



Enabling Holistic Dignified Living

Fair Practice Code

[Version: 6.0]

Version History			
Version	Amendments	Date	Meeting in which adopted
1.0	First release	11.02.2016	Board Meeting
2.0	Second release	25.05.2016	Board Meeting
3.0	Third release	26.02.2018	Board Meeting
4.0	Fourth release	19.06.2018	Board Meeting
5.0	Fifth release	12.08.2019	Board Meeting
6.0	Six release		Board Meeting

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❖ DETAILS OF CHANGES

Sr. no.	Old Clause	New Clause
1	Version 5.0	Version 6.0
	-	<p>RBI GUIDELINES</p> <p>This Policy is based on the requirements mentioned in RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 01, 2016 and as amended from time to time and Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, dated March 14, 2022</p>
	<p>POLICY OBJECTIVE</p> <p>The objective of this document is to ensure fair treatment for all stakeholders and to maintain transparency and ethics in all its operations.</p>	<p>POLICY OBJECTIVE</p> <p>The objective of this document is to ensure fair treatment for all stakeholders and to maintain transparency and ethics in all its operations.</p> <p>Further, in this policy Light Microfinance Private Limited will be referred as “LIGHT” or “the Company”.</p>
	<p>Client</p> <p>For the purpose of Collection Policy client is defined as a person who has availed at least one of the loan products of the company.</p>	<p><u>1. DEFINITION:</u></p> <p><u>1. Borrower</u></p> <p>For the purpose of this Policy client is defined as a person who has availed at least one of the loan products of the company.</p>
	-	<p>General</p> <ol style="list-style-type: none"> 1. In the matter of recovery of loans, Light shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. 2. Light 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 shall also be included in the supervisory returns and subjected to supervisory scrutiny.
-		<p>Applications for loans and their processing</p> <p>Light 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 shall also be included in the supervisory returns and subjected to supervisory scrutiny..</p>
<p>Loan appraisal and terms/conditions</p> <p>Light does not charge any penal interest or late repayment fees for late repayment of loan amount.</p>		<p>Loan appraisal and terms/conditions</p> <p>1. No penal interest is charged for Pre-payment of the loan by the client. For delayed payments, the Company may charge penalty on the overdue amount of the loan (principle +interest).</p>
<p>Disclosure in loan agreement/loan passbook</p> <p>That no penalty is charged on delayed payment.</p>		<p>Disclosure in loan agreement/loan passbook</p> <p>1. details of penalty is charged on delayed payment. 2. Grievance redressal officer contact details</p>
-		<p>Disclosure in loan agreement/loan passbook</p> <p>Light also discloses the following details in the loan passbook.</p> <p>1. Factsheet on pricing.</p>
-		<p>Recovery Agency:</p> <p>1. Light may appoint recovery agents as per Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, dated March 14, 2022. 2. The Light shall have a due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals</p>

		<p>involved in the recovery process. Light shall ensure that the recovery agency carries out necessary and sufficient background verification of its employees, which shall include police verification. Light shall also decide the periodicity at which re-verification of background shall be conducted.</p> <ol style="list-style-type: none"> 3. Light to ensure that recovery agency and its employees adhere to the all the necessary policies towards collection of installments from the borrower of the company. 4. The employees of the recovery agency shall carry a copy the authorization letter issued by Light along with the identity card issued by the agency. 5. Where Light has changed the recovery agency during the recovery process, the employees of the recovery agency shall carry a copy of the notice in addition to the authorization letter issued by Light along with the identity card issued by the agency. 6. The up-to-date details of the recovery agencies engaged by Light shall also be hosted on companies' website. 7. Light or recovery agency shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh: <ol style="list-style-type: none"> (i) Use of threatening or abusive language (ii) Persistently calling the borrower and/ or calling the client before 9:00 a.m. and after 6:00 p.m. (iii) Harassing relatives, friends, or co-workers of the client (iv) Publishing the name of client (v) Use or threat of use of violence or other similar means to harm the Client or Client's family/ assets/ reputation. (vi) Misleading the Client about the extent of the debt or the consequences of non-repayment
	<p>Grievance Redressal Mechanism</p> <p>Company has set up grievance redressal system approved by the board and as per</p>	<p>Grievance Redressal Mechanism</p> <p>Company has set up grievance redressal system including recovery</p>

