



MUTHOOTTU MINI FINANCIERS LTD

Reviewed and approved by the Board in their Meeting held on 21-05-2025

FAIR PRACTICES CODE

1. Preamble

The Fair Practices Code (FPC) has been devised by Muthoottu Mini Financiers Ltd (MMFL) with a view to providing to all its stake holders, especially customers an effective overview of the practices followed by the Company while offering its products and services. This Fair Practice Code has amended as directed in the RBI Master Direction- Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (Ref: RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24, dated 19th October 2023) and Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 (Ref: RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/2021-22, dated 14th March 2022) and aims to enable customers to take informed decisions in respect of the facilities and services offered by the Company.

2. Objectives

This Code has been drawn aiming to:

- Provide to the customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the company to its Customers;
- Enable customers to take informed decision about the financial facilities and services offered by the Company
- Promote good, fair transparent and legally tenable practices by setting minimum standards in dealing with Customers
- Enable customers to have better understanding of what they can reasonably expect of the services offered by the Company
- Reckon with market forces through competition and strive to achieve higher operating standards
- Foster fair and cordial relationship between the customers and the Company

3. Key Commitments

- Act fairly and reasonably in all our dealings with customers
- Meet the commitments and standards in this code for the products and services we offer
- Make sure that our loan products and services meet relevant laws and regulations
- Ensure that our dealings with stakeholders will rest on ethical principles of integrity and transparency
- Abide by all applicable laws, regulations and guidelines passed/issued by Reserve Bank of India, SEBI, IRDA etc and other competent Government and local Authorities.
- The Company will provide clear and full information about its products and services to its customer's a/prospective customers and will not resort to any misleading or potentially misguiding advertisement or publicity.
- The Company is committed to put in place a system for promptly addressing complaints and suggestions of the customers supplemented with a structured Grievance Redressal Mechanism having an escalation matrix.
- The Company shall display the FPC on its website and also make available to the Customer, on request, a copy of the FPC on demand.

4. Applications for loans and their processing

- An application cum Agreement / Sanction / Terms & Conditions (AAST), in the vernacular language will be available at the branches and shall be signed by the borrower, along with the Gold which he/she proposes to pledge for the loan.
- An application cum Agreement / Sanction / Terms & Conditions (AAST) with loan card, in the vernacular language will be available at the branches and shall be signed by the micro finance borrower.
- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- Loan application forms shall include necessary information which affects the interest of the borrower. The loan application shall indicate the documents required to be submitted with the application form.
- An acknowledgment with time frame for disposing the application has been given to borrower after receiving the signed application form.
- A copy of the AAST shall be given to the borrower on disbursement of the loan.

- A KFS shall be issued to all prospective borrowers to help them take an informed view before executing the loan contract. The KFS shall be written in a language understood by such borrowers. Contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that he/she has understood the same.

5. Loan Appraisal and Terms /Conditions

- All gold loans will be sanctioned on the basis of a preliminary assaying of the purity of the pledged ornaments. These will be verified later on by qualified/experienced gold assayers appointed by the company and in case the purity of the pledged ornaments are below the minimum accepted level of purity approved by the company or purity as assessed at the time of pledge, the company reserves the right to recall such loans without delay or notice.
- The Company will issue a copy of the Application cum Agreement / Sanction / Terms & Conditions (AAST) to the borrower containing details of the Loan account Number, Loan amount sanctioned, jewellery pledged and applicable interest rates, Other Charges, etc. AAST will bear the signature of the authorized officials of the company, signature of the borrower and which will also serve as a receipt for the security (gold) pledged at the branch by the customer.
- All Microfinance loans will be sanctioned by conducting proper group meeting and after verification of KYC documents, and analyzing the Annual household income, monthly obligations details etc. of borrowers.

6. Penal Charges in Loan Accounts

- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as “penal charges” and shall not be levied in the form of “penal interest”. There shall be no capitalization of penal charges.
- The Company shall mention the penalties charged for late repayment in bold in the loan agreement.
- The quantum and reason for penal charges shall be disclosed to the customers by the company in the loan agreement and most important terms & conditions/Key Fact Statement (KFS), in addition to being displayed on the company’s website under Interest rates and Service Charges.
- The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- The penal charges in case of loans sanctioned to ‘individual borrowers, for purposes other than business’, shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions

- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instances of levy of penal charges and the reason thereof shall also be communicated.

