



POLICY ON FAIR PRACTICES CODE (FPC)

1. Introduction

Magenta Finance Services Private Limited ("Magenta") is a Private Limited Company registered with Reserve Bank of India (RBI) as **NBFC-MFI effective November 10, 2017**.

Magenta provides microfinance services to low-income households and individuals to improve their quality of life. Magenta constantly endeavors to deliver quality services to its Borrowers by maintaining the highest levels of transparency and integrity.

Magenta ensures that the principles of responsible lending, transparency, and core values are followed in letter and spirit. Magenta follows various guidelines issued by RBI

On the FPC for NBFC-MFIs, Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022, has adopted the unified Industry Code of Conduct developed by the Self-Regulatory Organizations (SROs), Microfinance Institutions Network (**MFIN**) and also follows the guidelines of Sa-Dhan (The Association of Community Development Finance Institutions). Objectives of the FPC

- a. To formulate a FPC and lay down the process and guidelines for effective implementation of FPC which complies with the guidelines prescribed by RBI and SROs.
- b. To protect Borrowers from fraud, misrepresentation, deception, and unethical practices.
- c. To ensure that all practices related to lending and recovery of loans are fair and maintain respect for the Borrower's dignity.
- d. To train all the employees and borrowers on the FPC in an effective manner and to ensure that they follow the FPC at all times.
- e. To monitor the effective implementation of the FPC and maintain zero tolerance for deviations.
- f. To constantly review and revise the FPC based on the RBI and SRO guidelines in addition to the experiences gained by Magenta.



2. Core Values

- a. **Responsiveness** – Magenta endeavors to be a responsive organization to its Borrowers' needs and requirements. The Company will constantly strive to understand the changing needs of Borrowers and develop suitable products and services to address their requirements.
- b. **Integrity** – Magenta endeavors to maintain the highest levels of fairness and integrity in all its dealings with its Borrowers and keep up the commitments made.
- c. **Commitment** - Performing all activities and tasks with professionalism and enthusiasm to give the highest level of Borrower satisfaction and optimal efficiency.
- d. **Team Spirit**- Working together to create the synergy that results in growth with profitability.

3. Guidelines on FPC

i) Loan Application

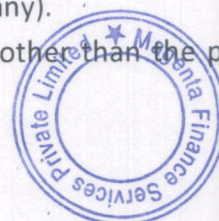
- a. All communication to the borrower should be in the vernacular language or the language understood by the borrower.
- b. Loan application shall be in the vernacular language or a language as understood by the borrower.
- c. Borrower shall be provided with acknowledgment for receipt of the loan application. The acknowledgment shall be in vernacular language communicating the timeframe within which the loan application will be disposed of.
- d. The loan application form should indicate the documents required to be submitted with the application form.

ii) Loan appraisal

- a. Every loan has to be appraised to understand the Borrower's business, household income, her current indebtedness and thereby assess her loan requirement and repayment capacity.
- b. Loan appraisal has to be done mandatorily by the Branch Manager and the appraisal should be filled.

iii) Training of Borrowers

- a. Borrowers are given training for 2 days to explain to them the terms and conditions of the loan.
- b. The training also emphasizes the proper utilization of the loan amount, the perils of over-borrowing, misuse of the loan amount, etc.
- c. The training also covers the product features including the minimum, maximum and average interest rates charged on microfinance loans, loan processing fees, insurance premiums, loan tenor, and repayment frequency. Borrowers are communicated in this training that Magenta does not charge pre-payment or foreclosure charges.
- d. Borrowers are also told that in case of delayed payment, penal charges are levied and they shall be informed reasons of for penal charges imposed (if any).
- e. Borrowers are also told that they need not pay anything other than the principal, interest, processing fee, and insurance premium.



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iv) Loan sanction and disbursement

- a. The sanction letter contains the amount of loan sanctioned, rate of interest, processing fee, insurance premium, loan tenor, and repayment frequency along with the documents required to be executed.
- b. Magenta shall mandatorily take the signature/thumb impression of the borrower accepting the loan sanction.
- c. Borrower shall be provided Key Facts Statement along with loan repayment schedule. The loan repayment schedule contains all the important terms and conditions of the loan including the annual effective rate of interest, processing fee, insurance premium, and the terms and conditions.
- d. Borrower shall also be provided a copy of the loan document along with a copy of each of all enclosures quoted in the loan document.
- e. Magenta shall give notice/information to the borrower in case of any change in the terms and conditions including disbursement schedule, interest rates, service charges, etc.
- f. Any change in interest rates and charges will be affected prospectively. The loan agreement shall contain a suitable condition on this.
- g. Magenta does not charge foreclosure charges / pre-payment penalties on the loans. Penalty, if any, for delayed payment shall be applied to the overdue amount and not to the entire loan amount.

