



**LOLC India Finance Private Limited**

**Fair Practices Code**

**Version 2.0**

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# Fair Practices Code

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## **Fair Practices Code**

### **1. Introduction**

The Reserve Bank of India (“RBI”) has issued guidelines on Fair Practices Code for Non-Banking Financial Companies (“NBFCs”) thereby setting standards for fair business and corporate practices while dealing with their customers.

LOLC India Finance Private Limited (“LOLC”), a NBFC-Microfinance Institution shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to this Code to conform to the standards so prescribed.

LOLC’s policy is to treat all the clients consistently and fairly. The employees of LOLC will offer assistance, encouragement and service in a fair, equitable and consistent manner. LOLC will also communicate its Fair Practices Code (“FPC”/ “Code”) to its customers by uploading the FPC on the website.

LOLC will ensure that the implementation of the FPC is the responsibility of the entire organization. LOLC’s fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, servicing and collection activities. Its commitment to FPC will be demonstrated in terms of employee accountability, training, counseling, monitoring, auditing programs and internal controls, and optimal use of technology.

LOLC’s Board of Directors and the management team are responsible for implementing the fair practices hereinafter detailed, and also to ensure that its operations reflect its strong commitment to all the stakeholders for offering in a fair and equitable manner, the various financial services and products including lending and that all employees are aware of this commitment.

This Fair Practices Code applies to the following activities undertaken by LOLC:

1. Providing loans to customers, individually or in groups
2. Recovery of loans granted to the customers
3. Providing insurance (voluntary) and any other related products/ services
4. Formation of Joint liability groups
5. Any other services/ products that may be offered by LOLC from time to time.

### **2. Key Commitments**

The key commitments which LOLC promises to follow in its dealings with its customers are:

- a. To act fairly and reasonably in all dealings with its customers by ensuring that:
  - Its products, services, procedures and practices will meet the commitments and standards in this FPC
  - Its products and services will meet relevant laws and regulations in letter and spirit as applicable
  - Its dealings with its customers will rest on ethical principles of honesty, integrity and transparency
- b. LOLC will assist customers in understanding how its financial products and services work by:
  - Providing information about them in English and/or the local language/ language as understood by the customer

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- Explaining their financial implications; and
  - Helping the customer choose the product/service that meets his / her needs
- c. LOLC will make every attempt to ensure that its customers have a trouble-free experience in dealing with it; but in the case of complaints, LOLC will deal with the same quickly.

### **3. Guidelines on Fair Practices Code**

#### **A. Application for loans and their processing**

Loan application forms of LOLC will include necessary information which are likely to affect the interests of the prospective borrower, so that a meaningful comparison with the terms and conditions offered by other Non-Banking Financial Companies can be made and an informed decision can be taken by the prospective borrower.

- i. The loan application form shall indicate the documents required to be submitted along with the application form.
- ii. At the time of loan application, KYC documents, other documents as indicated and duly completed application form needs to be shared.
- iii. LOLC shall provide to the prospective borrower an acknowledgement for receipt of all loan applications. An indicative time frame within which loan applications will be disposed of will be mentioned in such acknowledgement.
- iv. LOLC shall verify the loan applications within a reasonable period of time. If additional details/ documents are required, it shall intimate the same to the prospective borrower immediately thereafter.
- v. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- vi. LOLC will not hold any type of asset as collateral/ security deposit/ margin money against any loan in the Joint Liability Group (JLG) model.
- vii. The loan application form may be in a digital format and a confirmation of the application may be shared with the client accordingly.

#### **B. Loan Appraisal & terms/ conditions**

All loan applications shall go through the credit appraisal process as envisaged in LOLC's credit policy/ credit norms. After approval, LOLC shall convey in writing or digitally to the borrower in the vernacular language as understood by the borrower by means of sanction letter or confirmation digitally, the amount of loan sanctioned, along with the terms and conditions, including annualized rate of interest, and method of application thereof. LOLC shall also keep the written acceptance or digital acceptance of these terms and conditions by the borrower on its record.

LOLC shall mention the penal charges (if applicable and for such products/ services where penal charges are permitted as per regulatory guidelines) for late repayment in bold in the loan agreement. This shall be covered separately in the policy as approved by the Board.

