

## **MUTHOOTTU MINI FINANCIERS LTD (MMFL)**

### **FAIR PRACTICES CODE**

*Reviewed by the Board of Directors in their Meeting held on 10-09-2020*

#### **Preamble**

The Fair Practices Code (FPC) has been devised by Muthoottu Mini Financiers Ltd (Company) in response to the guidelines issued by Reserve Bank of India vide circular DNBS.CC.PD.No226/03.10.01/2011-12 dated 26 March 2012 titled “Guidelines on Fair Practices Code for NBFCs”.

The FPC will be applicable to all offices of the Company including the Head Office, Corporate Office, Zonal Offices, Regional Offices and Branches. This Fair Practices Code is aimed to provide to all the stake holders, especially customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the Company to its Customers and aims to enable customers to take informed decisions in respect of the facilities and services offered by the Company.

#### **II. Objectives**

This Code has been drawn up to:

- a) 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;
- b) Enable customers to take informed decision about the financial facilities and services offered by the Company;
- c) Promote good, fair, transparent and trustworthy practices by setting minimum standards in dealings with customers;
- d) Enable customers to have better understanding of what they can reasonably expect of the services offered by the Company;
- e) Reckon with market forces, through competition and strive to achieve higher operating standards;
- f) Foster fair and cordial relationship between the customers and the Company.

#### **III. Key commitments**

- a) Act fairly and reasonably in all our dealings with customers
- b) Meet the commitments and standards in this code for the products and services we offer
- c) Make sure that our loan products and services meet relevant laws and regulations
- d) Ensure that our dealings with stakeholders will rest on ethical principles of integrity and transparency
- e) 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

f) The Company will provide clear and full information about its products and services to its customers / prospective customers and will not resort to any misleading or potentially misguiding advertisement or publicity.

g) 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.

h) 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.

#### **IV. Applications for loans and their processing**

a) An application in the vernacular language will be available in the branches and shall be signed by the borrower along with the Gold which he proposes to pledge against Loan. b) If any additional documents or information are required from the customer, same shall be communicated to the customer immediately.

c) Company will issue a Sanction letter to the borrower containing details about the loan sanctioned, jewellery pledged and applicable interest rates.

d) The Company shall ensure that a loan sanction letter (pawn ticket) is given to the customer containing all the terms and conditions governing the loan facility in the local language or other language understood by the customer. The loan sanction letter (pawn ticket) will also mention the loan amount, loan account number, interest rate, charges, loan processing fees etc. The loan sanction letter (pawn ticket) which will bear the signature of the authorized official of the company will also serve as a receipt for the security (gold) pledged at the branch by the customer. 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

e) Changes in terms and conditions of the loan;

a. All changes in interest rates, services and other charges shall only be prospective in nature

b. Company shall give notice to the borrower of any changes in terms and conditions before these are affected including the rate of interest.

f) Every borrower is entitled to receive back the securities offered for the loan availed. However, where the borrower has any other liability with the Company, the Company reserves the right to not to release the securities. A lien of the above order will be exercised only after giving due notice to the borrower.

*The interest rates on gold loans will be fixed by the company on the basis of the following internal valuations.*

a) The company lends varying amounts per gram of the gold (LTV) depending upon the market value as detailed by RBI direction and the purity of the gold. As per the risk assessment of the Company a higher LTV is a riskier than a lower LTV. Accordingly, lower LTV attracts lower rate of interest and

higher LTV attracts higher interest rate. Similarly, interest rates varies with the period of loan ie the rate of interest progressively goes up with the increase in the period of loan.

b) Cost of funds: Interest on loans will be levied as a markup on the current cost of funds. The current cost of funds for this purpose means the incremental cost of borrowings of the company and its operating cost.

c) The interest rates charged by the Company shall always be expressed in compound interest rates with monthly rests. The annualized interests will also be given in the document.

d) If penal interest is to be levied for late payment it shall be mentioned in the loan agreement.

## **V. 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

## **VI. 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.

## **VII. 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:

a) 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.

b) Proper appraisal procedure for jewellery accepted as collateral security.

c) Declaration shall be obtained from the borrower confirming ownership of gold jewellery.

d) All branches shall have proper storage facility of either Strong Rooms or Safes conforming to ISI Standards of approved make to store the jewellery in safe custody. The keys to the strong room/safe shall be held separately by more than one 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

e) The jewellery accepted as collateral security shall be 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/e- auctioneers approved by the Board and the Company or any of its sister concerns 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.

f) 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 Board.

## **CUSTOMER SERVICE & GRIEVANCE REDRESSAL**

i) The Company will implement all possible steps to prevent and minimize customer complaints / grievances

ii) 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.

iii) 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 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, Thiruvananthpuram, within whose jurisdiction the registered office of the company is situated, so that the customers may directly approach the RBI in case their grievances are not redressed within one month of the receipt of complaints by the company”

\*\*\*\*\*