

**FAIR PRACTICE CODE FOR MICROFINANCE LOANS
OF
ZHO FINANCE PRIVATE LIMITED**

ZOHO FINANCE PRIVATE LIMITED**FAIR PRACTICES CODE FOR MICROFINANCE LOANS****Introduction:**

The Fair Practices Code herein after called as (“Fair Practice Code”) is aimed to provide to the customers/borrowers’ effective overview of practices, which will be followed by Zoho Finance Private Limited (hereinafter referred to as “ZFPL” or “the Company”) in respect of the financial facilities and services offered by the Company to its customers.

In addition to the guidelines outlined in the Fair Practice Code, this Fair Practice Code for Microfinance Loans (“FPC-MF”) must also be observed by ZFPL with respect to microfinance loans and their customers. The FPC-MF should be read along with the Fair Practice Code. However, if there is any conflict between the provisions of the Fair Practice Code and the FPC-MF, the FPC-MF will take precedence concerning microfinance loans and their customers.

A microfinance loan is defined as a collateral-free loan provided to a household with an annual income of up to ₹ 3,00,000/-. For this purpose, a household refers to an individual family unit consisting of a husband, wife, and their unmarried children.

All collateral-free loans, regardless of their purpose or the method of application, processing, or disbursal (whether through physical or digital channels), provided to low-income households (those with an annual income up to ₹ 3,00,000/-) shall be classified as microfinance loans.

Application of Loans and their processing:**1) Interest Rate and Fees**

1. Interest Rate and fees on microfinance loans will not be excessive or usurious.
2. The Company will provide prospective borrowers with a standardized, simplified factsheet disclosing pricing information.
3. All fees charged by the Company will be clearly listed in the factsheet. Borrowers will not be charged any fees not explicitly mentioned in the factsheet.



2) Disclosure and Transparency

1. All communications to the borrowers shall be made in vernacular language or a language as understood by the borrower.
2. A list of documents required to be submitted along with the application form shall be mentioned in the loan application form and / or hosted on the website of the Company i.e; www.mudhalpadi.com
3. A factsheet will also be provided for other loans (i.e collateralized loans) extended to borrowers from low-income households.
4. There will be no prepayment penalties on microfinance loans. Any penalty for delayed payment will apply only to the overdue amount, not the entire loan amount.
5. The Company will prominently display the minimum, maximum, and average interest rates for microfinance loans in all its offices, and on its websites. This information will also be included in regulatory scrutiny.
6. Borrowers will be informed well in advance of any changes to the interest rate or other charges, which will only take effect prospectively.

3) Loan Agreements and Documentation

1. The Company will use a standard loan agreement for microfinance loans, written in a language understood by the borrower.
2. The Company shall offer the borrower the flexibility to choose their repayment schedule for microfinance loans, as per the borrowers' requirement.
3. Borrowers will be provided with a loan card that includes:
 - a. Information identifying the borrower.
 - b. A simplified factsheet on pricing.
 - c. All terms and conditions of the loan.
 - d. Acknowledgements by the Company of all repayments, including instalments received and final discharge.
 - e. Details of the grievance redressal system, including the name and contact number of the Company's nodal officer.
4. All information on the loan card will be in the language understood by the borrower.



4) Recovery Procedures

1. Recoveries will be conducted at a mutually agreed – upon central location. However, if a borrower fails to appear at the designated location two or more times, Business Correspondents may visit the borrower to provide guidance on recourse options.
2. The Company will implement a system to identify the borrowers facing any repayment difficulties and provide guidance on available recourse options.
3. The Company and its agents will not use harsh methods for recovery. Specifically, they will avoid:
 - Using threatening or abusive language.
 - Persistently calling the borrower, especially before 9:00 a.m. or after 6:00 p.m.
 - Harassing the borrower’s relatives, friends, or Co- workers.
 - Publishing the names of borrowers.
 - Using or threatening violence or other means to harm the borrower or the borrower’s family, assets or reputation.
 - Misleading the borrower about the debt’s extent or the consequences of non- repayment.
4. The Company will maintain a dedicated mechanism for addressing recovery – related grievances. Borrowers will be informed about this mechanism at the time of loan disbursement.
5. The Company will provide borrowers with details about the recovery agent, if any, at the start of the recovery process. Agents will carry a copy of the notice, an authorization letter from the Company, and their identity card issued by the Company or the agency.
6. If the Company changes the recovery agent/ agency during the recovery process, it will notify the borrower of the change. The new agent will carry the notice, authorization letter, and identity card.
7. The notice and authorization letter will include the contact details of the recovery agency and the Company.
8. The Company will post up-to-date details of the recovery agencies it employs on its website.

Additional Provisions:

Any training provided to borrowers will be offered at no cost to them. The Company will be held accountable for any inappropriate behaviour by its employees or those of outsourced agencies and will ensure timely resolution of grievances.

Grievance and Complaint Redressal Mechanism:

The Complaint Redressal Mechanism detailed in the Fair Practices Code, accessible at <https://www.mudhalpadi.com/> will also be applicable to microfinance loans and their customers.

This Fair Practice Code on Micro Finance Loans should be read along with the Fair Practice Code of the Company.

The Company shall abide by this Fair Practices Code following the spirit of the Code and in the manner, it may be applicable to its business.

Any exception to this policy shall be approved by the Executive Director and any one Non-Executive of the Company and shall be submitted to the Board for ratification in the subsequent Board Meeting.

This policy was approved by the Board of Directors at its meeting held on 16th September 2024.