

Fair Practice Code

Version 3.0

November, 2025

1. Introduction

SATYA (the 'Company') being a Microfinance Institution extends its services to the rural women entrepreneurs who are at the bottom of the pyramid, through Joint Liability Group ('JLG') model for income generation purposes. The Company also extends loans to the individuals/Companies etc. for business expansion, working capital requirements, home improvement etc. under unsecured MSME Category and property backed loans under Secured MSME Category.

This Fair Practice Code has amended as per the extant of Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038/2021-22, dated 14th March 2022 and Master Direction- Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as amended from time to time.

The Company is abided to adhere the Fair Practice Code ['FPC'] as stipulated by RBI from time to time and will be applicable to all the offices of the Company including but not limited to Head Office, Regional Office, Zonal Officer, State Office and the Branch offices located PAN India.

2. Objective of the Code

The Fair Practice code has been developed with an objective of:

- To ensure fair practices while dealing with customers.
- To promote greater transparency, enabling customers to have a better understanding of the product and so that well-informed decisions may be taken.
- To build customer confidence in the institution and strengthen mechanisms for redressal of customer grievances.
- To ensure reasonableness and transparency in disclosure of penal charges.

The Fair Practices Code will be displayed in all our Branch Offices, Regional/State/Zonal and the Head Office as well as the Company website and also make available to the Customer, on request, a copy of the FPC on demand.

3. Fair Practice for MSME and other lending activities:

(a) Applications for loans and their processing:

- The Loan Application form of the Company would indicate the list of documents required to be submitted by the borrowers along with the application form.
- The Company shall obtain KYC documents from the borrowers as per the KYC guidelines and validate the same before extending loans.
- The Company would inform the borrowers about the loan products, loan features and terms & conditions along with other necessary details at the time of loan application/ sanctioning of loan.
- The Borrowers shall be provided contact no. of the field staff or branch manager to enquire

the status of loan applications.

- The Company shall communicate to the borrower in the vernacular language or language as understood by the borrower.
- Loan application forms provided by the Company should include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower.
- The Company will furnish the acknowledgement for receipt of loan application to the borrowers. The time frame within which loan application will be disposed off shall also be indicated in the acknowledgement.
- The Company shall obtain the explicit consent of the borrowers before extending any non-credit products (financial and non-financial products. Non-Credit products shall not be sold as pre-condition for the loan product.

(b) Loan appraisal and terms/ conditions; and Key Fact Statement for Loans and Advances:

- The Company shall undertake proper assessment of loan applications in line with the Company's credit policies and processes.
- Post approval of the loan, the Company will convey in writing to the borrowers in the vernacular language as understood by the borrower by means of sanction letter or otherwise consisting of the following:

- (i) the amount of loan sanctioned,
- (ii) the terms and conditions of the loan
- (iii) Annualized rate of interest
- (iv) method of application of the annualized rate of interest
- (v) Processing Fees and other charges included in the loan amount.

- The Company shall keep the written acceptance of these terms and conditions by the borrowers in its record/safe custody.
- The Company shall apply penal charges for delayed payment on the overdue amount and not on the entire loan amount which will be marked in bold in the loan agreement.
- The Company shall furnish a copy of the loan agreement, preferably in the vernacular language or a language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to the borrowers at the time of sanction/disbursement of loans.

(c) Key Fact Statement ('KFS') and Annual Percentage Rate ('APR'):

1. The Company shall provide KFS to all prospective borrowers to help them take an informed decision before executing the loan contract as per the standard format and in language understood by the borrowers.
2. Contents of KFS shall be explained to the borrowers and an acknowledgement shall be obtained regarding their understanding on the same.
3. The Company shall provide KFS with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days. The Company has no such loan having tenor of less than seven days.

4. The Company shall also provide computation sheet of annual percentage rate (APR) and the amortization schedule of the loan over the loan tenor along with KFS.
5. APR shall contain the details of all the charges which are levied by the Company inclusive of Charges recovered on behalf of third-party service providers on actual basis [such as insurance charges, legal charges etc.] shall be disclosed separately. In case, where such charges cannot be determined upfront [prior to sanction], the Company may indicate an upper ceiling on charges/fee payable.
6. The Company shall provide the receipts and related documents to the borrower for each payment within a reasonable time, wherever the Company is engaged in recovering third party charges.
7. The Company shall not charge any fees, charges, etc. which are not mentioned in the KFS, to the borrower at any stage during the term of the loan, without explicit consent of the borrower.

