

## **FAIR PRACTICE CODE (Version 4)**

### **1. PREAMBLE**

The Company endeavors to review and amend Policy Guidelines on 'Fair Practice Code' (FPC) pursuant to the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, updated as on November 10, 2023.

The Board of Directors of the NBFCs are responsible for framing and adopting a Fair Practices Code in line with the guidelines provided by the RBI.

Ratnaafin Capital Private Limited (the "Company" / "RCPL") is engaged in the business of providing loans and financial services to its customers for Personal Loans, Business Loans, Loans Against Property, Equipment Loan, Channel Finance and Loans to Corporate Customers.

### **2. OBJECTIVE OF THE CODE**

The code has been developed with an objective of:

- a. Providing all necessary information, terms and conditions which helps the customer in taking an informed decision before accepting the loan or investment from the Company.
- b. Providing transparency in computation of interest and charges. Also clearly laying down the events of defaults and its consequences in the form of default interest, liquidated damages, penalties, etc.
- c. Promoting fair practices by setting minimum standards in dealing with customers.
- d. Increasing transparency so that customers can have a better understanding of what type of service level can be expected from the Company.
- e. Fostering customer confidence in the Company.
- f. Setting up a Grievance Redressal Mechanism as part of this fair practices code.

### **3. NON-DISCRIMINATION**

The Company shall not discriminate on the basis of age, race, caste, gender, marital status, religion or disability.

### **4. THE FAIR PRACTICES PRINCIPLES:**

#### **A. Application for loans and their processing:**

- 1) Loan application forms shall 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 by the prospective borrower.
- 2) The loan application form shall indicate the documents required to be submitted with the application form.
- 3) The Company shall provide to the prospective borrower an acknowledgement for receipt of all loan applications. An indicative time frame within which loan applications will be

disposed of will be mentioned in such acknowledgement.

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

**B. Loan appraisal and terms/conditions; and key fact statements for Loans and Advances:**

- 1) The Company shall 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 annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. As complaints received against NBFCs generally pertain to charging of high interest/penal charges, the Company shall mention the penalties charged for late repayment in bold in the loan agreement.
- 2) Appropriate internal procedures and principles for determining interest rate and charges shall be laid down. The acceptance of the terms and conditions communicated by the borrower shall be preserved by the Company in its records.
- 3) RCPL shall 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.
- 4) The Company shall comply with the instructions contained in the circular on 'Key Facts Statement (KFS) for Loans & Advances' dated April 15, 2024, as amended from time to time. The format of KFS is as prescribed in the circular.

**C) Penal Charges in Loan Accounts:**

- 1) Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- 2) The Company shall not introduce any additional component to the rate of interest and company will ensure compliance to these guidelines in both letter and spirit.
- 3) The Company shall update the existing board approved interest rate policy on penal charges or similar charges on loans.
- 4) The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- 5) The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- 6) The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and sanctioned terms & conditions / Key Fact Statement

(KFS) as applicable, in addition to being displayed on Company's website under Interest rates and Service Charges.

7) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

8) This paragraph 7 (1) to 7 (8) shall come into effect from April 01, 2024. The Company shall carry out appropriate revisions in the policy framework and ensure implementation of the instructions in respect of all the fresh loans availed/ renewed from the effective date. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date falling on or after April 01, 2024, but not later than June 30, 2024.

**D) Disbursement of Loan including changes in terms and conditions**

- 1) The Company shall 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. The Company shall ensure that changes in interest rates and charges are affected only prospectively. The loan agreement shall contain a specific clause to this effect.
- 2) The decision of the Company to recall /accelerate the payment or performance shall be in consonance with the terms of the loan agreement.
- 3) The Company shall release all securities upon repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim they may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which NBFCs are entitled to retain the securities till the relevant claim is settled/paid.

**E) Responsible Lending Conduct – Release of movable/immovable property documents on repayment/ settlement of personal loans**

The Company shall adopt best practices in release of movable/ immovable property documents upon receiving full repayment and closure of loan account to avoid customer grievances and disputes in future. To address the issues faced by the borrowers and towards promoting responsible lending, the following instructions are issued:

**i) Release of movable/immovable property documents**

- a. The Company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.
- b. The borrower shall be given the option of collecting the original movable/ immovable property documents either from the banking outlet/branch where the loan account was serviced or any other office of the Company where the documents are available, as per her/his preference.
- c. The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.

- d. In order to address the contingent event of demise of the sole borrower or joint borrowers, The Company shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the Company along with other similar policies and procedures for customer information.

**ii) Compensation for delay in release of movable/immovable property documents**

- a. In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/settlement of loan, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, it shall compensate the borrower at the rate of ₹5,000 for each day of delay.
- b. In case of loss/damage to original movable/immovable property documents, either in part or in full, NBFCs shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (ii) above. However, in such cases, an additional time of 30 days will be available to the NBFCs to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- c. The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

**F) Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans**

1. The company shall consider the repayment capacity of the borrowers at the time of sanction of EMI based floating rate Education loans to ensure that there is adequate headroom / margin is available for elongation of tenor and/ or increase in EMI, in the scenario of possible increase in the interest rates during the tenor of the loan.

