

FAIR PRACTICES CODE

Latest Amendment Date- 09.08.2024

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INTRODUCTION

This is a compulsory Code which sets minimum standards of business practices for the Company to follow when it deals with customers. It provides protection to the customers and explains how Company is expected to deal in their business operations.

The Code does not replace or supersede regulatory or supervisory instructions of the Reserve Bank of India (RBI) and we will comply with such instructions/directions issued by RBI from time to time.

Provisions of the Code may set higher standards than what is indicated in the regulatory instructions and such higher standards will prevail as the Code represents best practices voluntarily agreed to by us as our commitment to the customers.

BACKGROUND

Reserve Bank of India (RBI) has issued guidelines on the Fair Practices Code for NBFCs from time to time and recently RBI under Chapter VII of Master Direction – Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023 dated October 19, 2023 has provided updated guidelines on Fair Practices Code for Non-Banking Financial Companies that are to be adopted by the Company. In accordance with the broad guidelines prescribed by RBI and subsequently amended from time to time, Paisalo Digital Limited has framed and updated its Fair Practices Code accordingly.

1. OBJECTIVE

1.1 Objectives of Fair Practices Code

- To ensure transparency in the Company's dealings with its Customers
- To ensure compliance with legal norms in matters relating to recovery of advances
- To strengthen mechanisms for resolving the customer grievances.
- To provide and promote professional, efficient, diligent and fast services.
- To not discriminate any borrower on the basis of religion, caste or sex.

1.2 Application of the Code

This Code applies to Loan facility provided by our branches and Head Office .

2. KEY COMMITMENTS

2.1 Key Commitments to the customers

- a) Meeting the commitments and standards provided in this Code for the services and products offered, and in the procedures and practices we follow;
- b) Sincere endeavor to ensure the services and products offered meet relevant laws and regulations in letter and spirit;
- c) Ensuring our dealings are based on ethical principles of integrity, honesty and transparency

2.2 Information to Customer

- a) Giving all the information in vernacular language
- b) Ensuring that customers are given clear information about the products and services offered, the terms and conditions, interest rates/service charges
- c) Prompt resolution of customer's queries

3. GENERAL INFORMATION

Prior to establishment of a customer relationship, we will:-

- Give clear information explaining the key features of the services and products best suited to the individual needs of the borrower, including applicable interest rates and other necessary terms and condition, by way of giving in-principal approval.

4. LOAN PROCESSING

4.1 Applications for loans and their processing

- 4.1.1 At the time of issuing application form for a loan proposal we will provide clear information about the interest rates applicable, whether floating rate or fixed rate, the fees/charges payable for processing, part of processing fees refundable if loan amount is not sanctioned/disbursed, pre-payment options and charges, penal interest for delayed repayments, and any other matter which affects the interests of the borrower.
- 4.1.2 The loan application form shall indicate the documents required to be submitted with the application form.
- 4.1.3 Acknowledgement receipt of all facility applications to be issued instantly on receipt of duly authenticated applications.
- 4.1.4 Loan applications will be disposed of within a reasonable period from the date of issuing acknowledgement of receipt of application.
- 4.1.5 All communications to the Borrower shall be in the vernacular language or a language as understood by the Borrower

4.2 Loan appraisal and terms/conditions

- 4.2.1 Loan proposal will be appraised in accordance with company's prescribed risk assessment procedures, suitable securities condition will be stipulated accordingly based on such risk assessment and company's extant guidelines, without compromising on due diligence.