(d) Penal Charges in Loan Account:

- The Company would ensure that 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**' that is added to the rate of interest charged on the advances.
- The Company shall ensure that there shall be no capitalization of penal charges.
- The Company shall not introduce any additional component to the rate of interest.
- The company shall ensure that 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 Company shall ensure that the penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- The Company shall ensure that whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges are also communicated to the borrowers.
- The Company shall ensure that any instance of levy of penal charges and the reason therefore shall be communicated to the borrowers.
- The Company shall publish on its website under Interest rates and Service Charges the quantum of penal charges for information of the customer.

(e) Fair Practices Code for Lenders - Charging of Interest:

- The Company can charge interest only from the date of disbursement.
- In the case of disbursal or repayment of loans during the month, the Company can charge interest

only for the period for which the loan was outstanding.

- The Company can charge interest after netting off the advance EMI's from the disbursement amount.

(f) Disbursement of loans including changes in terms and conditions:

- The Company would ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanctions.
- The Company shall give 3 months' notice in the vernacular or language as understood by the Borrowers of any changes to the terms and conditions including disbursement schedule, interest rates, service charges, pre-payment charges and all other charges/ deductions which may arise as per the company policy. (Exemption will be for any regulatory directives to be implemented with specified timelines which may be earlier than 3 months)
- The Company shall ensure that changes in the interest rates and other charges shall be affected prospectively other than under circumstances arising from regulatory instructions. Retrospective changes shall as far as possible be avoided and shall be implemented only within the framework defined in the Loan Agreements.
- The Company will take the decision to recall/accelerate payment or performance under the agreement as agreed with the borrower in consonance with the loan agreement.

(g) Release of movable/immovable property documents on repayment/ settlement of personal loans:

- The Company 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.
- 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 Company where the documents are available, as per her/his preference.
- 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.
- In order to address the contingent event of demise of the sole borrower or joint borrowers, The Company shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedures shall be displayed on the website of the Company along with other similar policies and procedures for customer information

(h) Compensation for delay in release of movable/immovable property documents:

- In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, reasons for such delay shall be communicated to the borrower.
- In case where the delay is attributable to the Company, compensation at the rate of Rs. 5,000 for each day of delay shall be provided to the borrower.
- In case of loss/damage to original movable/immovable property documents, either in part or in full, the Company shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (b) above. In such cases, an additional 30 days timeline will be available to the Company to complete the procedure

and delayed period penalty will be calculated after 60 days.

(i) **General:**

- The Company will not interfere in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement, unless new information, not earlier disclosed by the borrower, has come to the notice of the Company.
- In case of receipt of request from the borrower for transfer of borrower account, the consentor otherwise i.e. objection of company if any is generally conveyed within 21 days from the date of receipt of request. Such transfer will be as per transparent contractual terms in consonance with all the applicable laws.
- The Company will not resort to undue harassment i.e. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.
- The Company will ensure that its staff is adequately trained to deal with the customers in an appropriate manner without resorting to rude behaviour.
- The Company has not engaged any recovery agents for recovery of dues from its borrowers.

(j) **Periodical review of compliance to the fair practice code:**

- The Company shall incorporate verification and checks for compliance of all the practices through the specific designated officials in the hierarchy and through effective internal audit/ periodical inspections.
- Company's management will ensure to submit an annual report to its Board on review of compliance to Fair Practices Code and functioning of grievance redressal system at various levels of management.
- Internal audit shall review the implementation of Fair Practices Code and effectiveness of grievance redressal system during branch audits.
- The functioning of grievance redressal system shall be reviewed by internal audit at HO.
- Internal audit shall furnish feedback on the grievance redressal system to the Audit Committee at Quarterly intervals.

(k) **Complaint and Grievance Redressal Mechanism**

The detailed procedure for grievance redressal is available on the website of the Company at <https://satyamicrocapital.com/> and under Customer Grievance Redressal Mechanism Policy of the Company which is also available on the website.

