

FAIR PRACTICE CODE

Reserve Bank of India vide **Circular DNBS.CC.PD.No.266/03.10.01/2010-11 dated March 26, 2012 and vide circular DNBS.CC.PD. No. 320/03.10.01/2012-13 dated February 18, 2013**, had amended guidelines on Fair Practices Code for NBFCs and accordingly suitable modifications are made hereunder in the Code to comply with the aforesaid guidelines.

The Fair Practices Code, as adopted herein below, is in conformity with the Guidelines on Fair Practices Code for NBFCs as contained in the aforesaid RBI Circular(s).

The Fair Practices code applies to the following areas:

Applications for loans and their processing:

- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- Loan application forms would 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.
- Loan application forms would indicate the documents required to be submitted with the application form.
- The Company would devise a system of giving acknowledgement for receipt of all loan applications. The time frame within which the loan application would be disposed off would be made known to the borrower.

Loan appraisal and terms/conditions:

- The borrower would be conveyed in writing, by means of a sanction/offer letter or otherwise in the vernacular language as understood by the borrower, amount of loan sanctioned along with all the terms and conditions thereof including annualized rate of interest thereon and method of application thereof, and the borrower would, in turn, accept in writing the aforesaid terms and conditions, and the said acceptance would be kept on record by the Company.
- The Loan Agreement would contain, in bold, details of penal interest charged for loan repayment.
- All the borrowers would be provided with a copy of loan agreement along with all enclosures referred in the loan agreement, in vernacular language as understood by the borrowers at the time of sanction/disbursement of loan.

Disbursement of loans including changes in terms and conditions:

- The borrower would be given an advance notice in vernacular language as understood by the borrower as to any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, etc.
- The said changes in interest rates and charges would be with prospective effect and a clause in this regard would be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance under the agreement would be in consonance with the loan agreement.
- The Company would release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the Company may be having against the said borrower. In case such right of set off is to be exercised, the Company shall give notice to the borrower about the same with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled / paid.

Other general provisions:

- The Company would refrain from interference in the affairs of the borrower except for the purposes provided for 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 borrowal account, the consent or otherwise - i.e., objection of the Company, if any - shall be conveyed to the borrower within 21 days from the date of receipt of any request. Such transfer shall be as per transparent contractual terms in consonance with law.
- In the matter of recovery of loans, the Company shall not resort to any harassment - such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

Grievance Redressal Mechanism:

- The Company shall have a Grievance Redressal Forum comprising senior management team - namely, Managing Director and Company Secretary of the Company - to resolve disputes arising, if any, in this regard. The said forum will meet within a period of 3 weeks from the date of receiving any grievance intimation. It shall ensure that all disputes arising out of the decisions of lending by the Company's functionaries are suitably heard and disposed of at least at the next higher level. The Company shall periodically review the Compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such review may be submitted to the Board at regular intervals.
- The Company would display following information on notice board at office of the company where business is transacted:
 - Name of Grievance Redressal Officer and contact details of the office where customers can direct their grievances.
 - Contact details of 'the Officer-in-Charge of the Regional Office of DNBS of RBI' to whom customers can contact in case they are not satisfied with resolution provided by company or in case issue remains unresolved for 30 days.

Regulation of Excessive Interest charged:

- The Company shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc for determining the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- The rates of interest and the approach for gradation of risks shall also be made available on the website of the Company or published in relevant newspapers and the same shall be updated whenever there is a change in the rates of interest.
- The rate of interest shall be annualised rates so that the borrower is aware of the exact rates that would be charged.

Repossession of vehicles

The Company shall have a built in re-possession clause in the contract/loan agreement with the borrower which shall be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding:

- (a) notice period before taking possession;
- (b) circumstances under which the notice period can be waived;
- (c) the procedure for taking possession of the security;
- (d) a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property;
- (e) the procedure for giving repossession to the borrower and
- (f) the procedure for sale / auction of the property.