

FAIR PRACTICE CODE

The Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Non Banking Finance Companies (NBFCs) thereby setting standards for fair business and corporate practices while dealing with their customers (Circular No. RBI/2006-07/138 DNBS (PD) CC No. 80 / 03.10.042/ 2005-06).

The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to this Code to conform to the standards so prescribed.

Pursuant to RBI vide Master Circular DNBS (PD) No. 054/ 03.10.119 / 2015-16 dated July 1, 2015, 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:

APPLICATION FOR LOAN AND THEIR PROCESSING:

- a) Language: Communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- b) Loan application forms shall include necessary information which affects the interest of the borrower.
- c) Loan application forms would indicate the documents required to be submitted with the application form.

LOAN APPRAISAL AND TERMS/CONDITIONS:

- a) Borrower shall be conveyed in writing by way of a sanction letter or otherwise, the amount of limit sanctioned along with all the terms and conditions including annualized rate of discount/ interest and method of application thereof.
- b) the penal interest charged for late repayment shall be mentioned in the schedule to the Loan Agreement specifically in bold.

DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS:

- a) Notice shall be given to the Borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
- b) Decision to recall / accelerate payment or performance under the agreement should be in consonance with the sanction letter/loan agreement or as deemed fit by the Board of Directors.
- c) The Company shall release all securities on repayment of all dues or on realisation of the outstanding amount of loan subject to any other claim thereof.

OTHER GENERAL PROVISIONS:

- a) The Company shall refrain from interference in the affairs of the Borrower except in the terms & condition in Loan Agreement.

b) If any request received from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the Company, if any, should be conveyed within 21 days from the date of receipt of request.

c) In the matter of recovery of loans, the Company shall not resort to undue harassment.

d) The Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

RESPONSIBILITY OF BOARD OF DIRECTORS:

a) The Board of Directors shall lay down the appropriate grievance redressal mechanism.

b) The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management.

c) A Consolidated report of such review shall be submitted to the Board of Directors at regular intervals.

d) The Company shall display the following information prominently at their branches / places where business is transacted: (a) the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company. (b) If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the NBFC falls.

REGULATION OF INTEREST RATE CHARGED:

a) The Board shall decide the interest rate after considering the factors such as cost of funds, margin and risk premium.

b) The rate of interest shall be annualised rate so that the borrower is aware of the exact rates.