(l) **Regulation of Excessive Interest Charged:**

- The company has laid down appropriate internal principles and procedures in determining interest rates and processing fees and other charges.
- The company has adopted an interest rate model taken into accounts - cost of funds, margin and risk premium for determining rate of interest to be charged for loans and advances.
- The rate of interest will be annualized so that the borrower is aware of the exact rates that would be charged to the account.
- Charging different rates of interest for different product shall be disclosed in the loan

application form and loan sanction letter to the Borrower.

(m) Confidentiality of Client Information's:

The Company will maintain the privacy and confidentiality of client's personal and financial information's.

4. Fair Practice for Microfinance Loans:

In addition to the general principles set out as above, as the Company belongs NBFC-MFI category, it adopts the following fair practices that are specific to its lending business and applicable regulatory framework.

General Practices:

- a. The Fair Practice Code in vernacular language shall be displayed in all offices and branch premises.
- b. The minimum maximum and average interest charged and the grievance redressal system shall be displayed in all the offices and in the literature issued by the company (in vernacular language) and on the website,
- c. The KYC Guidelines of RBI will be complied with. Due diligence shall be carried out as per the regulatory framework and company policies to ensure the repayment capacity of the borrowers,
- d. As specified in the NBFC-MFIs (Reserve Bank) Directions, 2022, all sanctions and disbursement of loans should be done only at a central location and more than one individual should be involved in this function. In addition, there should be close supervision of the disbursement function,
- e. The Company will take adequate steps may be taken to ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.
- f. The Company's Field staff shall be trained to make necessary enquiries about existing debt of the borrowers.
- g. Training if any, offered to the borrowers shall be free of cost. Field staff shall be trained to offer such training and make the borrowers fully aware of the procedure and systems related to loan / other products.
- h. A declaration that the Company is accountable for preventing inappropriate staff behaviour and timely grievance redressal shall be made in the loan agreement and also in the Fair Practice Code displayed in its office/branch premises.
- i. The Company shall not collect any security on any loan provided under the microfinance activity.

Disclosures in loan agreements/Loan Card:

- (a) The Company will have a Board approved, standard form of loan agreement which should preferably be in vernacular language / language understood by the borrower.
- (b) The Loan agreement of the Company shall disclose following information –

- i. All the terms and conditions of the loan, that the pricing of the loan as mentioned in fact sheet, that there will be no penalty charged on prepayment of any loan (incentive for on time payment or payment holiday)
- ii. that no Security Deposit / Margin is being collected from the borrower,
- iii. An assurance that the privacy of borrower data will be respected.
- iv. The borrower cannot be a member of more than one SHG / JLG.

A copy of the loan agreement along with the fact sheet will be furnished to all the borrowers.

(c) Loan Card:

The Company shall issue loan card containing following information:

- i. Borrower's/Nominee photograph, KYC details and other relevant information
- ii. Simplified Fact sheet on pricing
- iii. All terms and conditions attached to the loan
- iv. Company acknowledgement for the repayments including installments received and final discharged.
- v. All the entries in the loan card shall be in the local language or in the language understandable by the borrower
- vi. Details of grievance redressal system, including the name and contact number of nodal office of the company , SRO and RBI
- vii. Fee structure and details of any non-credit product

(d) Non-Coercive Methods of Recovery:

- a. The recovery shall be made only at a central designated place. Field staff will 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. The Company 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 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 field staff shall include programs to inculcate appropriate behavior towards borrowers without adopting any threatening or abusive or coercive debt collection / recovery practices/ harassing of relatives, friends or coworkers / publishing the borrowers name / any sort of violence/any misleading information to the borrower w.r.t. debt or consequences of non-repayment.
- c. Compensation methods for staff should have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery.
- d. The Company has a mechanism for identification of the borrowers facing repayment-related difficulties, engagement with such borrowers and providing them with the necessary guidance about the recourse available. The details of this mechanism shall be provided to the borrower at the time of loan disbursement.
- e. The Company will not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, the following practices shall be deemed as harsh:
 - i. Use of threatening or abusive language.
 - ii. Persistently calling the borrower and/ or calling the borrower before 9:00 AM and

after 6:00 PM

- iii. Harassing relatives, friends, or co-workers of the borrower.
- iv. Publishing the name of borrowers
- v. Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation.
- vi. Misleading the borrower about the extent of the debt or the consequences of non-repayment.