Appropriate internal principles and procedures for determining interest and other charges shall be laid down and be subjected to review keeping in view the business exigencies, regulatory and customer sentiments, market practices etc.

The acceptance of the terms and conditions communicated by the borrower shall be preserved by LOLC in its records physically or digitally. LOLC shall furnish a copy of the loan agreement preferably in the vernacular language 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 physically or digitally.

### **C. Disbursement of loans including changes in terms & conditions**

- i. LOLC shall 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. LOLC shall ensure that changes in interest rates and other charges are effected only prospectively. The loan agreement shall contain a specific clause to this effect.
- ii. The decision of LOLC to recall/ accelerate payment or performance shall be in consonance with the terms of the loan agreement.
- iii. LOLC shall release all securities upon repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim it will have against borrower. In case such right of set off is to be exercised, the borrower shall be given due notice with full particulars about the outstanding claims and the conditions under which LOLC is entitled to retain the securities till the relevant claim is settled/paid.

### **D. General**

- i. LOLC shall refrain from interfering 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 deliberately or otherwise by the borrower, has come to its notice.
- ii. In case of receipt of request from the borrower for transfer of a borrower account to other NBFC, bank of financial institution, the consent or otherwise shall be conveyed within 21 days from the date of receipt of such request. Such transfer shall be in accordance with the contractual terms entered into with the borrower and in consonance with the statutes, rules, regulations and guidelines as will be applicable from time to time.
- iii. There shall be no discrimination in extending products and facilities including loan facilities to the physically / visually challenged applicants on grounds of disability (Ref: RBI Circular No. DNBS.CC.PD.No. 191/03.10.01/2010-11 dated July 27, 2010, as amended from time to time).

### **E. Grievance Redressal Mechanism:**

LOLC shall also lay down a separate Customer Grievance Redressal Policy to resolve complaints/ disputes, if any, arising in this regard. Such a mechanism shall ensure that all complaints/ disputes arising out of the decisions of LOLC's functionaries are heard and disposed of in an appropriate manner

### **F. Grievance Redressal Officer**

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At the operational level, LOLC shall display the following information prominently, for the benefit of their customers, at their 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 LOLC.
- ii. If the complaint / dispute is not redressed within a period of one month or if the customer is not satisfied with the resolution provided by LOLC, 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 NBFC falls.

### **Details of Grievance Redressal Officer:**

**Address:** LOLC India Finance Private Limited, A-Wing, 310/ 311, Dynasty Business Park Commercial, Andheri Kurla Road, Andheri East, Mumbai- 59

**Mobile:** 8655410866

**Email to:** [customercare@lolcindia.com](mailto:customercare@lolcindia.com)

If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Office-in-charge of the Regional Office of DNBS of RBI as per details given below:

The General Manager  
Department of Non-Banking Supervision,  
Reserve Bank of India  
Mumbai Regional Office, 3<sup>rd</sup> floor,  
Opp. Mumbai Central Railway Station, Byculla,  
Mumbai – 400 008

For detailed grievance redressal escalation matrix, kindly refer to the Customer Grievance Redressal Policy & Escalation Matrix.

### **G. Language and mode of communicating Fair Practices Code**

A translated copy of this FPC in the relevant vernacular language shall be made available to the prospective borrower/ customer on demand and the same shall be displayed in the offices/ branches/ website.

### **H. Regulation of Excessive Interest Rate & Other charges**

- i. LOLC shall 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 shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- ii. The rates of interest and the approach for gradation of risks shall also be made available on the website or published in relevant newspaper. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.

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- iii. The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.
- iv. LOLC 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 also update the same on its website.
- v. LOLC shall disclose pricing related information to a prospective borrower in a standardized simplified Key factsheet (KFS). Any fees to be charged to the microfinance/retail borrower's by LOLC and/ or its partner/ agent shall be explicitly disclosed in the factsheet.
- vi. LOLC shall charge foreclosure charges / Pre-payment penalties on all floating rate term loans sanction to Borrower, except JLG loan borrowers.