7. Disbursement of loans including changes in terms and conditions

- The company shall give 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. All changes in interest rates, services and other charges shall only be prospective in nature.
- Decision to recall/accelerate payments or performance under the agreement shall be in consonance with the loan agreement.
- 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 have against them. If such right of set off is 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.

8. Policy on KYC, Appraisal, Insurance, Storage of Securities, Auction etc,

The Company shall put in place a policy duly approved by the Board of Directors covering the following aspects:

- Adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan.
- Proper appraisal procedure for assessing the value and purity of the jewellery accepted as collateral security
- Declaration shall be obtained from the borrower confirming ownership of gold jewellery
- All branches shall have proper storage facility of either Strong Rooms or Safes conforming to BIS Standards of reputed make to store the jewellery in safe custody. The keys to the strong room/safe shall be held separately by two officials and the operations thereof shall be done jointly. The staff shall be imparted training on a continuous basis to ensure that the guidelines covering security issues are strictly adhered to. The gold items shall be periodically inspected by the internal auditors to ensure quality, quantity and proper storage.
- The jewellery accepted as collateral security shall be adequately and appropriately insured.

- **The auction procedure in case of non – repayment shall be transparent.** Prior notice to the borrower shall be given before the auction and there shall not be any conflict of interest. The auction process shall ensure that an arm's length relationship in all transactions during the auction is maintained including with group companies and related entities. The details regarding procedure for auction shall be disclosed in the loan document for availing the loan. The auction will be only through auctioneers approved by the Board and the Company shall not participate in the auction. The auction shall be announced to the public by issuing advertisements in at least two newspapers, one in vernacular language and the other in a national daily newspaper.
- Any fraud in the functioning of the Company shall be enquired into by the appropriate authority and suitable punitive measure shall be taken by the appropriate disciplinary authority. Any review of the decision of the disciplinary authority shall be carried out by the Managing Director.

9. Responsible Lending Conduct – Release of movable/immovable property documents on repayment/ settlement of personal loans

- i) MMFL shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment /settlement of the loan account.
- ii) The borrower shall be given the option of collecting the original movable/immovable property documents either from branch where the loan account was serviced or any other office of the MMFL where the documents are available, as per her/his preference.
- iii) The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.
- iv) In order to address the contingent event of demise of the sole borrower or joint borrowers, MMFL shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of MMFL along with other similar policies and procedures for customer information.
- v) Compensation for delay in release of movable/immovable property documents and other clauses mentioned here under responsible lending credit will be applicable as per RBI Vide circular DoR.MCS.REC.38/01.01.001/2023-24 dated September 13, 2023.

10. Guidelines on conduct towards Microfinance Borrowers

- a) The Company shall have a standard form of loan agreement. The loan agreement shall preferably be in vernacular language.
- b) In the loan agreement the following shall be disclosed.

- All the terms and conditions of the loan,
 - The pricing of the loan has been separately provided in the Interest Rate policy.
 - Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount,
 - No security deposit/margin is being collected from the borrower,
 - The moratorium period between the grant of the loan and the due date of the repayment of the first instalment.
 - An assurance that the privacy of borrower data will be respected.
- c) The loan card shall reflect the following details:
- The effective Rate of Interest (ROI) charged
 - All other terms and conditions attached to the loan
 - Simplified factsheet on pricing
 - Information which adequately identifies the borrower and acknowledgements by the Company of all repayments including instalments received and the final discharge.
 - The loan card shall prominently mention the grievance redressal system set up by the Company and also the name and contact number of the nodal officer
 - If any non-credit products issued it shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.
 - All entries in the Loan Card shall be in the vernacular language.