	<p>the RBI guidelines. For the purpose of grievance redressal following information has been displayed at all of our branches, offices and website</p>	<p>related grievances, approved by the board and as per the RBI guidelines. For the purpose of grievance redressal following information has been displayed at all of our branches, offices and website. The Company informs the borrower about such mechanism through loan documents</p>
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1. Mission

To develop products, mobilize capital and deploy technology, efficiently and innovatively, to deliver extremely reliable high touch borrower service.

2. Vision

To become the leading Microfinance products and services provider in India.

3. RBI GUIDELINES

This Policy is based on the requirements mentioned in RBI Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, dated September 01, 2016 and as amended from time to time and Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, dated March 14, 2022

4. POLICY OBJECTIVE

The objective of this document is to ensure fair treatment for all stakeholders and to maintain transparency and ethics in all its operations.

Further, in this policy Light Microfinance Private Limited will be referred as “LIGHT” or “the Company”.

5. DEFINITION:

1. Borrower

For the purpose of this Policy client is defined as a person who has availed at least one of the loan products of the company.

6. POLICY

6.1. GENERAL

1. FPC is displayed in vernacular language at all branches and offices of Light Microfinance Pvt.

- Ltd. ("Light"). All communication to the clients is in a language understood by them.
2. A statement in vernacular language articulating our commitment to transparency and fair lending practice is displayed at all branches and in loan agreement.
 3. Training is provided to our clients at no cost to make borrowers fully aware of the procedure and system related to Light loan products.
 4. All field staffs are trained to make necessary enquiries related to existing debt of the clients, train clients and to follow transparent and ethical practices.
 5. Light 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 shall also be included in the supervisory returns and subjected to supervisory scrutiny..
 6. Light ensures professional behavior of its employees toward its clients and timely grievance redressal and is accountable for preventing inappropriate staff behavior and delay in grievance redressal. A declaration regarding this is also made in the loan agreement document.
 7. Light maintains KYC policy in compliance with RBI guidelines. Due diligence is carried out each time client applies for the loan to ensure the repayment capacity of the client.
 8. Light refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement.
 9. In the matter of recovery of loans, Light shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc.

6.2. Applications for loans and their processing

1. All communications to the borrowers are in vernacular language or in a language understood by borrowers.
2. Loan application form includes necessary information which affects the interest of the clients, so that the informed decision can be taken by the clients. It also indicates the documents to be submitted with the application form.
3. An acknowledgement receipt is provided to clients on acceptance of loan application form. Time frame for loan application disposal is indicated in the acknowledgement.
4. A well-structured and smooth loan application process is followed, and disbursement date is communicated to the client in advance.
5. Light 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 shall also be included in the supervisory returns and subjected to supervisory scrutiny .

6.3. Loan appraisal and terms/conditions

1. Sanctioning of loan is communicated to the client in vernacular language by means of letter or otherwise, including amount of loan sanctioned, annualized interest rate along with terms and condition.

2. No penal interest is charged for Pre-payment of the loan by the client. For delayed payments, the Company may charge penalty on the overdue amount of the loan (principle +interest).
3. Loan agreement, including all terms and conditions and loan repayment schedule is provided to client at the time of loan sanctioning and a copy of same with acceptance from client is kept on record.

6.4. Disbursement of loan including changes in terms and condition

1. All loans are disbursed directly to client's bank account and all disbursements are in accordance with the RBI guidelines.
2. Light gives 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. A suitable condition in this regard is incorporated in the loan agreement.
3. Light releases 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 it has against clients. In case such right of set off is exercised Light gives notice to the client about the same with full particulars about the remaining claims and the conditions under which securities are retained till the relevant claim is settled/paid. We do not charge any penal interest or charges for any delayed payment or pre-closure of loans and the same is mentioned in bold in relevant communications, including loan agreement.

