a) Applicable/Annualised Rate of interest on a reducing balance method
 - b) Processing fee
 - c) Any other charges or fees howsoever described
 - d) Total charges recovered for insurance coverage and risks covered
3. The company to communicate in writing charges levied for all financial services rendered.
4. The company to follow RBI guidelines with respect to interest charges and security deposit and to declare all interest and fees payable as an all-inclusive annual percentage rate and equivalent monthly rate.
5. The company to maintain formal records of all transactions in accordance with all regulatory and statutory norms, and borrower's acknowledgement/acceptance of terms and conditions must form a part of this record.
6. The provision of Micro finance to be made only to the eligible clients as per RBI guidelines after obtaining copies of the relevant documents from clients as per KYC norms.
7. In case of Insurance product to be offered to the clients the same will be transparently conveyed to the clients and must comply with RBI and IRDA Norms.
8. Proper due diligence as per internal credit policy to be made to assess the need and repayment capacity of clients before making the loan.
9. The company under no circumstances to breach the total debt limit for any client as prescribed by RBI. Other lending guidelines of RBI to be followed strictly.



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10. The Company to ensure that all staff and persons acting on behalf of the company:
 - a) Use courteous language, maintain decorum and are respectful of cultural sensitivities during all interactions with clients.
 - b) Not to indulge in any behaviour that in any manner would suggest any kind of threat or violence
 - c) Not to contact clients at odd hours, as per RBI Guidelines for loan recovery agents.
 - d) Not to visit clients at inappropriate occasion such as bereavement, sickness etc to collect their dues.
 - e) The company to scrupulously follow the code of conduct for credit officers as communicated by circular no HO/HR/Field dated 04.05.2019.
11. The company to provide a valid receipt/ acknowledgement for each and every payment received from the borrower.
12. The company to keep personal client information strictly confidential. Client information may be disclosed to the third party if it is legally required to do so or the client has informed about such disclosure and permission has been obtained in writing.
13. The company to have a formal governance system that is transparent and professional and adapt the best practices of corporate governance by broad basing the board of Directors by inducting persons with good and sound reputation as members of board .
14. The company to ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditors.
15. The company to put in best effort to follow the audit and assurance standard issued by the Institute of Chartered Accountants of India.
16. The company to help a free and fair recruitment practice as prevalent in the industry.
17. The company to have a dedicated process to raise client's awareness of the options choices and responsibilities via-a-vis financial products and services available. The company to also ensure regular checks on client awareness and understanding of the key terms and condition of the product/services offered.
18. The company to agree to share complete client data with all RBI approved Credit bureaus, as per the frequency of data submission prescribed by the credit bureaus.
19. The company to establish a dedicated feedback and grievance redressal mechanism and to inform clients about the existence and purpose of this mechanism and how to access them.
20. The company to designate grievance redressal official with his/ her address / contact details.
21. The Company will treat the Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower as 'penal charges' only and shall not levy it in the form of 'penal interest'. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges.

K. Review

The Board will be updated for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management, and a consolidated report of such reviews shall be submitted to the Board at regular intervals, as and when required. The Code shall be reviewed annually by the Board of Directors, and any other regulatory changes in this regard will stand updated in the Code from time to time.

K.1 History of adoption and review of UF SPL Customer Grievance Redressal Policy:

- Date of last review : 16-04-2024
- Policy Effective Date: 01-04-2022
