

# Fair Practices Code

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Policy version: 1.0



## I. INTRODUCTION

Reserve Bank of India has drafted the guidelines on Fair Practices Code for Non Banking Finance Companies which sets the fair practices standards when dealing with individual customers and to serve as a part of best corporate practice.

Essel Group commits itself to the highest standards of risk management, transparency, compliance and fair practices while meeting the business loan needs of the SME in a timely and effective manner. The Group intends that the NBFC's business be conducted in accordance with the prevailing statutory and regulatory requirements with due focus on efficiency, customer-orientation and corporate governance principles.

The Reserve Bank of India (RBI) vide its circular dated September 28, 2006, issued guidelines on Fair Practices Code (FPC) for all NBFCs to be adopted by them while doing lending business. The guidelines inter alia, covered general principles on adequate disclosures on the terms and conditions of a loan and also adopting a non-coercive recovery method. The same was revised in view of the recent developments with sector including creation of New Category of NBFCs viz; NBFC-MFI and also the rapid growth in NBFCs lending against gold jewellery. Revised circular was issued on March 26, 2012.

We propose to adopt all the best practices as laid down by the RBI from time to time and shall make appropriate modifications if any necessary to this Code to conform to the standards so prescribed. It is, and shall be, the policy of the NBFC to make available to all eligible qualified applicants, without discrimination on the basis of race, caste, colour, religion, sex, marital status, age or handicap all financial products, either directly or through subsidiaries and / or associates.

Our Company's policy is to treat all the clients consistently and fairly. The employees of the Company will offer assistance, encouragement and service in a fair, equitable and consistent manner. The Company will also communicate its Fair Practices Code (FPC) to its customers by uploading the FPC on its website.

We as a Company will ensure that the implementation of the FPC is the responsibility of the entire organisation. The Company's fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities. Its commitment to FPC will be demonstrated in terms of employee accountability, training, counseling, and monitoring, auditing programs and internal controls, and optimal use of technology.

We shall ensure that charges / fees are appropriately informed to the borrower. Terms and conditions pertaining to the facility will be conveyed to the prospective borrowers. We commit that disputes arising out of the lending decisions will be appropriately resolved by a grievance redressal mechanism set up by us.

The Company's Board of Directors and the management team are responsible for implementing the fair practices hereinafter detailed, and also to ensure that its operations reflect its strong commitment to all the stakeholders for offering in a fair and equitable manner, the various financial services and products including lending and that all employees are aware of this commitment. This Fair Practices Code applies to the following categories of products and services offered by the Company:-

( either currently offered or which will be introduced at a future date)

- a) Loans, guarantees and other products in the nature of financial assets.
- b) Products offered through a network consisting of the branches of EFBL, its subsidiaries and associates.

The FPC is applicable to the above irrespective of whether the same is provided physically, over the phone, on the internet or by any other method whatsoever, existing or in the future.

## **II. KEY COMMITMENTS**

The Company's key commitments to customers:

a) Act fairly and reasonably in all dealings with customers by ensuring that:

- ✓ The products and services the Company offers and the procedures and practices it follows, will meet the commitments and standards in this Code.
- ✓ The Company's products and services meet relevant laws and regulations, as applicable.
- ✓ The Company's dealings with customers will rest on ethical principles of integrity and transparency.

b) Help customers understand how company's product work by:

- ✓ Providing information about them in simple Hindi and/or English and/or local language
- ✓ Explaining their financial implications and

c) Deal quickly and sympathetically with any errors and omissions by:

- ✓ Correcting mistakes quickly
- ✓ Handling customer's complaints quickly
- ✓ Telling customers' how to take their complaint forward if they are still not satisfied
- ✓ Reversal of any charges / interest levied erroneously or through oversight on a customer's account.

d) Publicize this Code, put it on Company's website and have copies available for customer on request.

## **III. SALES ORGINATION**

The Company will guide its customers in choosing products and services which meet his/her requirements.

a) When dealing with potential customers, the Company will:

- ✓ Give the customer clear information explaining the key features of the services and/or products the customer has evinced an interest in and how they meet his requirements.

- ✓ Inform the customer about the documentary information the Company needs from him to fulfill its 'Know Your Customer' (KYC) norms, establish the customer's identity and any other documents required to comply with legal and regulatory requirements in force from time to time.
- ✓ Seek additional information from the customer regarding his family or any other data, with his consent, to build a database.

b) The Company will provide information on the various channels that can be used to access its products & services. The customer will also be informed on where further information, if any, is available.

c) Once the customer has chosen a product, the Company will inform the customer how it works.

d) The Company will guide its customers on the rights and responsibilities specific to the mode of operation under which the product is taken.

e) In case, the Company is using Direct Sales Agents (DSAs), it will communicate the relevant portion of the FPC to be adhered to by the DSAs, when dealing with the potential / existing customers.

