

**BWDA FINANCE LIMITED (“BFL”)**



**FAIR PRACTICE CODE**

## **Preamble:**

BWDA Finance Limited (hereinafter referred as “the Company” or “BFL”) a Non-Banking Financial Company (‘NBFC’) holding a valid Certificate of Registration (“CoR”) with Reserve Bank of India (‘RBI’) vide registration no. B-07.00499 under current RBI classification as NBFC Micro Finance Institution (NBFC-MFI)-NBFC.

### **1. Objective of the code**

- 1.1. Promote good, fair and trustworthy practices in dealing with the customers;
- 1.2. Greater transparency to enable the customers to have a better understanding of product and what they can reasonably expect of the services.
- 1.3. Promote a fair and cordial relationship between the customers and the Company.

### **2. Application for loans and their processing**

- 2.1. All communication to the borrower shall be in vernacular language or in English as understood by Borrower.
- 2.2. Application Form for loans will 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 borrower.
- 2.3. All the terms and conditions for loans should be detailed in the application form itself. The loan application form will indicate the documents required to be submitted for processing the application. However the company may depending on the credit requirements require other documents from customers as it may deem fit.
- 2.4. The Company will issue acknowledgement for receipt of all loan applications and such acknowledgement will also indicate the date within which the application will be disposed off which in normal case shall not exceed 10 working days from the date of receipt of the completed form with all requisite documents.

### **3. Loan appraisal and terms and conditions**

- 3.1. BFL must conduct proper due diligence to assess the income of the household based on the directions given by RBI
- 3.2. BFL will ensure that the limit on the outflows on account of repayment of monthly loan obligations of a household as a percentage of the monthly household income shall be subject to a limit of maximum 50 per cent of the monthly household income.
- 3.3. BFL will get the required CB checks to validate the household income and limit on monthly income
- 3.4. BFL must not, under any circumstance, breach the total outflow limit for any client, as prescribed by RBI. The Credit Bureau Report prior to disbursement of the loan should validate this.
- 3.5. Penal Interest /Overdue Interest for late repayment shall be mentioned in sanction letter / loan agreement in bold to draw attention of the borrower and shall be applied on the overdue amount and not on the entire loan amount.

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

- 4.1. BFL shall disclose pricing related information to a prospective borrower in a standardised simplified key factsheet as mandated by RBI
- 4.2. The Company will keep the acceptance of these terms and conditions by the borrower on its record. The loan shall be disbursed only on receipt of such acceptance.
- 4.3. Any fees to be charged to the microfinance borrower by BFL shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.
- 4.4. BFL 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. This information will also be included in the supervisory returns.
- 4.5. Any change in interest rate or any other charge charged by BFL shall be informed to the borrower well in advance and these changes shall be effective only prospectively.
- 4.6. BFL will have a standard form of loan agreement for microfinance loans in a language understood by the borrower
- 4.7. BFL's loan card to customer will have the following information:
  - 4.7.1. Borrower Information
  - 4.7.2. Simplified factsheet on pricing
  - 4.7.3. All terms and conditions attached to the loan.
  - 4.7.4. Acknowledgements by BFL of all repayments including instalments received and the final discharge; and
  - 4.7.5. Details of BFL's grievance redressal system, including the name and contact number of the nodal officer of BFL
- 4.8. All entries in the BFL loan card will be in a language understood by the borrower.
- 4.9. 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.
- 4.10. Formal records of all transactions must be maintained in accordance with all regulatory and statutory norms, and borrowers' acknowledgment/acceptance of terms/ conditions must form a part of these records.
- 4.11. Any decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.

## **5. Release of security**

- 5.1. The Company shall release all securities 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.
- 5.2. If the company has any claim against the borrower in respect of loan outstanding and repayment of all dues or on realization of outstanding amount of Loan, the company shall give to the borrower prior 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.

## **6. General**

- 6.1. The Company will not interfere 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 the notice of the lender)
- 6.2. In case of receipt of request from the borrower for transfer of borrowing account, the consent or otherwise i.e. objection of the Company, if any, should 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.
- 6.3. In the matter of recovery of loans, the Company will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.
- 6.4. Proper training shall be given to the personnel who are dealing with borrowers in regard to loan application/disbursement, so that they deal with customer/borrower in an appropriate manner.
- 6.5. The FPC in vernacular language shall be displayed by an NBFC-MFI in its office and branch premises.
- 6.6. A statement shall be made in vernacular language and displayed by NBFC-MFIs in their premises and in loan cards articulating their commitment to transparency and fair lending practices.
- 6.7. Field staff shall be trained to make necessary enquiries with regard to income and outflow assessment
- 6.8. 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.
- 6.9. The effective rate of interest charged and the grievance redress system set up by the NBFC-MFI shall be prominently displayed in all its offices and in the literature issued by it (in vernacular language) and on its website.
- 6.10. A declaration that the NBFC-MFI 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 its office/branch premises.
- 6.11. The KYC Directions of the Bank shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers.
- 6.12. All sanctions and disbursement of loans shall be done through banking channel.
- 6.13. Adequate steps shall 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.

## **7. Regulation of excessive interest charged:**

- 7.1. The company has adopted an interest rate model taking into account cost of funds, margin and risk premium for determining rate of interest to be charged for loans and advances.
- 7.2. The rate of interest to be charged depends much upon the gradation of the risk of the borrower viz. the financial strength, business, regulatory environment affecting the business, competition, past history of the borrower etc.
- 7.3. The rate of interest shall be annualized rate so that the borrower is aware of the exact rate that would be charged to the account. The said rate shall be disclosed to the borrower in application form and communicated explicitly in the sanction letter.

## **8. Disclosures in loan agreement / loan card**

- 8.1. BFL shall disclose pricing related information to a prospective borrower in a standardized simplified key factsheet as mandated by RBI
- 8.2. BFL's loan card to customer will have the following information:
  - 8.2.1. Borrower Information
  - 8.2.2. Simplified factsheet on pricing
  - 8.2.3. All terms and conditions attached to the loan.
  - 8.2.4. Acknowledgements by BFL of all repayments including instalments received and the final discharge; and
  - 8.2.5. Details of BFL's grievance redressal system, including the name and contact number of the nodal officer of BFL
- 8.3. All entries in the BFL loan card will be in a language understood by the borrower.
- 8.4. 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.

## **9. Non-coercive methods of recovery**

- 9.1. Recovery shall 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.
- 9.2. NBFC-MFIs 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. The Code shall 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.
- 9.3. Compensation methods for staff shall 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 out sourced recovery agents shall be used for recovery in sensitive areas.

## **10. Customer Protection Initiatives**

- 10.1. NBFC-MFIs shall ensure that greater resources are devoted to professional inputs in the formation of SHG/ JLG and appropriate training and skill development activities for capacity building and empowerment after formation of the groups.
- 10.2. All NBFC-MFIs shall be prudent and responsible in their lending activity besides educating their borrowers on the dangers of wasteful conspicuous consumption.

## **11. Updating of Code**

11. 1. The Senior Management of the company is entrusted with amend/modify the Fair Practice code or such other related guidance notes of Company, to be in line with RBI or such other statutory authority's requirements/updates/ amendments time to time and also submit the compliance report on regular intervals to the Board.