
FAIR PRACTICE CODE

VIVRITI CAPITAL LIMITED

Version	Approval Date
V1	4 th September 2017
V2	22 nd October 2018
V3	08 th November 2022
V4	05 th August 2023

As per Reserve Bank of India ('RBI') Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, and Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, all Regulated Entities ('REs') shall put in place a Fair Practice Code (FPC) approved by the Board of Directors of the Company.

Vivriti Capital Limited's ("VCL") Fair Practice Code ('FPC') has been prepared in line with the said directions from RBI.

The FPC will be applicable to all the offices of VCL and shall be binding on all the employees of the organization.

Objectives of the Fair Practice Code:

The objectives of the FPC are as follows:

1. Adopt best practices in dealing with the customer.
2. Follow legal and ethically tenable business practices.
3. Be transparent and provide all necessary information to the customer.
4. Provide a framework to review and align the processes/practices followed the partners and practices to be followed by VCL for MFI lending

VCL's Commitments

- The Company undertakes to abide by all applicable laws, regulations and guidelines passed / issued by the Regulators (Reserve Bank of India, SEBI, IRDA etc.) and other competent authorities such as Government, Local Authority etc.
- The Company undertakes not to discriminate customers on grounds of religion, caste, gender or language.
- The Company will provide clear and full information about its products and services to its customers / prospective customers and will not resort to any misleading or potentially misguiding advertisement or publicity.
- The Company undertakes to desist from introducing any products / services having elements of 'hidden charges' or lack of transparency.
- The Company undertakes to take all possible and reasonable measures to secure the safe custody of the security pledged by the customer and to compensate the customer for any accidental, inadvertent or fraudulent loss of the security whilst in the custody of the Company.
- The Company undertakes not to take advantage of any unintentional or clerical error made by the customer while transacting business.
- The Company is committed to put in place a system for promptly addressing complaints and suggestions of the customers supplemented with a structured Grievance Redressal Mechanism having an escalation matrix.
- The Company shall display the FPC on its website and also make available to the Customer, on request, a copy of the FPC on demand.

Fair Practices:**Loans:**

1. Loan documentation set will, inter alia, include the broad features and the terms and conditions governing the loan. This would enable the borrowers to take an informed decision by comparing and analysing the terms offered by the Company with other lenders in the market. The said Form shall also specify the documents required to be submitted by the borrowers.
2. Loan Application Form may also list out the additional information required from the borrowers and their family members to enable the Company to create the database.
3. Loan Application Form shall provide for giving an acknowledgement to the borrowers acknowledging receipt of the same.
4. All the loan applications shall be disposed of within a period of 90 days from the date of receipt of duly completed Loan Application Forms together with the requisite documents and subject to receipt of all documents complying with prevailing rules and regulations by the borrower.
5. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

Loan Appraisal and Terms/ Conditions:

1. The Company, before sanctioning the loan, would assess the ability of the borrowers to repay the loan.
2. The decision to lend shall be conveyed to the borrower by means of sanction letter, clearly showing the terms and conditions, annualized interest rate, method of application of interest and penal interest that shall be charged for the late payment.
3. Acceptance of the above terms and conditions and commercials indicated above shall be preserved in the company's records.

A copy of the facility agreement / documentation, along with a copy of each of all enclosures quoted in the loan agreement shall be furnished to the customer at the time of sanction/ disbursement of loans. Penal interest charged in case of late repayment shall be highlighted in bold in the loan agreement.

Disbursement of loans including changes in terms and conditions

The Company shall communicate via writing or updating on Company's website, any changes in terms and conditions of loan to the customer and apply the changes prospectively based on acceptance by the customer. The loan agreement to contain this clause explicitly mentioning that changes will be applicable prospectively.

Post Disbursement Supervision:

1. The decision, if any, of the Company to recall/accelerate payment or performance of loan shall be in accordance with the terms and conditions of the Loan Agreement.
2. The Company shall give reasonable time to the borrowers before recall the loan or asking for

accelerating the payment or performance subject to the terms and conditions contained in the Loan Agreement and other related documents.

3. The collaterals lying with the Company may be released on receipt of full and final repayment of loans subject of course to any legitimate right or lien and set off for any other claim that the Company might have against the borrowers. However, in cases where the borrower has availed facility allowing him to borrow/draw monies within the overall amount sanctioned as and when needed by him, the collateral may be retained by the Company for operational convenience.

Repossession in case of default:

The company shall have a built-in re-possession clause in the contract/loan agreement with the borrower for secured lending. However, the clause should be transparent and clearly lay out provisions regarding:

1. Repossession triggers
2. Notice period before taking possession
3. Procedure for taking possession
4. Provision for a final chance to be given to the borrower to clear dues before sale/auction of property
5. Procedure for sale/auction of property

Interest Rate Calculations:

1. The company shall adopt an interest rate model considering relevant factors such as cost of funds, margin and risk premium 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.
2. The rates of interest and the approach for gradation of risks shall also be made available on our web-site. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest.
3. The rate of interest should be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

Collection Process:

1. For recovery of loans to individuals, VCL shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc.
2. VCL shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

Confidentiality:

The Company may not reveal transaction details of the borrowers to any other persons except under following circumstances:

1. The information is required to be disclosed by any applicable law, any direction, request or requirement of government authority.
2. The information is required by the Auditor, professional advisors, agents or any third party service providers of the lenders who are under duty of confidentiality
3. The information is required by any person with which the lender may enter into any transfer, assignment, participation or other agreements
4. If the information is required by other banks if the borrower has availed any facility from them or any credit information bureau.

