

L&T FINANCE LIMITED

Fair Practice Code – Microfinance Loans

RBI Circular prescribes broad guidelines on Conduct towards Microfinance customers that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies.

The Fair Practices Code is aimed to provide to the customers effective overview of practices, which will be followed by the Company in respect of the financial facilities and services offered by the Company to its microfinance customers. The Code will facilitate the customers to take informed decisions in respect of the financial facilities and services to be availed by them and will apply to microfinance loan that the Company may sanction and disburse. Any subsequent revision in the RBI guidelines related to fair practice code, the revised RBI guidelines will supersede, the current Fair Practice Code to the extent it is not in compliance with the updated guidelines / instructions.

The Company's business would be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles. In addition, the Company would adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

a. General:

1. There shall be a standard form of loan agreement for microfinance loans in a language understood by the customer.
2. The Company shall provide a loan card to the customer which shall incorporate the following:
 - Information which adequately identifies the customer such as Account number
 - Simplified factsheet covering pricing, terms of sanction, repayment schedule, etc.;
 - All other terms and conditions attached to the loan;
 - Acknowledgements by the Company of all repayments including instalments received and the final discharge; and
 - Details of the grievance redressal system, including the name and contact number of the grievance redressal office of the Company.
3. All entries in the loan card should be in a language understood by the customer
4. Issuance of non-credit products shall be with full consent of the customers and fee structure for such products, if applicable, shall be explicitly communicated to the customer in loan card

b. Recovery of Loans:

1. The Company will have a dedicated vertical to engage with customers who have missed two or more EMIs on their due dates and are facing repayment related difficulties. These employees to be trained specifically to interact with customers facing repayment related

difficulties.

2. Recovery shall be made at a designated/ central designated place decided mutually by the customer and the Company. However, field staff may visit the place of residence or work of the customer, if the customer fails to appear at the designated/ central designated place on two or more successive occasions.
3. The Company or its agent shall not engage in any harsh methods towards recovery such as:
 - Use of threatening or abusive language
 - Calling or visiting the customer before 9:00 a.m. and after 6:00 p.m. However, collection team / agent may visit the place of customer at mutually agreed time, if so desired by the customer.
 - Harassing relatives, friends, or co-workers of the customer
 - Publishing the name of customers
 - Use or threat of use of violence or other similar means to harm the customer or customer's family/ assets/ reputation
 - Misleading the customer about the extent of the debt or the consequences of non-repayment

c. Engagement of Recovery Agents:

The Company shall follow the below guidelines in case of engagement of recovery agents:

1. The Company shall have a due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals involved in the recovery process. The Company shall ensure that the recovery agents engaged by them carry out verification of the antecedents of their employees, which shall include police verification. The Company shall carryout verification of the antecedents once in 3 years.
2. To ensure due notice and appropriate authorization, the Company shall provide the details of recovery agents to the customer while initiating the process of recovery. The agent shall also carry a copy of the notice and the authorization letter from the Company along with the identity card issued to him by the Company or the agency. Further, where the recovery agency is changed by the Company during the recovery process, in addition to the Company notifying the customer of the change, the new agent shall carry the notice and the authorization letter along with his identity card.
3. The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and the Company.
4. The up-to-date details of the recovery agencies engaged by the Company shall also be hosted on the website.

d. Grievance redressal mechanism:

The Company has in place a dedicated grievance redressal mechanism covered under Client Grievance Redressal Policy of the Company.

e. Outsourcing Activities:

1. In case of outsourcing of any activity by the Company, the onus of compliance with the RBI Circular shall rest with the Company.
2. The Company shall be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal. The declaration to this effect shall be incorporated in the loan agreement.

f. Wide Dissemination and Periodic Review:

The Company shall put this Fair Practices Code outlined hereinabove in all offices and on its website, for the information of various stakeholders. This Code shall be issued in a language understood by the customer. The Company would also review and refine the Code, as may be required periodically, based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard.
