

Fair Practice Codes (FPC)

All elements of the Fair practice code issued by the RBI need to be adhered to by the NBFC- MFIs.

(i) Disclosures in loan agreement / loan card

(a) All NBFC –MFIs shall have a Board approved, standard form of loan agreement. The loan agreement shall preferably be in vernacular language.

In the loan agreement, the following shall be disclosed:

- a. All the terms and conditions of the loan
- b. 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)
- c. That there will be no penalty charged on the delayed payment
- d. That no security deposit/ margin is being collected from the borrower.
- e. That the borrower cannot be a member of more than one SHG/ JLG
- f. The moratorium period between the grant of the loan and the due date of the repayment of the first installment, an assurance that the privacy of borrower data shall be respected.

(b) The Bank will provide a loan card to the borrower which shall incorporate the following:-

- (i) Information which adequately identifies the borrower;
- (ii) The effective rate of interest charged;
- (iii) All other terms and conditions attached to the loan;
- (iv) Acknowledgements by the Bank of all repayments including instalments received and the final discharge; and
- (v) Details of the grievance redressal system, including the name and contact number of the nodal officer of the Bank.

(c) All entries in the loan card shall be in the vernacular language.

(d) 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.

(ii) Non-coercive methods of recovery

- a. 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.
- b. 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 the field staff shall include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection/recovery practices.
- c. 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.