FAIR PRACTICES CODE

Introduction:

The Reserve Bank of India (RBI) had issued various guidelines on Fair Practices Code (FPC) for Non-Banking Financial Companies (NBFCs) thereby setting standards for fair business and corporate practices while dealing with their customers. The Fair Practice Code (FPC) has been formulated by VisionFund India Private Limited (the Company) in compliance with the guidelines issued by Reserve Bank of India vide circular No. RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015 (as amended from time to time).

The FPC will be applicable to all the offices of the Company including the Head/Registered Office, Chennai, all the offices and the Branches located across India. The FPC shall be binding on all the employees and officers of the Company.

Chapter -1 Who we are:

VisionFund India works to improve the lives of children by offering small loans and other financial services to families living in poverty. Our work empowers our clients to grow successful businesses that can enable children to grow up with improved health and education. We are committed to long-term change that will unlock potential for future generations.

2. Objective of the Code

The code has been developed with an objective of:

(i) Ensuring & Regulating fair practices while dealing with borrowers;
(ii) Enabling borrowers in having a better understanding of the product and taking informed decisions;
(iii) Building borrowers' confidence in the company;
(iv) Facilitate a continuously growing base of satisfied borrowers while scrupulously avoiding association with borrowers having doubtful credentials or criminal background;
(v) Deal with the Grievances redressal in a quick and efficient manner and to the satisfaction of the borrowers;
(vi) Have Escalation process, in the event of dissatisfaction of the borrowers in handling the complaint(s) raised.

Chapter -2 VisionFund India’s Fair practices code (FPC)

Section-1 Applications for loans and their processing:

(1) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

(2) Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form shall indicate the documents required to be submitted with the application form.

(3) VisionFund India shall devise a system of giving acknowledgement for receipt of all loan applications by sms or any other mechanisms. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.
Section-2 Loan appraisal and terms/ conditions:

The Company shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter/factsheet 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 penal interest charged for late repayment in bold in the loan agreement.

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.

Section-3 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 also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard must 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) In case the Company accepts any 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.

(4) VF India will acknowledge every payment received with electronic receipt such as SMS to the borrower and will also acknowledge it in the loan card.

Section -4 General:

(1) The Company 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).

(2) 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.

(3) In the matter of recovery of loans, the Company shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. The Company shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

(4) The Company 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)
Confidentiality

Unless authorized by the borrower, the Company will treat all his personal information as private and confidential.

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

i. If the Company is required to provide the information to any statutory or regulatory body or bodies;

ii. If arising out of a duty to the public to reveal the information;

iii. If it is in the interest of the borrowers to provide such information (e.g. fraud prevention);

iv. If the borrower has authorised the Company to provide such information to its group / associate / entities or companies or any such person/ entity as specifically agreed upon;

Section -5 Responsibility of Board of Directors:

The Board of Directors of the Company shall also lay down the appropriate grievance redressal mechanism within the organization. Such a mechanism shall ensure that all disputes arising out of the decisions of lending institutions functionaries are heard and disposed of at least at the next higher level.

The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

Section -6 Grievance Redressal Mechanism:

Any complaints from the borrowers on any functionaries or of the decisions of the Company will be heard at higher levels. The complaints can be made at the following levels to:

Section -7 First Level Grievance Redressal:

Customers are encouraged to record their initial suggestions and complaints in the customer complaints/suggestions register/ box maintained with the Branch Manager of their respective branch. Most of the queries which involve product functioning, loan disbursements in time, general complaints and queries could be raised with the Branch Manager and the nature of the query with details will be recorded in the register. A turnaround time of 7 days to get the queries/complaints answered is given at this level.
Section - 8 Second Level Grievance Redressal:

VisionFund India customers can reach us on our toll-free number 000-800-100-1071/phone number 044-2448 7235 or by Post at VisionFund India, # 4 VOC Main Road, Kodambakkam, Chennai, Tamil Nadu 600 024 or by email to complaint_india@visionfund.org

In case their query/complaint has not been mitigated within 7 days from the branch or the customer is having any other complaints. Customers are advised to provide the details of their center number, branch and nature of complaint along with the first level escalation with the respective branch (if any) to the executive who attends the call and a specific turnaround time has been defined to close the customer queries based on the nature of the call. A turnaround time of 7 days has been defined in this model to close the customer query/Complaint.

Section - 9 Third Level Grievance Redressal Forum:

Appellate authority- In case the grievance of the customer is not resolved or is not satisfied with the response, they can approach the Appellate Authority at VisionFund India Head Office and raise their complaint again as per guidelines in the following address:

Section - 10 Grievance Redressal Officer:

Mr. Binu Zachariah
Address:
Visionfund India, # 4 VOC Main Road, Kodambakkam, Chennai, Tamil Nadu 600 024
Phone Number : 044-2480 7235 E-mail ID: grievances_india@visionfund.org

Contact Timings for all the above lines- 9:30 am to 5:30 pm.

