

Guidelines on Fair Practices Code for Non MFI NBFC

1. Introduction

The Reserve Bank 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 jewelry. Revised circular was issued on March 26, 2012.

2. Guidelines on Fair Practices Code for NBFCs

(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) Loan application forms should 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 shall provide acknowledgement for receipt of all loan applications. The Acknowledgement includes the time frame within which loan applications will be disposed off

(ii) Loan appraisal and terms/conditions

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. The loan agreement shall contain the Penal interest charged for late repayment.

The Company has initiated steps for conversion of existing documents to vernacular language.

The Company shall furnish a copy of the loan agreement 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 shall give notice to the borrower in 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.

Any Changes in interest rates and charges shall be effected only prospectively and the loan agreement shall contain the necessary provisions in this regard.

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

(c) The Company shall 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 the company shall have against the 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 the company is entitled to retain the securities till the relevant claim is settled/ paid.

iv) General

(a) The Company 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 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, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.

(c) In the matter of recovery of loans, the company shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. The Company shall ensure that the staff 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 The Company the company 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

- I. The Board of Directors of the company shall also lay down the appropriate grievance redressal mechanism within the organization. Such a mechanism should 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 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.

II. A consolidated report of such reviews may be asked by the Board at regular intervals.

(vi) Grievance Redressal Officer

At the operational level, The Company has displayed 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 No's as also Email address) of the Grievance redressal officer who can be approached by the customers for resolving the 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 (NBFC) falls. The complete contact details of the said Officer-in-Charge will be available at the branch premises.

(a) ***Mr. Rajesh N Kulkarni, Compliance Officer*** of the Company is the Grievance Redressal Officer under the Fair Practices Code who can be approached by the public for resolution of complaints against the Company on the below mentioned address (a) Grievance Redressal Officer :)

DAVINTA FINANCIAL SERVICES PRIVATE LIMITED

Registered Office:

SY NO. 7P & 93P, ELECTRONIC CITY WEST, INDUSTRIAL AREA, BEGUR HOBOLI, BANGALORE KA 560100 IN

Email ID: Rajesh.Kulkarni@davintafinserv.com

Ph.: +91 99726 25000

In short, the public notice shall serve for 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 (which should preferably be in the vernacular language or a language as understood by the borrower) based on the guidelines outlined hereinabove shall be put in place by the Company with the approval of the Board. The Company shall have the freedom of drafting the Fair Practices Code, enhancing the scope of the guidelines but in no way sacrificing the spirit underlying the above guidelines. The same shall be put up on the web-site of the company for the information of various stakeholders.

(viii) Regulation of excessive interest charged by NBFC

(a) The Board of directors of the company has adopted an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium 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 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 may be made available on the web-site of the companies or published in the relevant newspaper. The information, if published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.

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

(ix) Complaints about excessive interest charged by NBFC

The Company shall lay out the appropriate internal principles and procedures in determining the interest rates and processing and other charges.

(x) Clarification regarding repossession of vehicles financed by NBFC

The Company shall have a built in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement should 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. A copy of such terms and conditions must be made available to the borrower in terms of the pertinent RBI circular and The Company may invariably furnish a copy of the loan agreement 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, which may form a key component of such contracts/loan agreements.