11. Customer Service & Grievance Redressal

- The Company will implement all possible steps to prevent and minimize customer complaints/grievances.
- The company will facilitate the customer to pay the whole or part of the dues at the branch of the company or online subject to the condition that delivery of the pledged security shall be made only at the branch where loan was originally disbursed.
- The Company will put in place an effective Customer Grievance Redressal Mechanism, details of which will be displayed on the website and in all the branches. The mechanism will specify inter-alia the names & designations of the officials with whom complaints can be registered, their postal address /telephone numbers/email address, escalation matrix, time limit for acknowledging receipt of the complaint, time limit for

dealing with the complaint etc. It will also put in place at all offices where business is transacted, the complete contact details of the Regional Office of RBI, Thiruvananthapuram, (within whose jurisdiction the registered office of the company is situated), so that the customer may directly approach the RBI in case their grievances are not redressed within one month of the receipt of complaints by the company.

12. Marketing and promotions

- a) The Company shall not deliberately provide any product contrary to the need or expectation of the customer
- b) Company shall not market or advertise any product with hidden charges, if any. Full and updated information regarding loan schemes, loan per gram charges etc. will be displayed in the websites of the Company and also will be displayed in the branches.
- c) Complete or select information will also be made available through various media channels, posters, brochures, notices, displays etc. based on the decision of the management of the Company from time to time.

13. RECOVERY OF DUES, EXERCISE OF LIEN & DELIVERY OF SECURITY

- i) The Company will not, as a matter of fair dealing, normally recall the loan before the initially agreed tenure except in unanticipated or abnormal circumstances where the Company's interests are adversely affected e.g. when the security value diminishes substantially, when the quality of gold is not found to be acceptable, due to any regulatory / government directives etc. In all such cases proper and reasonable notice shall be given to the customer recalling the loan before expiry of the normal tenure.
- ii) The Company will exercise only legitimate right of lien over the pledged security or such cash surplus as may arise upon settlement of existing loans at any time. Such right of lien shall arise only if the customer has any other dues, either directly or as guarantor, and will be subject to proper intimation of such right of lien being given to the customer by the Company.
- iii) The Company shall issue a signed and, normally, a system generated receipt for all cash payments made by the customer immediately. The Company shall also accept payments vide cheques, electronic transfers etc. subject to the condition that return of the security (gold) will be made only after confirmation of realization.
- iv) The Company shall, on demand, provide the customer or his duly authorized representative with a statement of the loan account at any time during the currency of the loan or immediately upon closure. However, the Company may, at its discretion, require payment of reasonable processing charges by the customer for providing statement of account if such demand is made 30 calendar days after closure of the account.
- v) The Company will resort to disposal of security (gold) only as a last resort and that too after

adequate and proper notice is served on the customer to repay the dues. Such notice will be as per the terms contained in the sanction letter (pawn ticket) and also in compliance with applicable laws and regulatory guidelines. The disposal of the security (gold) will be taken up through public auction when the customer does not positively respond to the communications sent by the Company to close the loan account along with interest and other charges.

- vi) The Company prefers and encourages customers to take back delivery of the security immediately upon full settlement of all dues. However, should there be exceptional instance of the Customer being unable to take delivery of the security (gold), not attributable to the inability of the Company, after closure of the loan account reasonable safe custody charges may be payable which will be duly advised to the customers.
- vii) The Company will not interfere in the affairs of the customers except for the purposes mentioned in the terms & conditions of the loan or when constrained to do so due to inadequate or false disclosures made by the borrower at the time of putting through the transactions

All loans are sanctioned at the sole discretion of the company

14. Confidentiality

- Unless authorized by the borrower, the Company will treat all personal information as private and confidential.
- The Company may not reveal transaction details of the borrowers to any other persons except under the following circumstances.
 1. If the Company is required to provide information as per regulatory directives to any statutory or regulatory body or bodies.
 2. If arising out of duty to the public to reveal the information
 3. If it is in the interest of the borrowers to provide such information (eg: Fraud Prevention)
 4. If the borrower has authorized the Company to provide such information to its group/associate/entities or Companies or any such person/entity as specifically agreed upon.

15. General

- The Company shall refrain from interference in the matters of the borrower, except for the purpose provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed)
- In the matter of recovery of loans, the company shall not resort to undue harassment, viz., persistently bothering the borrowers at odd hours, use muscle power for recovery

of loans etc.

- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the company, 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.
- The company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of the company shall render all possible assistance to such persons for availing of the various business facilities. Company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels.
- Further, company shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism.
- This code will be periodically reviewed and updated in accordance with amendments notified by RBI circulars.