Complaints:

In case of any complaint/grievances of the borrowers, the same shall be intimated by them in writing to the Grievance Redressal Officer. The Grievance Redressal Officer shall immediately make all efforts to redress the grievances. The employees dealing with the aggrieved customer shall guide him/her to lodge a complaint.

Fair Practices for MFI Lending:

The VCL shall adopt following practices for MFI lending and ensure that framework is followed by the Co-lending Partners ('hereinafter referred to as 'Partners') and their fair practices is aligned to this code.

Lending Process:

1. VCL shall device a suitable standard operating procedure for lending with the partners which ensures that the
 - a. The process of applying for a loan will not be cumbersome
 - b. Only relevant documents and information, in accordance with KYC & income assessment norms set by RBI, will be collected from customers and their household members
 - c. All loan applications will be verified, and necessary checks are done to ensure the repayment capacity of the borrowers
2. There shall be a Board-approved policy
 - a. for assessment of household income
 - b. to limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income (FOIR). The FOIR shall be capped at 50%
3. The moratorium between grant of loan and due date of repayment of first instalment will be at least equal to repayment frequency

4. The customers shall be given flexibility of repayment periodicity on microfinance loans as per borrowers' requirement

Disbursement:

1. The disbursement time will be intimated to the customers in advance
2. All disbursement of loans will be done at a central location

Collection:

1. Collection will happen in a centralized location
2. Collection will be done by employees of the partners
3. VCL shall ensure that the code of conduct of the partners is aligned to the VCL Code of Conduct
4. VCL shall ensure that the partners have adequate process to ensure the Field staff is trained to inculcate appropriate behaviour towards customers
5. Collection by the field staff of the partner will not be done using any abusive or coercive methods
6. Customers will be informed about registering complaints on the customer care number and a suitable action will be taken.

Guidelines related to Recovery of Loans :

1. VCL & the partners shall have a suitable mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available
2. The following practices shall be deemed as harsh
 - a) Use of threatening or abusive language
 - b) Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
 - c) Harassing relatives, friends, or co-workers of the borrower
 - d) Publishing the name of borrowers
 - e) Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
 - f) Misleading the borrower about the extent of the debt or the consequences of non-repayment
3. The existing customer grievance redressal shall have provision for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursement

Pricing:

1. The rate of interest charged will be in adherence with the RBI guidelines and Credit Policy – Colending approved by the Board of Directors.
2. The interest rates charged will not be usurious
3. No fee on non-credit products/services will be collected without prior declaration to the Borrower
4. No security deposit or collateral will be collected
5. Borrowers can pre-pay the loans. No penalty will be charged on prepayment. However, there shall be a penalty interest for delayed payment that shall be applied on the overdue amount and not on the entire loan amount
6. All pricing related information to a prospective borrower will be disclosed in a standardised simplified factsheet which will be part of the loan card

7. Any fees to be charged to the microfinance borrower shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet
8. VCL and Partner 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
9. Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively
10. Training, if any, offered to the borrowers shall be free of cost and VCL shall ensure that partners are not charging for the same.

Loan Documentation:

1. The loan agreement for all microfinance loans offered by VCL shall be in a language understood by the borrower

Loan Agreement:

1. Loan Card: All borrowers shall receive a loan card which shall incorporate the following
 - a. Information which adequately identifies the borrower
 - b. Simplified factsheet on pricing
 - c. All other terms and conditions attached to the loan
 - d. Acknowledgements of all repayments including instalments received and the final discharge
 - e. Details of the grievance redressal system, including the name and contact number of the grievance redressal officer
 - f. All entries in the loan card shall be in a language understood by the borrower
 - g. Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself
2. All pricing related information to a prospective borrower shall be displayed in a standardised simplified factsheet as indicated by RBI. Any fees charged by VCL, or our partners or agents shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.
3. Provide standard factsheet for other loans (i.e., collateralized loans) extended to borrowers from low-income households.

Conduct towards customers:

1. VCL shall be accountable for inappropriate behaviour by its employees or employees of the partners 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.
2. VCL shall ensure that the Partner has a Board approved policy in place regarding the conduct of its employees and a system for their recruitment, training, and monitoring. The said policy shall lay down minimum qualifications for the staff and shall provide necessary training tools to deal with the customers.

Displays:

1. VCL shall ensure that partners prominently display the minimum, maximum and average interest rates charged on microfinance loans in all their offices and branches and in the literature (information booklets/ pamphlets in local language) issued by it and details on its website.
2. The VCL and partners branch will have the following information displayed for the benefit of the customer.
 - a. The FPC document, in the vernacular language, articulating VCL's commitment to transparency and fair lending practices
 - b. All the product details
 - c. The effective rate of interest charged to customer and all the components of loan commercials
 - d. A declaration that VCL or partner will be accountable for preventing inappropriate staff behaviour and providing timely grievance redressal
 - e. The name, contact number and the email address of the customer care-in-charge.
 - f. The contact details of the Officer-in-Charge of the Regional Office of DNBS of RBI under whose jurisdiction the office falls.

Grievance Redressal Mechanism

Grievance Redressal Mechanism for VCL is in place and the same can be accessed at - <https://www.vivriticapital.com/pdf/Grievances%20Redressal%20Mechanism.pdf>

The partners shall have adequate grievance redressal mechanism for resolving customer grievances.

Review

The Fair Practice Code shall be reviewed as and when the Company's Board of Directors deems it necessary to do so. Any change in the Fair Practice Code shall be immediately updated on the Company's website.