

Fair Practice Code

The Fair Practice Code (FPC) of VFS Capital (the Company) pursuant to Master Circular dated July 1, 2015, RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 including amendments thereafter.

The Company has adopted all the prescribed rules and regulations laid down in the above Master Circular, which are as follows:

1. Application for Loans and their Processing

- a) All communication to the borrowers will be in local languages.
- b) All Loan Application Forms include the necessary information which affects the interest of the borrowers, so that the borrower can make a meaningful comparison with the terms and conditions offered by other MFIs and it will help them to take proper decision.
- c) The documents required to be submitted are mentioned clearly in the Loan Application Form.
- d) An acknowledgement for receipt of Loan Applications will be given to the borrower.

2. Loan Appraisal and Terms/Conditions

- a) The Company will properly communicate to all borrowers the amount of loan sanctioned along with terms and conditions including annualized rate of interest and method of application.
- b) Acceptance of terms and conditions by the borrowers shall be kept on record.
- c) The Company shall furnish a copy of the loan agreement along with the enclosures at the time of sanction/ disbursement of loans (a written application of the borrower is required and cost to be borne by the borrower).
- d) General terms and conditions of the loan products are mentioned below:
- e) Only women borrowers are eligible
- f) The borrower must be a member of one JLG
- g) The loan will be used for any Income Generating Activity only
- h) Household annual income of the borrower should not exceed Rs 1,25,000/- in rural area and it should not exceed Rs 2,00,000/- in non-rural area
- i) Interest rate is as per the RBI regulations
- j) Total indebtedness of the borrower should not exceed the limit allowed by MFIN, Sa-Dhan along with the RBI
- k) There is no penalty for delayed payment
- l) Borrowers and their spouse are covered under insurance
- m) Prepayment allowed but without penalty
- n) Loan is without collateral
- o) Loan is repayable by weekly, fortnightly or monthly installments at the choice of the borrower/group

3. Minimum Period of Moratorium

There must be a minimum period of moratorium between the grant of the loan and the due date of the repayment of the first instalment. The moratorium shall not be less than the frequency of repayment e.g., in the case of weekly repayment, the moratorium shall not be less than one week.

4. Disbursement of Loans including Changes in Terms and Conditions

Any change in terms and conditions including disbursement schedule, interest rates, etc. shall be informed to the borrowers.

5. General

- a) The Fair Practice Code in vernacular language displayed in its Head Office and Branch Office premises,
- b) A statement shall be made in vernacular language and displayed in their premises and in the passbook articulating the commitment to transparency and fair lending practices.
- c) The staff shall be properly trained to deal with the customers in an appropriate manner and to make necessary enquiries with regard to existing debt of the borrowers.

- d) The training to the borrowers shall be free of cost. The field staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to the loan/ other products.
- e) The effective rate of interest charged and the Grievance Redressal System prominently displayed in vernacular language in all its offices and in the literature issued by it and also on its website.
- f) A declaration that the Company will be accountable for preventing inappropriate staff behavior and timely grievance redressal shall be made in the loan agreement and also in the Fair Practice Code displayed in its office/branch premises.
- g) The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers.
- h) All sanctioning and disbursement of loans should be done only at a central location and more than one individual should be involved in this function. The procedure for loan application shall be simplified and loan disbursements will be done as per pre- determined time.

6. **Disclosures in Loan Agreement/ Loan Card**

- a) The loan agreement is in vernacular language.
- b) In the Loan Agreement the followings are disclosed:
 - All the terms and conditions of the loan
 - The pricing of the loan involves only three components viz., the interest charge, the processing charge and the actual insurance premium
 - No penalty charged on delayed payment
 - No Security Deposit/ Margin is collected from the borrower
 - 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
 - The passbook reflects the following details:
 - The effective rate of interest charged
 - All other terms and conditions attached to the loan
 - Information which adequately identifies the borrower
 - Acknowledgements of all repayments including instalments received and the final discharge
 - The Grievance Redressal System and the name and contact number of the nodal officer is clearly mentioned in the passbook
 - The Insurance facility provided with full consent of the borrowers and the related fee structure communicated in the passbook
 - All entries in the passbook made in the vernacular language

7. **Non-Coercive Methods of Recovery**

The Company will treat every customer with respect and dignity. We provide our microfinance services regardless of caste, creed and religion. The Company will maintain a positive bias in favor of the socio-economically vulnerable segments of the society. We always maintain decency and decorum during all customer and employee interactions, are respectful of social and cultural sensitives and also avoid behavior which may lead to any form of threat or violence.

The Company does not believe in usage of muscle power, abusive language, persistently bothering borrowers at odd hours or at inappropriate times such as bereavements, illness, social occasions such as marriages and births for loan recovery purpose.

The loan recovery is 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 two or more successive occasions.

For appraisal/compensation/promotion for staffs, the Company gives more emphasis on areas of service and borrower satisfaction than number of loans mobilized and recovery rate.