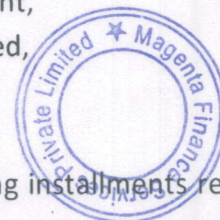
v) Disbursement of loans including changes in terms and conditions

- a. The procedure for disbursement shall be simple and the loan shall be disbursed as per pre-determined time.
- b. The effective rate of the minimum, maximum, and average interest rates charged on microfinance loans on each loan product, processing fees, and insurance premium shall be prominently displayed in all Branches & Head Office, in the literature issued (in vernacular language) and on the website of the Company.
- c. The decision to recall or accelerate payment or performance under the agreement shall be made in accordance with the provisions of the loan agreement.

vi) Disclosures in Loan Documents / Loan Card

All the terms and conditions of the loan shall be provided in the vernacular language that is comprehensible to the borrower. The borrower shall be made fully aware of the following details:

- a. The annual rate of interest charged on a declining balance,
- b. There will be penal charges on delayed payment,
- c. No Security Deposit / Margin is being collected from the borrower,
- d. The moratorium between the grant of the loan and the due date of the repayment of the first installment is equal to or more than the frequency of repayment,
- e. An assurance that the privacy of borrower data will be respected,
- f. Information that adequately identifies the borrower.
- g. Simplified fact sheet on pricing,
- h. Acknowledgments by the field staff of all repayments including installments received and the



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final discharge, and

- i. The grievance redressal system. The toll-free customer care helpline number will be printed on the loan card and displayed at branches.
- j. Non-credit products issued, if any, shall be with the full consent of the borrowers, and fee structure shall be communicated in the loan card itself.

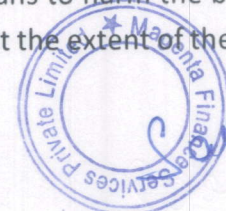
Note: Magenta has the Board approved standard form of loan document and the same is given to Borrowers in vernacular language.

4. Fair Practices and Ethical Behavior

- a. All dealings of the Magenta with the Borrower shall be open, fair, and ethical.
- b. All Employees of Magenta shall treat the Borrowers with respect and dignity.
- c. Magenta provides microfinance services to all eligible Borrowers as per RBI guidelines.
- d. The rate of interest & charges will be as per RBI guidelines.
- e. The rates of interest and the approach for gradation of risks shall also be made available on the website of the Company.
- f. The information published on the website shall be updated whenever there is a change in the rates of interest.
- g. Magenta obtains copies of relevant documents from Borrowers as per standard KYC norms. Additional documents sought must be reasonable and necessary for completing the transaction.
- h. Magenta will not bundle products. The only exception to bundling may be made with respect to credit life insurance products (if applicable), which are typically offered bundled with loans. The terms of insurance should be transparently conveyed to the Borrower and must comply with RBI & Insurance Regulatory and Development Authority (IRDA) norms.
- i. Training offered to the borrowers shall be free of cost.
- j. Field staff will be trained to offer such training to the borrowers and will also make the borrowers fully aware of the procedures and systems related to loans/other products.

5. Collection Practices

- a. Magenta trains all employees on the collection policy to deal with Borrowers appropriately.
- b. Magenta ensures that the employees use courteous language, maintain decorum, and be respectful of cultural sensitivities during all interactions with Borrowers.
- c. In the matter of recovery of loans, Magenta will instruct employees not to follow coercive collection practices such as collecting at odd/late hours or during the bereavement/sickness of borrowers, behaving rudely / aggressively, or use of muscle power during collection etc.
- d. Magenta ensures that employees shall not adopt any harsh practices viz., use of threatening or abusive language, persistently calling the borrower and/or calling the borrower before 9:00 AM and after 6:00 PM, harassing relatives, friends, co-workers of the borrower, publishing the name of the borrowers, use or threat of use of violence or other similar means to harm the borrower or borrower's family/assets/reputation, misleading the borrower about the extent of the debt or the consequences of non-repayment.



- e. Magenta has strict vigilance to ensure that staff do not misbehave, or disrespect the borrowers. We will incorporate this in the loan agreement/document.
- f. Disciplinary action shall be taken against the employees for any misbehavior, or deviation of the FPC.
- g. Magenta will display FPC in all the Branch premises, Head Office/ Registered Office, and upload it on its website.

6. Privacy of Borrower Information

- a. Magenta respects Borrower's privacy and treats Borrower information as private and confidential.
- b. Magenta shall incorporate an adequate disclosure in the loan document on sharing Borrower data with credit bureaus, statutory organizations, and third parties.
- c. Magenta trains its staff on fidelity and secrecy of Borrower data. This clause has been incorporated in the appointment letter.