The Company has put in place an appropriate policy framework to meet the following requirements for implementation and compliance:

- i. At the time of sanction, the Company shall clearly communicate to the borrowers about the possible impact of change in interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
- ii. At the time of reset of interest rates, the company shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
- iii. The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and (b) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/pre-payment penalty shall be subject to extant instructions.
- iv. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision

- of such charges/ costs by the Company from time to time.
- v. The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
  - vi. The Company shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. The Company shall ensure that the statements are simple and easily understood by the borrower.
2. Apart from the equated monthly instalment loans, these instructions would also apply, mutatis mutandis, to all equated instalment-based loans of different periodicities.
  3. The Company shall ensure that the above instructions are extended to the existing as well as new loans suitably by December 31, 2023. All existing borrowers shall be sent a communication, through appropriate channels, intimating the options available to them.

**G) General:**

- i. RCPL shall 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 deliberately or otherwise by the borrower, has come to its notice.
- ii. In case of receipt of request from the borrower for transfer of borrower account to other NBFC, Bank of financial Institution, the consent or otherwise shall be conveyed within 21 days from the date of receipt of such request. Such transfer shall be in accordance with the contractual terms entered into with the borrower and in consonance with its statutes, rules, regulations and guidelines as will be applicable from time to time.
- iii. In the matter of recovery of loans, the Company shall resort only to remedies which are legally and legitimately available to it and will avoid using recovery measures during odd hours of the day, undue harassment, use of muscle power for recovery of loans. As complaints from customers also include rude behavior from the staff of the companies, RCPL shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- iv. 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, RCPLs shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- v. The Code shall be prepared in vernacular language or a language as understood by the borrower.
- vi. The Company shall publicize the Code as under:
  - Providing existing and new customer with a copy of the Code, whenever requested,
  - Disclose this Code on the Website of the Company.

- vii. The Company shall periodically review this Code basis its business and regulatory requirements.

**H. Repossession of Hypothecated Assets:**

The Company shall mention legally enforceable re-possession clause in the loan documents. The process of repossession shall be carried out transparently and process be followed regarding (a) issue of notice 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.

**I. Grievance Redressal Mechanism:**

1. The Helpline free number for recording the grievances of the customers will be intimated the Application Form/Sanction Letter/other document issued to the borrower. In addition, a separate e-mail ID will be created where customer can send their grievances via e-mail.
2. After examining the matter, the Company will endeavor to send the customer its response within 15 working days and intimate the customer how to escalate the complaint to higher level, if he is not satisfied with the response.
3. The Company shall set up loan product wise turn-around time (“TAT”) for resolution of customer grievances within the above period of 15 working days and shall ensure to resolve the complaints within such defined TATs.
4. Name and contact details of the officer who can be approached by the Customer for resolution of complains should be prominently displayed at the branches and head office of the Company and also the name and contact details of the Officer-in-charge of the Regional Office of Department of Supervision of the Bank (DNBS) who can be approached in case the complaint/dispute is not addressed within a period of 15 working days.
5. A periodical review of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management would be undertaken by the Company and a consolidated report of such reviews shall be submitted to the Board of Directors of the Company at regular intervals.

**J. Policy for Determining Interest Rates, Processing and Other Charges**

To ensure that the Customers are not charged excessive interest rates and charges on loans and advances by the Company, the Borad of the Company shall adopt a Policy for Determining Interest Rates, Processing and Other Charges (“Interest Rate Policy”) and the same shall be put up onthe Company’s website. Further the Board of the Company also undertakesperiodical review of the Interest Rate Policy.



**K. Loan facilities to the physically/visually challenged:**

The Company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of the Company shall render all possible assistance to such persons for availing of the various business facilities. The Company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, the Company shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism.

**L. Key Commitments and Declarations**

The Company shall act efficiently, fairly and diligently in dealings with all its customers by:

1. Meeting the commitments and standards in this Fair Practices Code for the financial products and services, the company offer, and the procedures and practices the company staff follow;
2. Ensuring that all the financial services meet relevant laws and regulations;
3. Providing professional, courteous and speedy services;
4. Providing accurate and timely disclosure of terms and conditions, costs, rights and liabilities as regards financial transactions.

The Company shall help the customer understand the financial products and services by:

1. Verbally explaining information about the financial schemes in Hindi and/or English / hindi and/or local vernacular language as understood by the customer;
2. Explaining financial implications of the transactions;
3. Assisting the customer to choose the financial product.
4. Ensuring that company marketing and promotional material is clear and is not misleading;

The Company shall deal proactively with mistakes by:

1. Correcting mistakes quickly;
2. Attending to customer complaints quickly;
3. Telling its customers how to take their complaint forward if the customers are still not satisfied with the assistance;
4. Reversing any charges that the company apply due to its mistake.

**M. Loans in relation to the Digital Lending:**

Whenever the Company/ NBFC engages digital lending platforms as their agents to source borrowers and/ or to recover dues, they must follow the following instructions:

- Names of the digital lending platforms engaged as agents shall be disclosed on the website of the Company.
- Digital lending platforms engaged as agents shall be directed to disclose upfront to

the customer, the name of the Company/NBFC on whose behalf they are interacting with him.

- Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the company.
- A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/disbursement of loans.
- Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the Company.
- Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

**N. Miscellaneous:**

This Fair Practices Code shall be reviewed and revised periodically as maybe deemed fit by the Board of Directors of the Company.

A copy of the Fair Practice Code may be put up on the website of the Company once the website is operational.