8. Internal Control System

The Company to constitute the Fair Practice Committee headed by one Board Member for implementation and monitoring of Fair Practice Code and Code of Conduct (adopted from sector associations-MFIN and Sa-Dhan). The Committee looks into implementation, monitoring and periodic review of Fair Practice Code and Code of Conduct throughout the organization. The Board of Directors should also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board at regular intervals.

9. Grievance Redressal Mechanism for Customers

A grievance can be defined as any sort of dissatisfaction that needs to be redressed to bring about the smooth functioning of the organization. Broadly, a grievance can be defined as any discontent or dissatisfaction with any aspect of the organization. It can be real or imaginary, legitimate or ridiculous, stated or unvoiced, written or oral; it must, however, find expression in some form or 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 the person concerned feels a sense of lack of justice and fair play, the dissatisfaction grows and assumes the status of a grievance

FAIR PRACTICES CODE FOR CUSTOMERS

1. All our dealings with customers will be open, fair and ethical.
2. We will treat all our customers with respect and professionalism.
3. We will treat all our customers fairly without discriminating on grounds of religion, caste, marital status or sexual orientation etc.
4. We will not intimidate or humiliate customers verbally or physically.
5. We shall explain and disclose the features of our services in a transparent & understandable manner. Further. our applications and agreements shall clearly include:
6. Interest rate on loans
7. Processing Fee and Insurance Premium and
8. All other terms and conditions
9. We will make our best efforts to ensure that the loans we provide are within our customers' capacity to repay.
10. We will provide a receipt/ acknowledgement for every payment received from customer.
11. We will regularly rotate center leaders to restrain the disproportional influence of leaders in the group.
12. We will not engage in any coercive methods to collect repayments.
13. We will provide customers with a grievance redressal system to register their complaints and resolve it in a timely & fair manner.
14. We respect our customers' privacy and will treat customer information as private and confidential.

GRIEVANCE REDRESSAL

There are three formal stages in which any grievance can be redressed. At the Company, we want to make sure that customers get only the very best of service from us — service which our valued member deserves.

STEP 1

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 you.

STEP 2

If you do not receive a response within 10 days from the channels under Step 1, or, if you are not satisfied with the response received, you can escalate your complain to our Help Desk Executive at our Corporate Office 033 66551466 (from 10 am to 5 pm except Saturday, Sunday and other Holidays)

STEP 3

If you are not satisfied with the response that you receive from the Branch level or channels under Step 2, or if you do not hear from us in 10 days, you may contact the Office of the Chief Nodal Officer for a speedy investigation and fair resolution of your problem. Please quote the reference number provided to you in your earlier interaction with the Company, along with your account/ loan number to help us understand and address your concern.

You may write to:

Mr Subhasis Ghosh
Nodal Officer
Corporate Office
VFS Capital Ltd
Eco Space Business Park
Tower-4B
Room No. 403, 4th Floor
New Town, Rajarhat
Kolkata 700160, West Bengal

Phone: (033) 66551414 / 66551466

Email: complain@vfscapital.in

If you are not satisfied with the response received from Chief Nodal Officer or do not receive any response within a period of one month, please contact:

MFIN toll free help line: 1800 270 0317

If you are not satisfied with the response received from any of the above or do not receive a response from MFIN in 15 days, please contact:

The General Manager
Reserve Bank of India
Department of Supervision (NBFC)
5th Floor, 15, N. S. Road,
Kolkata 700001

- The Company has installed complaints/suggestion box prominently at all its branches to receive written complaints.
- The Company has the Head Office address with Telephone number printed in all passbooks.
- During Group Training, discussions are held with our customers about the Grievance Redressed System and its benefits.
- The Company assures that the Customer will be treated fairly despite the grievance being lodged.

DIGITAL LENDING PLATFORM

Many digital platforms have emerged in the financial sector claiming to offer hassle-free loans to retail individuals, small traders, and other borrowers. VFS Capital, though an RBI-registered NBFC, is primarily engaged in the business of lending to women borrowers under 'Joint Liability Group (JLG) based individual lending' model. The microfinance business of VFS Capital has been beneficial to many poor families by providing them credit, helping them become economically self-sufficient, sensitizing women about empowerment issues, and bringing about a qualitative change in them and their families.

If, at any time, VFS Capital engages digital lending platforms as its agents to source borrowers and/ or to recover dues, the following instruction of RBI need to be followed in a proper manner:

- a) Names of digital lending platforms engaged as agents shall be disclosed on the website of VFS Capital.
- b) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of VFS Capital, on whose behalf they are interacting with him.
- c) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letterhead of VFS Capital.
- d) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
- e) Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the VFS Capital.
- f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

The Fair Practices Code is subject to revision based on the RBI guidelines and such revisions shall be made on a time-to-time basis.

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Last reviewed: By the Board of Directors of the Company at their meeting dated November 4, 2020