## 4. Other Terms and Conditions

### A. Disclosures in loan agreement / Loan card / Ket Fact Statement (KFS)

- i. LOLC shall have a standard form of loan agreement/ /KFS. The loan agreement/ loan card /KFS shall preferably be in vernacular language.
- ii. The Loan card shall reflect the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011, as subsumed into the Master Directions:
  - information which adequately identifies the borrower and acknowledgements by the company of all repayments including installments received and the final discharge,
  - simplified factsheet on pricing
  - all other terms and conditions attached to the loan;
  - acknowledgements by the RE of all repayments including instalments received and the final discharge;
  - details of the grievance redressal system, including the name and contact number of the nodal officer of the RE
  - Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.
  - All entries in the Loan Card shall be in the vernacular language.
- iii. Key Factsheet (KFS) should be in standard format as directed by RBI. The KFS should be in vernacular language or as the language understood by the customer
  - information which adequately identifies the borrower & important terms of loan like amount of loan, tenure, EMI amount etc.
  - simplified factsheet on pricing
  - all other terms and conditions attached to the loan;
  - details of the grievance redressal system, including the name and contact number of the nodal officer of the RE
  - Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.

### **B. General**

- i. The FPC, in vernacular language, will be made available to the prospective customer on demand and the same shall be displayed by LOLC in its office and branch premises.
- ii. A statement shall be made in vernacular language and displayed by LOLC in the premises and in loan cards articulating the commitment to transparency and fair lending practices.
- iii. Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers;
- iv. Training, if any, offered to the borrowers shall be free of cost. Field staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products;
- v. The effective rate of interest charged, and the grievance redressal system set up by LOLC shall be prominently displayed in all offices/ branches/ website and in the literature issued by LOLC in vernacular language.
- vi. LOLC shall be accountable for preventing inappropriate staff behaviour/ behaviour of the staff of outsourced agency, if any and timely grievance redressal. A declaration that LOLC shall be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal, shall be made in the loan agreement.
- vii. The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers;
- viii. All sanctions and disbursement of loans shall be done only at a central location and more than one individual shall be involved in this function. In addition, there shall be close supervision of the disbursement function;
- ix. LOLC will not take any bribe or collect any unauthorized money from the customers

### **C. Non- Coercive Recovery Mechanism**

In the matter of recovery of loans, LOLC shall resort only to remedies which are legally and legitimately available to it and will avoid using recovery measures during odd hours of the day, undue harassment, and use of muscle power for recovery of loans. LOLC shall not resort to undue harassment of the customers. LOLC shall ensure that the staffs are adequately trained to deal with the customers in an appropriate manner and that the grievances are redressed on a timely basis.

Recovery shall normally be made only at a central designated place unless borrower fails to appear at central designated place on two or more successive occasions in which case recovery shall be made at the place of residence or work of the borrower.

LOLC or its agent shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:



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- 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 nonrepayment

The Grievance Redressal Policy of LOLC and as indicated above shall also apply for redressal of recovery related grievances.

## **5. Review and Updates**

- A periodical review of the compliance to this Code shall be put up to the Board on a half yearly basis.
- This Code shall be reviewed on an annual basis by the Board for any amendments required.
- This Code shall stand automatically updated in case of any new guidelines issued by RBI/ amendments of existing guidelines.
- In case of any conflict between this Code and applicable regulatory guidelines, the latter shall prevail.

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### Summary of change:

Reference	Existing	Change/Modification	Rational for change
4. Other terms and conditions	Not available	<p>iv. Key Factsheet (KFS) should be in standard format as directed by RBI. The KFS should be in vernacular language or as the language understood by the customer</p> <p>information which adequately identifies the borrower &amp; important terms of loan like amount of loan, tenure, EMI amount etc.</p> <ul style="list-style-type: none"> <li>• simplified factsheet on pricing</li> <li>• all other terms and conditions attached to the loan;</li> <li>• details of the grievance redressal system, including the name and contact number of the nodal officer of the RE</li> <li>• Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.</li> </ul>	Reference to KFS added
H.vii	LOLC shall charge foreclosure charges / Pre-payment penalties on all floating rate term loans sanction to Borrower, except JLG loan borrowers.	Not applicable	Removed, as not applicable

## Fair Practices Code

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