



## **MUTHOOT MICROFIN LIMITED**

### **FAIR PRACTICES CODE**

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## **FAIR PRACTICES CODE**

Muthoot Microfin Limited (“MML” or the “Company”) is a Non-deposit taking, Systemically Important NBFC - MFI registered with Reserve Bank of India. To bring total transparency in the operation of the Company the following ‘Fair Practices Code’ (FPC) is recommended to be adopted by the Board. The Company’s Fair lending practices shall apply across all aspects of its operations including loan origination, processing, and servicing and collection activities. MML’s commitment to the FPC would be demonstrated in terms of employee accountability, monitoring and auditing programs, training and technology.

### **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. All necessary documents to comply with KYC norms of RBI in respect of the borrowers shall be collected.
3. 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.
4. An acknowledgement shall be provided for all loan applications received. The Company shall adopt an internal time frame for processing all loan applications and will also indicate the approximate time frame within which the loan application will be processed post the submission of completed application form.

### **Loan appraisal terms and conditions**

1. Loan applications shall be subject to the company’s credit appraisal process.
2. The Loan sanctioned along with the terms and conditions shall be communicated by means of a Sanction Letter in vernacular language and obtain the consent of a borrower by getting the signature of the applicant affixed on the copy of the Sanction Letter to be maintained with the branch as a record.
3. Borrower shall be provided loan card which contains repayment schedule in vernacular language. The loan card contains all the important terms and conditions of the loan including the annual effective rate of interest, processing fee, insurance premium and the terms and conditions.
4. The Company shall disclose pricing related information to a prospective borrower in a standardised simplified factsheet. Any fees to be charged to the microfinance borrower by the Company and/ or its partner/ agent shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet

5. A copy of the loan agreement in vernacular language along with the enclosures will be furnished to all the borrowers.
6. The Company shall not charge pre-payment penalty from the customers for microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

#### **Disbursement of loans including changes in terms and conditions**

1. The Company shall give notice to the Borrowers, of any changes to the terms and conditions, including disbursement schedule, interest rates, service charges etc in vernacular language. Changes in the interest rates and other charges shall be effected prospectively other than under circumstances arising from regulatory instructions.
2. Decision to recall / accelerate payment or performance under the agreement shall be in accordance with the terms and conditions of the Loan Agreement.
3. In case the Company accepts any security against the loans made, the same shall be released on repayment of all dues or on realization of the outstanding amount of loan, subject to any legitimate right or lien for any other claim the Company 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. Clients are given training to explain them the terms and conditions of the loan

#### **General**

1. The Company shall be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal.
2. The Company will refrain from interference in the affairs of its Borrower except for the purposes provided in the terms and conditions of the respective loan agreement (unless new information, not earlier disclosed by the Borrower, which may come to the notice of the Company).
3. For recovery of loan, the Company shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc.
4. The Company shall ensure that it's employees are adequately trained to deal with customers in an appropriate manner.
5. A statement shall be made in vernacular language and displayed in Branches, HO and in loan cards articulating our commitment to transparency and fair lending practices.
6. The Company shall adopt a board approved pricing policy. The policy shall take into account relevant factors such as cost of funds, margin, and risk premium etc.
7. The minimum, maximum and average interest rates charged on microfinance loans shall be prominently displayed in all branches & head office, in the literature issued (in vernacular language) and on the website of the company.
8. 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.
9. The approach for gradation of risk and rationale for charging different rates of interest of different categories of borrowers shall be disclosed to the borrowers in application form and communicated explicitly in sanction letter.
10. The rates of interest and the approach for gradation of risks shall also be made available on the website of the Company
11. Non-credit products issued, if any, shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.

#### **Disclosures in Loan agreement /Loan card**

1. The board approved standard form of loan agreement /loan card in vernacular language shall be followed.
2. The loan agreement shall disclose the following:
  - a. All the terms and conditions of the loan,

- b. the pricing of the loan
  - c. no pre-payment penalty and no Security Deposit/ Margin on microfinance loans,
  - d. An assurance that the privacy of borrower data will be respected.
  - e. The Company's accountability for any inappropriate staff behaviour and timely Grievance Redressal of the borrowers.
3. The loan card shall reflect the following details:
    - a. information which adequately identifies the borrower
    - b. simplified factsheet on pricing
    - c. all other terms and conditions attached to the loan,
    - d. acknowledgements by the Company of all repayments including installments received and the final discharge
    - e. Details of the grievance redressal system, including the name and contact number of the nodal officer of the Company
  4. Non-credit products issued if any shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.
  5. All entries in the Loan Card should be in the vernacular language.
  6. A copy of Loan agreement, Loan Card and Key Fact Sheet and Sanction letter shall be made available to the borrowers.

