YVU Financial Services Pvt. Ltd.

Fair Practice Code

Waiview Bhawan, Thoubal Wangmataba, Manipur

Introduction:

The Reserve Ban of India issued guidelines on Fair Practice Code (FPC) for all NBFCs. These guidelines are adopted by us and will be followed, while we are doing lending business.

YVU Financial Services Pvt. Ltd., herein after referred to as YVU Financial is a transparent organization. YVU Financial believes that being transparent is an essential element of accomplishing its objectives. The company seeks to to enable economically active poor to build a better life and promote financial inclusion. The company has always endeavored to operate as a good citizen.

YVU Financial follows various guidelines issued by Reserve Bank of India (RBI) on Fair Practices Code for NBFC-MFIs (Master circular RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 1, 2015) and has also adopted Industry Code of Conduct developed by MFIN (Microfinance Institutions Network) and Sa-Dhan (The Association of Community Development Finance Institutions).

YVU Financial follows this FPC in letter and spirit.

The FPC is elaborated in the following sections:

Section 1	General
Section 2	Lending practices
Section 3	Other operational practices

Section 1 General Practices

YVU Financial commits to the following practices outlined below:

1.1. To act honestly, fairly and reasonably in conducting microfinance activities.
1.2. To conduct our microfinance activities by means of fair competition, not seeking competitive advantages through illegal or unethical microfinance practices. No officer, employee, agent or other person acting on our behalf shall take unfair advantage of anyone by manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair practice.
1.3. To prominently display the Fair Practice Code in vernacular language on the company website for information of various stakeholders and on the notice board at all the branches.
1.4. To commit to fair practices, which balance respect for client's dignity and an understanding of a client's vulnerable situation, with reasonable pursuit of recovery of loans
1.5. To ensure that our services to our clients are not unethical and deceptive
1.6. To display the effective rate of interest charged and the grievance redressal system prominently in all branches, on the company website, and in vernacular language in the literature issued.
1.7. To design appropriate policies and operating guidelines to treat clients and employees with dignity.
1.8. To incorporate a transparent and professional governance system to ensure that staff and persons acting on their behalf are oriented and trained to put this Code into practice.
1.9. To carry out due diligence to ensure the repayment capacity of the borrowers.
1.10. To place before the Board of Directors, a Compliance/Management Report indicating the extent of compliance with the FPC, specifically indicating any deviations and reasons therefore, at the end of every half financial year.

Section 2 Lending Practices

2.1. Applications for loans and their processing

2.1.1. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

2.1.2. Loan application forms shall include necessary information that affects the interest of the client, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and an informed decision can be taken by them. Loan Application form shall include the details of documents required to be submitted with the form.

2.1.3. We shall have a system of giving acknowledgement to applicant for receipt of all loan applications.

2.1.4. YVU Financial shall ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per the pre-determined time structure.

2.1.5. YVU Financial shall comply with the KYC guidelines of RBI.

2.2. Loan appraisal and terms/conditions

2.2.1. We shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record.

2.2.2. We shall conduct proper due diligence to assess the need and repayment capacity of the loan applicant

2.2.3. We shall give loan amounts which commensurate with the repayment capacity of loan applicant

2.3. Disbursement of loans including changes in terms and conditions

2.3.1. To give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions (including disbursement schedule, interest rates, service charges, prepayment charges etc). YVU Financial will also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard will be incorporated in the loan agreement.

2.3.2. To ensure that any decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.

2.3.3. To 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 it 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 YVU Financial is entitled to retain the securities till the relevant claim is settled/paid.

2.3.4. To sanction and disburse loans only at a central location with more than one individual involved in this function and to closely supervise the disbursement function.

2.3.5. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the YVU Financial, if any, shall 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.

2.4. Grievance redressal mechanism

2.4.1. To refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).

2.4.2. To lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. To perform review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management

2.4.3. To inform clients about the existence and purpose of these mechanisms and how to access them.

2.4.4. To designate at least one grievance redressal official to handle complaints and/ or note any suggestions from the clients and make his/ her contact numbers easily accessible to clients.

2.4.5. To provide contact number of the concerned Loan officer or Field Executive from whom s/he can enquire about developments in the loan process.

2.4.6. To display the grievance redressal system prominently in all branches including the name and contact detail of the Grievance Redressal Officer and Regional Office DNBS of RBI who can be approached by public for resolution of complaints against the company.

2.5. Interest rates and other charges

2.5.1. The interest rates along with other charges, if any will be displayed in every branch offices.

2.5.2. To disclose the rates explicitly in the sanction letter.

2.5.3. The Board of YVU Financial will lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. The Board of YVU Financial will adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.

2.6. Disclosures in loan agreement / loan card / statements

2.6.1. To have a Board approved standard form of loan agreement.

2.6.2. To disclose the following in the loan agreement

i. All terms and conditions of the loan

ii. 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

iii. That there will be no penalty charged on delayed payment

iv. That no Security Deposit / Margin is being collected from the borrower

v. That the borrower cannot be a member of more than one SHG / JLG

vi. The moratorium between the grant of the loan and the due date of the repayment of the first installment

vii. An assurance that privacy of borrower data will be respected

2.6.3. To reflect the following in the loan card

i. Effective rate of interest charged

ii. Important terms and conditions attached to the loan

iii. Information which adequately identifies the borrower

iv. Acknowledgement of all repayments including installments received and the final discharge.

v. Grievance redressal system set up and also the name and contact number of the nodal officer

vi. Fee structure of all non-credit products issued

2.7. Non-coercive methods of recovery

2.7.1. YVU Financial will 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 will 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. Compensation methods for staff will 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 on cases of non-compliance of field staff with the Code of conduct. Generally only employees and not out sourced recovery agents will be used for recovery in sensitive areas.

2.7.2. To have clearly defined guidelines for employee interactions with clients.

2.7.3. To provide a valid receipt for each and every payment received from the borrower.

2.7.4. YVU Financial will ensure that all Staff and persons acting on behalf of the MFI

i. Use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients
ii. Do not contact clients at odd hours, as per the RBI guidelines for loan recovery agents.
iii. Do not indulge in any behavior that in any manner would suggest any kind of threat or violence.
iv. Do not visit clients at inappropriate occasions such as bereavement, sickness, etc. to collect dues.

2.8. Internal control system to ensure compliance with FPC

2.8.1. YVU Financial will put systems in place to ensure compliance with the Fair Practice Code. The company will make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the company and establish systems of internal control including audit and periodic inspection to ensure the same.

2.8.2. The Board will also provide for periodical review of the compliance of the Fair Practices Code at various levels of management. A consolidated report of such reviews will be submitted to the Board every quarter.

Section 3 Other Lending Practices

3.1. Governance

3.1.1. YVU Financial will observe high standards of governance, ensuring fairness, integrity and transparency by inducting persons with good and sound reputation, as members of Board of Directors.

3.1.2. YVU Financial will ensure transparency in the maintenance of books of accounts and reporting/ presentation and disclosure of financial statements by qualified auditor/s.

3.1.3. YVU Financial will put in our best efforts to follow the Audit and Assurance Standards issued by the Institute of Chartered Accountants of India (ICAI).

3.1.4. Place before the Board of Directors, a compliance report indicating the extent of compliance with this Voluntary Mutual Code of Conduct, specifically indicating any deviations and reasons therefore, at the end of every half financial year.