Any customer complaint/suggestion which reaches VisionFund India needs to be addressed and closed within the 3 layers of grievance in a span of 1 month - failing to which the customer could raise the issue with the regulatory authorities.

Sa-dhan Grievance Redressal: If the customer is not satisfied with the grievance cell and Appellate Authority’s response to the query/complaint, customer is free to raise the complaint with the monitoring board of Microfinance Industry Sa-dhan phone number +91-11-47174400

OR can raise the complaint with RBI at

If the complaint is not resolved within one month the Customer can approach “The General Manager, Reserve Bank of India, Department of Non-Banking Supervision, Chennai Regional Office, Fort Glacis, 16, Rajaji Salai, P.B. No.40, Chennai-600001, Tel: 044-2536 1490/ 2539 9222, Fax: 044 2539 3797 Email: dnbs@rbi.org.in

Section- 11 Language and mode of communicating Fair Practice Code

Fair Practices Code (which shall preferably be in the vernacular language or a language as understood by the borrower) shall be put in place by VisionFund India having customer interface with the approval of the Board. The same shall be put up on the website, for the information of various stakeholders.
Section 12 Regulation of excessive interest:

(1) The Board of VisionFund India shall adopt an interest rate model taking into account 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/factsheet.

(2) The rate of interest and the approach for gradation of risks shall also be made available on the website of the company. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.

(3) The rate of interest will be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

Section 13- Complaints about excessive interest charged

Board of VisionFund India, shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard the directions in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view.

Chapter -2 Non Banking Financial Companies (NBFCs) -MFIs

In addition to the general principles as above, VisionFund India shall adopt the following fair practices as prescribed by RBI Circular Number: DNBS (PD) CC No.388/03.10.042/2014-15 that are specific to the lending business and regulatory framework.

Section -1 General:

(a) The Fair Practices Code (FPC) in vernacular language shall be displayed by VisionFund India in its office and branch premises.

(b) A statement shall be made in vernacular language and displayed by VisionFund India in the premises and in loan cards articulating the commitment to transparency and fair lending practices

(c) Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers.

(d) 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.

(e) The effective rate of interest charged and the grievance redressal system set up by VisionFund India should be prominently displayed in all offices and in the literature issued by (in vernacular language) and on website.

(f) A declaration that the VisionFund India will be accountable for preventing inappropriate staff behaviour and timely grievance redressal shall be made in the loan agreement and also in the FPC displayed in 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) As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, all sanctions and disbursement of loans should be done only at a central location and more than one individual should be involved in this function. In addition, there should be close supervision of the disbursement function.

(i) Adequate steps may be taken to ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.

Section - 2 Disclosures in loan agreement / loan card /factsheet

(a) Board approved, standard form of loan agreement. The loan agreement shall preferably be in vernacular language.

(b) In the loan agreement the following shall be disclosed:

i. All the terms and conditions of the loan.

ii. That the pricing of 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).

iii. That there will be no penalty charged on delayed payment.

iv. That no Security Deposit / Margin is being collected from the borrower.

v. That the borrower cannot be a member of more than one SHG / JLG.

vi. The moratorium period between the grant of the loan and the due date of the repayment of the first instalment (as guided by the NBFC-MFIs (Reserve Bank) Directions, 2011).

vii. An assurance that the privacy of borrower data will be respected.

(c) The loan card/ factsheet should reflect the following details as specified in the Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 (Updated as on July 25, 2022):

i. the effective rate of interest charged,

ii. All other terms and conditions attached to the loan, including details on pricing and interest charged

iii. Information which adequately identifies the borrower and acknowledgements by the VisionFund India of all repayments including instalments received and the final discharge.

iv. The loan card should prominently mention the grievance redressal system set up by the VisionFund India and also the name and contact number of the nodal officer.

v. Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card/factsheet itself,

vi. All entries in the Loan Card should be in the vernacular language.

Section -3 Non-Coercive Methods of Recovery:

As specified the recovery should 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 two or more successive occasions.
The Company shall ensure that a Board approved policy is in place with regard to Code of Conduct by field staff and systems for the recruitment, training and supervision. The Code should lay down minimum qualifications necessary for the field staff and shall have necessary training tools identified for them to deal with the customers. Training to field staff shall include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices. Compensation methods for staff should have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties may also be imposed in cases of non-compliance by field staff with the Code of conduct. Generally only employees and not outsourced recovery agents be used for recovery in sensitive areas.

Section- 4 Internal control system

The Company, shall make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the company and establish systems of internal control including audit and periodic inspection to ensure the same.

Chapter-3 Lending against collateral of gold jewellery:

The Company presently not into lending against collateral of Gold Jewellery.

Chapter -4 Review

The compliance of the Fair Practices Code (FPC) as well as the functioning of the Customer Grievances Redressal Cell shall be reviewed by the Director on a Quarterly basis and a consolidated report of such reviews shall be placed before the Board of Directors. The Board of Directors of the Company shall Review Fair Practices Code and Functioning of Grievances Redressal Mechanism Annually.