- 4.2.2 Sanction letter or otherwise any such documents' detailing particulars of amount sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof, commencement of instalment date, tenor of instalments will be given on sanctioning the proposal and keep the acceptance of these terms and conditions by the borrower on its record.
- 4.2.3 Rejection of the proposal will be communicated with reasons within a reasonable time of login.
- 4.2.4 The penal interest chargeable on delayed payments (for late payment) shall be communicated to the borrower by way of BOLD letters in the loan agreement.
- 4.2.5 Company shall furnish a copy of the loan agreement as understood by the borrower along with a copy of all enclosures quoted in loan agreement to the borrowers at the time of sanction/disbursement of loan

4.3 Disbursement of loans, including changes in terms and conditions

- 4.3.1 Disbursement of loans sanctioned is to be made immediately on execution of loan documents governing such sanction.
- 4.3.2 Our BM/Loan sourcing person explains to the customer the contents of Loan agreements, Terms and conditions governing the loan in the language understood by the customer. Any change in the terms and conditions, including disbursement schedule, prepayment charges, interest rate and service charges etc. shall be effected only prospectively and such changes will be informed individually to the borrowers in case of account specific changes and in case of others by Public Notice/through Print and or other Media from time to time.
- 4.3.3 Consequent upon such changes any supplemental deeds documents or writings are required to be executed, the same shall also be advised.
- 4.3.4 Company shall supply authenticated copies of all the loan documents executed by you along with a copy each of all enclosures quoted in the loan document.
- 4.3.5 Company shall give written receipt for all documents to title taken as security/ collateral for any loan received from you.

4.4 Post Disbursement Supervision

Decision to recall/ accelerate payment or performance under the agreement should be in consonance with the loan agreement and before taking such decision or seeking additional securities the company would give reasonable notice to the customer.

4.5 Changes in Fees and Other Charges, and other Terms and Conditions

- 4.5.1 Any change in interest rates and other charges will be notified to the customer before exposing the running facility to the revised rates.
- 4.5.2 Any changes to terms and conditions will be informed through appropriate channels.
- 4.5.3 Changes will be made with prospective effect after giving due notice.

4.6 Closing of Account

- 4.6.1 Company shall return all unrealised cheques, if any, received from customer after receiving outstanding balances from the borrower.
- 4.6.2 Company shall return all the securities / documents/title deeds to mortgaged property within 30 days of the repayment of all dues agreed to or contracted or realisation of the outstanding amount of loan subject to any legitimate right or lien for any other Claim Company may have against the borrower. If any right to set off is to be exercised for any other claim, we will give due notice with full particulars about the claims and retain the securities/ documents/title to mortgaged property till the relevant claim is settled/paid.
- 4.6.3 The company shall not charge foreclosure charges / pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

5. RESPONSIBLE LENDING CONDUCT – RELEASE OF MOVABLE/IMMOVABLE PROPERTY DOCUMENTS ON REPAYMENT/ SETTLEMENT OF 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:

5.1 Release of movable/immovable property documents:

- 5.1.1 Company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days from date of full repayment/settlement of the loan account.
- 5.1.2 The borrower shall be given the option of collecting the original movable/ immovable property documents either from the Company's branch where the loan account was serviced or any other office of the Company where the documents are available, as per her/his preference.
- 5.1.3 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 of the said circular.
- 5.1.4 In order to address the contingent event of demise of the sole borrower or joint borrowers, NBFCs shall laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure

shall be displayed on the website of NBFCs along with other similar policies and procedures for customer information.

5.2 Compensation for delay in release of movable/immovable property documents:

- 5.2.1 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 from date of 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 Rs 5,000 for each day of delay.
- 5.2.2 In case of loss/damage to original movable/immovable property documents, either in part or in full, the Company 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 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).
- 5.2.3 The compensation provided under these direction be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

6. REPOSSESSION OF HYPOTHECATED VEHICLES/ASSETS

- 6.1 The Company has the right to take possession of the Hypothecated/Vehicle Assets financed by the Company ("Hypothecated Asset") by giving 7 days prior notice to the Borrower in case of default, to clear the dues or hand over the possession of such Hypothecated Asset. Such notice need not be given in the following circumstances:
- 6.1.1 When the borrower has expressed his willingness to surrender the possession of the Hypothecated Asset voluntarily.
- 6.1.2 When the Borrower absconded with a view to prevent the recovery of the dues from him.
- 6.1.3 When the asset remains abandoned by the Borrower for any reason.
- 6.1.4 On such other conditions as mentioned in the loan agreement executed between the Company and the Borrower.

