

FAIR PRACTICES CODE (FPC)

Introduction

The Reserve Bank of India has issued the guidelines on Fair Practices Code (FPC) for all Non-Banking Financial Companies (NBFCs) to be adopted by them, which sets the fair practices standards when dealing with customers and inter alia contains general principles on adequate disclosures on the terms and conditions of a loan and also adopting a non-coercive recovery method.

A. (i) Applications for loans and their processing

- a) All communications to the borrower will be in the vernacular language or a language as understood by the borrower.
- b) 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. The loan application form may indicate the documents required to be submitted with the application form.
- c) The Company will devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of will be indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

The Company would convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. The Company will mention the penal interest charged for late repayment in bold in the loan agreement.

Company would provide a copy of the loan agreement preferably in the vernacular language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

(iii) Disbursement of loans including changes in terms and conditions

- a) The Company would give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. Company would also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard would be incorporated in the loan agreement.
- b) Decision to recall / accelerate payment or performance under the agreement would be in consonance with the loan agreement.
- c) 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 Company may have against borrower. If such right of set off is to be exercised, the borrower will be given notice about the same with full particulars about the remaining claims and the conditions under which Company are entitled to retain the securities till the relevant claim is settled/paid.

(iv) General

- a) Company would refrain from interference in the affairs of the borrower except for the purposes provided 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 lender).
- b) In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of the Company, if any, would be conveyed within 15 days from the date of receipt of request. Such transfer will be as per transparent contractual terms in consonance with law.
- c) In the matter of recovery of loans, the Company would not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. As complaints from customers also include rude behavior from the staff of the companies. Company will ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

(v) The Board of Directors of the Company would also lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism would ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level. The Board of Directors would 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. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.

(vi) Complaints about excessive interest charged by Company (issued vide CC No. 95 dated May 24, 2007)

Board of Company would lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

In this regard the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view.

(vii) Regulation of excessive interest charged by Company (Notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009)

- a) The Board of Company would adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc and determine 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 will be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- b) The rates of interest and the approach for gradation of risks will also be made available on the web-site of the companies or published in the relevant newspapers. The information published in the website or otherwise published would be updated whenever there is a change in the rates of interest.
- c) The rate of interest would be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

(viii) The Company would **display** on the notice board the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:

- The name and contact details (Telephone / Mobile nos. as also e-mail address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.

- 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.

This Fair Practices Code (FPC) has been approved by the Board of Directors, at their meeting held on 2nd March, 2022 and adopted with immediate effect.