



## **CODE OF CONDUCT**

Muthoot Microfin Limited (hereinafter referred as “Company”) seeks to enable economically active poor to build a better life and promote financial inclusion by providing full range of financial services. In pursuing its mission, the Company has been ensuring principles of “responsible lending, transparency and ethical values” in all its dealings with customers, since its inception. The Company follows various guidelines issued by **Reserve Bank of India** (RBI) and has also adopted Industry Code of Conduct developed by **MFIN** (Microfinance Institutions Network).

### **I. INTEGRITY AND ETHICAL BEHAVIOUR**

- a) To ensure that clients are protected against fraud and misrepresentation, deception or unethical practices.
- b) To ensure that all practices related to lending and recovery of loans are fair and maintain respect for client’s dignity and with an understanding of client’s vulnerable situation.
- c) To ensure that staff and persons acting on behalf of the Company are oriented and trained to put this Code into practice.
- d) To educate clients on the Code of Conduct and its implementation

### **II. TRANSPARENCY**

- a) To provide complete and accurate information to clients regarding all products and services offered.
- b) To create awareness and enable clients and all other stakeholders to understand the information provided with respect to financial services offered and availed.
- c) The company is committed to Transparency and Fair Lending Practices.

### **III. CLIENT PROTECTION PRINCIPLES**

#### **A. Fair Practices with Borrowers:**

The Company should convey in writing to the borrower in the vernacular language as understood by the borrower the following terms of Loans:

- a) All the important terms and conditions of the loan agreement
- b) Rate of interest on declining balance method
- c) Processing fee
- d) Any other charges
- e) Security or any other deposit.
- f) Systematic advance collections
- g) Total charges recovered for insurance coverage and risks covered



h) Any other services rendered and charges for the same

The communication should be in writing through any/various of the following ways:

- Individual sanction letter
- Loan card
- Loan schedule
- Passbook
- Through Group/Centre meetings

The communication should be in a medium understood by the borrower

### **B. Avoiding Over-indebtedness**

- a) Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers.
- b) Due diligence shall be carried out to ensure the repayment capacity of the borrowers before making a loan.
- c) Make best efforts to ensure that the loans provided are within the customer's capacity to repay and avoid over-indebtedness.
- d) If a client has loans from 2 separate MFIs then the Company shall not to lend to that client.
- e) Should ensure that the total loan outstanding of our borrowers from all sources should not exceed Rs.50000 per borrower.
- f) Must not exceed the total debt limit for any client, as prescribed by RBI.
- g) Shall educate clients on ill effects of over-borrowing.

### **C. Appropriate interaction and collection practices**

- a) The Company shall ensure that the staffs are adequately trained on collection policy and to deal with the customers in an appropriate manner.
- b) Staff must use courteous language, maintain decorum, and are respectful of cultural sensitivities during all interaction with clients.
- c) In the matter of recovery of loans, the Company and its employees should not follow coercive collection practices such as collecting at odd/late hours or during bereavement / sickness of customers, behaving rudely / aggressively, or use of muscle power during collection etc.
- d) The Company shall have a detailed board approved policy for dealing with clients, at each stage of default.
- e) Staff shall provide a valid acknowledgement / receipt for each and every payment received from the borrower.
- f) Training if any, offered to customers shall be free of cost. Field staffs are trained to offer such training and also make the customers fully aware of the procedure and systems related to loan/other products.



- g) The Company is accountable for preventing inappropriate staff behavior and timely grievance redressal.

#### **D. Privacy of client information**

The Company must keep personal client information strictly confidential. Client information may be disclosed to a third party subject to the following conditions:

- a) Client has been informed about such disclosure and permission has been obtained in writing.
- b) The party in question has been authorized by the client to obtain client information from the Company.
- c) It is legally required to do so.
- d) This practice is customary amongst financial institutions and available for a close group on reciprocal basis (such as a credit bureau).

#### **IV. CLIENT EDUCATION**

- a) Customers should be educated on the Fair Practices Code, grievance redressal mechanism and escalation matrix for their unresolved complaints, options, choices and responsibilities vis-à-vis financial products and services available.
- b) New clients must be informed about the organization's policies and procedures to help them understand their rights as borrowers.
- c) Vernacular language posters on Code of Conduct and Grievance Redressal Procedure are to be displayed in all the branch offices
- d) Client education to be made through both printed materials and also through effective verbal communication as the literacy level among clients is generally low.

#### **V. DATA SHARING**

The Company agrees to share complete client data with all RBI approved Credit Bureaus, as per the frequency of data submission prescribed by the Credit Bureaus.

#### **VI. RECRUITMENT**

The code covers all MFI staff.

- a) As a matter of free and fair recruitment practice, there will be no restriction on hiring of staff from other MFIs by legitimate means in the public domain like general recruitment advertisements in local newspapers, web advertisements, walk-in interviews, etc.
- b) Whenever an MFI recruits from another MFI, it will be mandatory to seek a reference check from the previous employer. The reference check will be sought from current employer only after an offer is made and an offer letter is issued to the prospective employee.



- c) MFIs should respond to the reference check request from another MFI within two weeks.
- d) MFIs must honor a one month notice period from an outgoing employee.
- e) No MFI shall recruit an employee of another MFI, irrespective of the grade/level of the employee, without the relieving letter from the previous MFI employer. An exception can however be made in instances where the previous employer (MFI) fails to respond to the reference check request within 30 days. All MFIs must provide such relieving letter to the outgoing employee in case he/she has given proper notice, handed over the charge and settled all the dues towards the MFI, except in proven cases of fraud or gross misconduct by the employee.
- f) All member MFIs agree to provide such relieving letter / no due certificate to the outgoing employee in case he has given proper notice, handed over the charge and settled all the dues towards the MFI.
- g) Whenever an MFI recruits from another MFI, at a level up to the Branch Manager position, the said employee shall not be assigned to the same area he/she was serving at the previous employer, for a period of 1 year.
- h) Any staff member who is discovered to have lied about his background of working with any other MFI, will be asked to leave immediately by the recruiting MFI

**Staff Education:** All field staff shall be mandatorily trained on below mentioned concepts as part of their Basic Level Training (Induction) and refresher trainings at periodical intervals:

- a) The importance of Fair Practices Code (FPC)
- b) The importance of Grievance Redressal Mechanism
- c) Their role in effective implementation of above policies
- d) Basic communication and soft skills to inculcate appropriate behaviour towards borrowers without adopting any abusive or coercive debt collection / recovery practices.
- e) Compensation methods and performance review of staff should have more emphasis on areas of service and borrower satisfaction.
- f) Penalties shall also be imposed on cases of non-compliance of field staff with the Code of conduct.

## **VII. FEEDBACK AND GRIEVANCE REDRESSAL MECHANISM**

- a) To provide clients formal and informal channels for feedback and suggestions.
- b) To consistently assess the impact of services in order to enhance competencies and serve clients better.
- c) To provide a formal grievance redressal mechanism for clients.

The Company has a Board approved Grievance Redressal Policy which provides guidelines for receiving, handling and disposal of customer grievances, documentation, turn-around-time and escalation matrix for unresolved complaints and periodical review mechanism.