#### **IV. Guidelines on Fair Practices Code for NBFC's**

(i) Applications for loans and their processing

a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

b) The Loan application forms of the Company will 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.

c) The loan application form will indicate the documents required to be submitted with the application form.

d) The Company has a system of giving acknowledgement for receipt of all loan applications.

An indicative time frame within which loan applications will be disposed of will be indicated in the acknowledgement.

#### **(ii) Loan appraisal and terms/conditions**

a) The Company will convey in writing to the borrower in the vernacular language or a 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 annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record.

b) The Company will mention the penal interest charged for late repayment in bold in the loan agreement.

c) The Company will furnish 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 will give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. NBFCs should also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.

(b) Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.

(c) The company will release all securities on repayment of all dues or on realisation 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 is entitled to retain the securities till the relevant claim is settled / paid.

**(iv) General**

a) The Company will 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 Company)

b) In case of receipt of request from the borrower for transfer of borrowable account, the consent or otherwise i.e. objection of the Company, if any, will be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with laws, as applicable from time to time.

c) In the matter of recovery of loans, the Company will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. To avoid rude behavior from the staff of the Company with Customers. The Company shall ensure that the staffs are adequately trained to deal with the customers in an appropriate manner.

d) As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of Banks and NBFCs, We shall not charge foreclosure charges / pre-payment penalties on all floating rate term loans sanctioned to *individual borrowers*, with immediate effect.

**(v) Responsibility of Board of Directors**

a) The Board of Directors of the Company shall lay down the appropriate grievance redressal mechanism within the organisation comprising Business Heads, Heads of Risk and Collections and Heads of Operations to resolve disputes arising in this regard. This Forum will ensure that all the disputes arising out of the decisions the Company's functionaries are heard and disposed of at least at the next higher level.

b) There will be a 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 will be submitted to the Board at regular intervals.

**(vi) Grievance Redressal Officer**

At the operational level, we will display the following information prominently, for the benefit of our customers, at all our branches and places where business is transacted:

- ✓ The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached 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 Company falls.

The public notice should serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the Company, together with details of the Grievance Redressal Officer and of the Regional Office of the RBI.

**(vii) Language and mode of communicating Fair Practice Code**

Fair Practices Code, preferably in the vernacular language or a language as understood by the borrower should be put up on the web-site of the Company for the information of various stakeholders. Copies will be made available on request.

**(viii) Regulation of excessive interest charged by NBFCs**

a) The Board of Directors has adopted an interest rate model for determining the rate of interest to be charged on loans and advances, processing and other charges taking into account relevant factors such as, cost of funds, margin and risk premium, etc. 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.

b) The rates of interest and the approach for gradation of risks shall 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 should be updated whenever there is a change in the rates of interest.

c) The rate of interest should be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.

**(ix) Complaints about excessive interest charged**

The Company has laid 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.

**(x) Clarification regarding repossession of equipments financed by the Company**

Loan agreements have a built in re-possession clause with the borrower which is legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement contains 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.

Loan agreement copy is made available to the borrower post disbursement of loans.

#### **(xi) Confidentiality**

(a) Unless authorized by the customer we will treat all personal information as private and confidential

(b) Unless authorized by the customer, we will not reveal transaction details to any other entity including other than the following exceptional cases:

- If we have to provide the information by statutory or regulatory laws
- If there is a duty to the public to reveal this information
- If our interest requires us to provide this information (e.g. fraud prevention) to Banks / Financial Institutions / Our Group and Associate Companies.
- We will not use this reason for giving information about customers to anyone else for marketing purposes.

#### **(xi). Feedback and Suggestions**

We request our customers to provide feedback on our service to help us to improve our services.

#### **(xii). Miscellaneous**

Currently the Company does not envisage lending against collateral of gold jewellery or commercial vehicle finance. In the event of addition of these product lines, the FPC policy will be updated suitably, in line with the guidelines laid down by the RBI.

#### **V) Appendix - List of Circulars**

| Sr No. |  |                    |
|--------|--|--------------------|
| 1      | DNBS (PD) CC No.80/03.10.042/2005-06   | September 28, 2006 |
| 2      | DNBS.PD/CC.No.95/03.05.002/2006-07     | May 24, 2007       |
| 3      | DNBS.PD/CC.No.107/03.10.042/2007-08    | October 10, 2007   |
| 4      | DNBS (PD) C.C.No.133/03.10.001/2008-09 | January 2, 2009    |
| 5      | DNBS (PD) CC.No.139/03.10.001/2008-09  | April 24, 2009     |
| 6      | DNBS.CC.PD.No.266/03.10.01/2011-12     | March 26, 2012     |
| 7      | DNBS.CC.PD.No.320/03.10.01/2012-13     | February 18, 2013  |
| 8      | DNBS(PD).CC.No.399/03.10.42/2014-15    | July 14, 2014      |