#### **Non- Coercive Methods of Recovery**

1. For microfinance loans, recovery shall be made only at a central designated place decided mutually by the borrower and the Company. 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.
2. The Company or its agents shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, 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 Company shall ensure that a Board approved policy is in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. Training to field staff/ recovery agents shall include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection/ recovery practices.
4. The Company shall have process/ framework for appraisal of field staff, where the compliance of code of conduct and conduct towards customers shall be one of the parameters for appropriate compensation.

5. The Company shall put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available

### **Customer Protection Principle**

1. The Company shall take adequate care in all phases of its credit processes to determine that customer have the capacity to repay without becoming over-indebted.
2. The pricing, terms, and conditions of microfinance loans (including interest charges, insurance premiums, all fees, etc.) will be transparent and will be adequately disclosed in a form understandable to clients
3. Employees of the Company will comply with high ethical standards in their interaction with customers and ensure that adequate safeguards are in place to detect and correct corruption or mistreatment of customers.
4. Recovery practices will not be abusive or coercive. Collection process must follow the collection procedures which are legally correct and binding.
5. The Company shall respect customers' privacy and shall treat customer information as private and confidential.
6. The Company complies with KYC Guidelines issued by RBI and has a detailed KYC-AML policy
7. The Company shall incorporate an adequate disclosure in the loan agreement on sharing client data with credit bureaus, statutory organizations, group companies and third parties and the acceptance of the borrower shall be obtained for internal record

### **Guidelines applicable to MSME LAP**

1. Upon full repayment or settlement of a loan, the Company shall release all original movable/immovable property documents and arrange for removal of any registered charge within 30 days, in accordance with applicable regulatory requirements.
2. The borrower may collect the original documents from the branch where the loan was serviced or any other Company office where the documents are available, as per the borrower's preference. The timeline and place of document return shall be communicated in the sanction letter and/or loan agreement.
3. In the event of the death of the borrower(s), the Company shall release the documents to the legal heir(s), nominee(s), or other person(s) legally entitled to receive them, in accordance with the Company's prescribed procedure.
4. Where there is any delay attributable to the Company in releasing the documents or removing the charge within the prescribed timeline, the Company shall communicate the reasons for such delay and provide compensation as required under applicable regulatory guidelines.
5. In case of loss or damage to original property documents while in the Company's custody, the Company shall assist the borrower in obtaining duplicate/certified copies, bear the associated costs, and provide compensation in accordance with applicable regulatory requirements.

### **Grievance Redressal Mechanism**

A separate redressal mechanism has been put in place for the Loans granted by the Company. 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 :

#### Through branch:

Customers are encouraged to record their initial suggestions and complaints in the customer complaints/suggestions register maintained by the Branch Manager of their respective branch. Most of the complaints which involve product functioning, loan disbursements in time, general complaints and queries could be raised with the Branch Relationship Manager and the nature of the query with details will be recorded in the register.

Toll-Free number

The customers can reach us on our toll-free number **1800 1027 631** for registering their complaints..

Grievance Redressal Officer

Mr. Antony Biju P A, Grievance Redressal Officer, Muthoot Microfin Ltd. Muthoot Towers, 5th Floor, Opposite Centre Square Mall, M.G Road, Cochin- 682 035, Phone: 0484 4105303, 0484 4105328 Or email to [mmlcomplaints@muthootmicrofin.com](mailto:mmlcomplaints@muthootmicrofin.com).

MFIN Grievance Redressal:

If the customer is not satisfied with the grievance cell response to the query/complaint, customer is free to raise the complaint with the monitoring board of Microfinance Industry - Microfinance Institutions Network (MFIN) toll-free number **1800 102 1080** (9:30 AM to 05:30 PM from Monday to Friday),

**OR** can raise the complaint with RBI Ombudsman at

If the customer had not received any reply from the Company within 30 days after the Company received the complaint; or the customer is not satisfied with the reply, the customer may lodge a complaint online through the portal <https://cms.rbi.org.in>. The complaint may also be submitted through email (at [crpc@rbi.org.in](mailto:crpc@rbi.org.in)) or physical mode to the Centralised Receipt and Processing Centre, 4th Floor, Reserve Bank of India, Sector-17, Central Vista, Chandigarh - 160017, within 90 days from the date on which the timeline of 30 days for resolving grievance by the Company expires or the date of the last communication from the Company whichever is later.