

FAIR PRACTICE CODE (FPC)

Policy Owner

 **DIGAMBER FINANCE**[®]

INTRODUCTION AND APPLICABILITY OF THE CODE

The Reserve Bank of India, by its notification no. RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01 2015 along with all modification, if any, has prescribed the broad guidelines on fair practices that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies (NBFCs) and should be published and disseminated on the web-site of the Company for the information of the public.

Digamber Capfin Limited (hereinafter referred to as “DCL” or “the Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956 and is a Systematically Important Non-Deposit Taking (NBFC-ND-SI) and holding certificate of registration of NBFC MFI as per RBI guidelines.

DCL is engaged in the business of on lending to JLGs. The company provides microfinance loans under JLG model to poor women residents of urban, semi-urban & rural areas.

(I) APPLICATIONS FOR LOANS AND THEIR PROCESSING

- (a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower;
- (b) Loan application forms should 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 may indicate the documents required to be submitted with the application form.

(II) LOAN APPRAISAL AND TERMS/CONDITIONS

- (a) DCL shall convey in writing to the borrower in English or in vernacular language / the language as understood and confirmed by the borrower. In case of sanction of loan, the sanction letter shall contain the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof;

- (b) The acceptance of the terms and conditions communicated by the borrower shall be preserved by DCL on its record and copy of same shall be provided to the borrower upon request;
- (c) DCL shall mention the penal interest charged for late repayment in bold in the sanction letter and loan agreement;
- (d) DCL will invariably furnish a copy of loan agreement along with a copy of each enclosure quoted in the loan agreement to all clients at the time of sanction/disbursement of loan in English or in vernacular language / the language as understood by the borrower.

(III) DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS

- (a) DCL shall give notice to the borrower in English or in vernacular language / the language as understood by the borrower, of any change in the terms and conditions including disbursement schedule, interest rates, service charge etc. as applicable for NBFC MFI. Changes in interest rates and charges shall be effected prospectively and a suitable condition in this regard shall be incorporated in the loan agreement;
- (b) Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

(IV) GENERAL

- (a) DCL will refrain from interference 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 by the borrower, has come to its notice;
- (b) In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e., objection of DCL, if any, should be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per contractual terms entered into with the borrower and in consonance with statutes, rules, regulations and guidelines as may be applicable from time to time;

- (c) In the matter of recovery of loans, DCL shall resort only to remedies which are legally and legitimately available to it and will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.;
- (d) DCL shall ensure that its staff is adequately trained to deal with the customers in an appropriate manner;
- (e) DCL shall not charge foreclosure charges/ pre-payment penalties;
- (f) The FPC in vernacular language shall be displayed by DCL in its office and branch premises;
- (g) A statement shall be made in vernacular language and displayed by company in their premises and in loan cards articulating their commitment to transparency and fair lending practices;
- (h) Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers;
- (i) Training 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;
- (j) The effective rate of interest charged and the grievance Redressal system set up by the NBFC-MFI should be prominently displayed in all its offices and in the literature issued by it (in vernacular language) and on its website;
- (k) A declaration that DCL will be accountable for preventing inappropriate staff behavior and timely grievance Redressal shall be made in the loan agreement and also in the FPC displayed in its office/branch premises;
- (l) The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers;
- (m) As specified in the master circular of NBFC-MFIs and amendments thereafter, all sanctions and disbursement of loans should be done only at a central location (head office) and more than one individual should be involved in this function.

In addition, there should be close supervision of the disbursement function;

- (n) 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.

(V) GRIEVANCE REDRESSAL MECHANISM/ OMBUDSMAN COMMITTEE

An Ombudsman committee comprising is constituted to resolve all disputes arising in this regard. The Committee shall ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of as earliest.

DCL will display at its branches or places where business is transacted the name and contact details of the ombudsman committee which can be approached for resolution of complaints against the Company.

DCL will also display at its branches or places where business is transacted the contact details of the Regional Office of Department of Non-Banking Supervision of the Reserve Bank of India, under whose jurisdiction the registered office of DCL falls, which can be approached if the complaint / dispute is not redressed within a period of one month by the ombudsman committee/ Grievances Redressal Committee of DCL.

Note: Terms of reference of ombudsman committee is separately prescribed.

(VI) DISCLOSURES IN LOAN AGREEMENT / LOAN CARD

- (a) DCL will have board approved standard format of loan agreement. The loan agreement shall preferably be in vernacular language;
- (b) In loan agreement following shall be disclosed:
 - All the terms and conditions of the loan;
 - 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);

- That there will be no penalty charged on delayed payment;
 - That no Security Deposit / Margin is being collected from the borrower;
 - That the borrower cannot be a member of more than one SHG / JLG;
 - The moratorium period between the grant of the loan and the due date of the repayment of the first installment (as guided by the NBFC-MFIs (Reserve Bank) Directions, 2011 and amendments thereafter);
 - An assurance that the privacy of borrower data will be respected.
- (c) The loan card should reflect the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011 and amendments thereafter:
- The effective rate of interest charged;
 - All other terms and conditions attached to the loan;
 - Information which adequately identifies the borrower and acknowledgements by the NBFC-MFI of all repayments including installments received and the final discharge;
 - The loan card should prominently mention the grievance redressal system set up by the MFI and also the name and contact number of the nodal officer;
 - 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 should be in the vernacular language.

(VII) NON-COERCIVE METHODS OF RECOVERY

As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011 and amendments made thereafter, 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.

(VIII) PERIODIC REVIEW

The Board of Directors of DCL shall periodically review the compliance of the Fair Practices Code and the functioning of the Grievances Redressal Committee/Ombudsman committee. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

(IX) CONTENT ON THE WEBSITE

Appropriate disclosure regarding this Policy should be made on the Company website at <https://www.digamberfinance.com/corporate-governance/>

The information published in the website should be updated whenever there is a change in the policy.

Note:

In compliance with the guidelines on 'Fair Practices Code', DCL shall publish and disseminate the Fair Practices Code in English on the web-site of the Company and any borrower, client or stakeholder who wishes to obtain the same in vernacular language may request the Company to provide a translation thereof.

DIGAMBER CAPFIN LIMITED

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