7. Feedback and Grievance Redressal Mechanism (GRM)

Magenta endeavors to be a Borrower-centric organization keeping Borrowers at the center of its policy-making and all the policies and procedures are designed to provide efficient and faster services to Borrowers. While the Company has taken all the steps to ensure that Borrower service is given utmost importance, in case there is any feedback or grievance, this GRM provides for timely redressal of the grievances/hearing of the feedback. Besides all the grievances and feedback received are reviewed at the highest level of the organization, policies are reviewed and decisions are taken to strengthen the delivery mechanism and provide better services.

- a. Magenta, on its Notice Board will display the name, designation, address, and telephone numbers of officials senior in the hierarchy to the Credit Manager as Grievance Redressal Officers who the borrowers can approach to resolve their complaints against the Company.
- b. After examining the matter the Company will endeavor to send the customer its response within four weeks and inform the customer as to how to escalate the complaint to a higher level if she is not satisfied with the response.
- c. Each loan card has the Toll-free number of the Customer Service Officer based at the Head Office. Customers can contact that Toll-Free number and the grievance will be redressed.
- d. The Company shall request the customer to provide feedback on the services rendered. This can be done through direct contact by employees or through specific Customer Satisfaction Surveys that may be conducted from time to time.

8. Review and Monitoring

- a. Status of resolutions shall be monitored daily by the Concerned Employee.
- b. Every month, compliance with the fair practices code including all the grievances received, resolutions provided, and the turn-around time shall be reviewed by the Compliance Officer



who in turn presents to the Board of Directors.

9. Dissemination of FPC and GRM

- a. Our HR policy has criteria for recruiting all staff, their training, and the reporting structure. The criteria cover qualifications, skill sets, and social and behavioral aspects. Each employee is trained on FPC, GRM, Code of Conduct, Whistle Blower Mechanism, and the appropriate way of dealing with the Borrowers.
- b. Guidelines provided in the Industry Code of Conduct by MFIN & Sa-Dhan, which was already approved and adopted by the Board, shall be implemented effectively.
- c. Employee Training:
 - i) Every employee is trained on the FPC and GRM. Besides, they are also trained in soft skills to behave properly and respectfully with borrowers without adopting any abusive or coercive debt collection/recovery practices.
 - ii) Each employee is trained in a way that the Borrower is given due respect and treated with dignity and self-esteem.
 - iii) The employees are trained to make necessary inquiries regarding the income and existing debt of the household of the prospective Borrowers.

10. General

- a. The Magenta shall not interfere in the affairs of the borrower except for the purposes provided in the Loan Agreement unless new information not earlier disclosed by the borrower has come to the notice of the Company.
- b. In the matter of recovery of loans, the Company assures that –
 - i) It shall not resort to undue harassment like bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc., and scrupulously avoid any demeanor that would suggest any kind of threat or violence.
 - ii) Maintain decency and decorum during the visit to the borrower's place, when the need arises for collection of dues.
 - iii) It shall avoid inappropriate occasions such as bereavement in the family or other calamitous occasions for making calls/visits to collect dues.
- c. Magenta has drafted its FPC in vernacular languages where it operates its business functions. This ensures that customers from different regions and language backgrounds can access and understand the code. The FPC will be made available on the Company's website, ensuring transparency and accessibility for all stakeholders.
- d. Utmost importance shall be given to the adherence to the FPC, GRM, Code of Conduct, and Whistle Blower Mechanism while awarding the promotions to staff.
- e. Disciplinary action shall be taken on staff who do not adhere to the FPC, GRM, Code of Conduct, and Whistle Blower Mechanism.
- f. New Borrowers must be informed about the organization's policies and procedures to help them understand their rights as borrowers.
- g. Magenta has a Board-approved Loan Pricing Policy that includes provisions for penal charges. The policy is designed to ensure transparency, fairness, and compliance with the Fair Practices



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Code, aligning with regulatory requirements and promoting customer trust. "The quantum and reasons for penal charges are disclosed in the loan documents, Key Fact Statement (KFS), and displayed on the Company's website under Interest Rates and Service Charges.

- h. Magenta has a Board-approved interest rate model that considers factors such as the cost of funds, margin, and risk premium to determine the applicable rate of interest for loans."
- i. The Board of Magenta has established internal guidelines for determining interest rates, processing fees, and other charges in a transparent manner.

11. Responsibilities of the Board of Directors.

- a. The Board of Directors shall also lay down the appropriate grievance redressal mechanism within the organization. Such a mechanism shall ensure that all disputes arising out of the decisions of the lending institution's functionaries are heard and disposed of at least at the next higher level.
- b. The Board of Directors shall also provide for a periodical review of the compliance of the FPC and the functioning of the GRM at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as it may prescribe.

12. Loan facilities to the physically/visually challenged by NBFCs

Magenta shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of Magenta shall render all possible assistance to such persons for availing of the various business facilities. Magenta 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 programs conducted for their employees at all levels. Further, Magenta shall ensure the redressal of grievances of persons with disabilities under the GRM already set up by the Company.