6.5. Disclosure in loan agreement/loan passbook

1. Light shall at all times have a standard format of loan agreement approved by the board or by the committee comprising of the Board Members. The Loan agreement shall preferably be in vernacular language
 - Following points are disclosed in loan agreement:
 - a. All the terms and conditions of the loan.
 - b. Pricing components of the loan, they are being the interest charge, the processing charge and the insurance premium (not inclusive of administrative charges, as per IRDA guidelines)
 - c. details of penalty charged on delayed payment.
 - d. That no Security Deposit / Margin is collected from the borrower.
 - e. That the client cannot be a member of more than one SHG/JLG.
 - f. That the moratorium between the grant of the loan and the due date of the repayment of the first installment.
 - g. Assurance that the privacy of client data is respected.
 - h. Grievance redressal officer contact details
2. Light also discloses the following details in the loan passbook:
 - a. The effective rate of interest charged.
 - b. Factsheet on pricing.
 - c. All other terms and conditions attached to the loan.
 - d. Information which will identify the borrower.

- e. Acknowledgements for all repayments including installments received and the final discharge.
- f. The grievance redressal system, including the name and contact number of the nodal officer
- g. Non-credit products issued is with full consent of the borrowers
- h. All entries in the Loan card will be in vernacular language.

6.6. Non-Coercive method of recovery

1. All collections are made at centrally designated place. In case of non-repayment of loan installment board approved loan repayment policy is followed.
2. A board approved policy is in place with regard to code of conduct by field staff and systems for their recruitment, training and supervision.
3. Light ensures not to follow any unethical practices for recovery of loans and does not contact clients at odd hours.
4. Employees and recovery agents are used for recovery of loan.

6.7. Recovery Agency:

1. Light may appoint recovery agents as per Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, dated March 14, 2022.
2. The Light shall have a due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals involved in the recovery process. Light shall ensure that the recovery agency carries out necessary and sufficient background verification of its employees, which shall include police verification. Light shall also decide the periodicity at which re-verification of background shall be conducted.
3. Light to ensure that recovery agency and its employees adhere to the all the necessary policies towards collection of installments from the borrower of the company.
4. The employees of the recovery agency shall carry a copy the authorization letter issued by Light along with the identity card issued by the agency.
5. Where Light has changed the recovery agency during the recovery process, the employees of the recovery agency shall carry a copy of the notice in addition to the authorization letter issued by Light along with the identity card issued by the agency.
6. The up-to-date details of the recovery agencies engaged by Light shall also be hosted on companies' website.
7. Light or recovery agency shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:
 - (i) Use of threatening or abusive language
 - (ii) Persistently calling the borrower and/ or calling the client before 9:00 a.m. and after 6:00 p.m.
 - (iii) Harassing relatives, friends, or co-workers of the client
 - (iv) Publishing the name of client
 - (v) Use or threat of use of violence or other similar means to harm the Client or Client's family/ assets/ reputation.
 - (vi) Misleading the Client about the extent of the debt or the consequences of non-repayment

6.8. Internal Control System

Light has designated senior officer of the Company for ensuring compliance of the above FPC. A system of internal control including audit and periodic inspection will be put in place to ensure the same.

6.9. Grievance Redressal Mechanism

Company has set up grievance redressal system including recovery related grievances, approved by the board and as per the RBI guidelines. For the purpose of grievance redressal following information has been displayed at all of our branches, offices and website. The Company informs the borrower about such mechanism through loan documents.

Grievance Redressal Officer: Mr. Jayesh Pramodrai Dave

Contact No.: 079-41057862

Email ID: grievanceredressal@lightmicrofinance.com

If the complaint / dispute is not redressed within a period of one month, the borrower may appeal to the Office-in-charge of the

Officer-in-Charge of the Regional Office of DNBS, RBI New Delhi Phone

011-23714456

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