- 6.2 The procedure for taking repossession of the Hypothecated Asset:
- 6.2.1 By asking the Borrower personally to surrender the Hypothecated Asset at a place convenient to the Company or seizing the Hypothecated Asset at the residence or at the place the Hypothecated Asset is available.
- 6.2.2 When Borrower fails to follow the demand made in the above referred notice, the Company may approach appropriate forum for an order enabling it to take possession of the Hypothecated Asset by suitable ways either by way of a commissioner or receiver.
- 6.2.3 By compelling the Borrower to hand over possession through the authorities so as to prevent the use of the Asset by the Borrower.
- 6.2.4 Clause "6.2.2 & 6.23" are not applicable when the Borrower surrenders the Hypothecated Asset voluntarily.
- 6.2.5 Before and post taking repossession of hypothecated Asset appropriate intimation to competent authority(ies) shall be given, if required under any applicable law.
- 6.3 Provision regarding final chance to be given to the Borrower for repayment of the loan before the sale/auction of the Security:
- 6.3.1 The Company is entitled to transfer in any form like sale, rental and conversion for own use etc., the assets, the possession of which is obtained in any of the ways stated above or otherwise, in connection with the default, in the way convenient to the Company and appropriate the proceeds thereof towards repayment/dues from the Borrower, when the Borrower and Guarantor fails to follow the notice for repayment of the dues within 7 days in any of the modes of service of such notice at the convenience of the lender, as a final chance to avoid the transfer under this clause. This right to transfer does not take away the sole discretion of the Company to return the possession of the Asset in appropriate cases.
- 6.3.2 If such sale proceeds are insufficient to discharge the entire dues, lender shall move further against the Borrower and/or Guarantor and if the sale proceeds exceed the dues, the balance will be paid to the Borrower. However, the above entitlement is no bar from the lender to proceed against the Borrower and /or Guarantor directly, sparing the proceedings against the security.
- 6.3.3 The Company is entitled to recover all types of expenses on full indemnity basis, incurred by or on behalf of the lender in ascertaining the whereabouts of the Security, taking possession, parking charges, insurance charges, transporting and selling the security and also for other legal steps in connection with this agreement from the borrower.
- 6.4 The loan agreement of the Company contains necessary repossession clauses relevant details there of as prescribed by RBI from time to time.

7 REGULATION OF INTEREST TO BE CHARGED FROM THE BORROWER

- 7.1 The Company shall laid out appropriate internal principles and procedures in determining interest rates and processing and other charges.
- 7.2 The Company shall 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 facilities 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 also be disclosed to the borrower or customer in the loan application form and shall also be communicated explicitly in the sanction letter. It shall also be made available on the web-site of the company or published in the relevant newspapers. The information published in the website or otherwise published should be regularly updated whenever there is a change in the rates of interest.
- 7.3 In the case of instalments at flat rate of interest, the calculation of instalments is done at the time of booking of loan case and the flat interest after merging in instalment part takes the character of principal and no further interest can be applied. In the circumstances, the only way to recover the loss to the company for the delay in instalments is levying late fees. When late fees is charged no interest is recovered for the period of default.
- 7.4 In case of fixed period lump sum repayable loans the interest rate is settled and charged as per agreed terms, however, here also when late fees is applied due to delay or default, only late fees is applied / recovered and interest is not applied/recovered for the default period.
- 7.5 Internal Credit Rating Model has been adopted for gradation of risks which is considered to determine the rates of interest.
- 7.6 The rate of interest to be charged to the account will also be mentioned in annualized form.
- 7.7 Penal Charges- 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 procedure for compounding of interest in loan account.
- 7.8 Company shall not introduce any additional component to the rate of interest.
- 7.9 Company shall formulate a Board approved policy for penal charges. 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.
- 7.10 The quantum and reason for penal charges shall be clearly disclosed by the NBFCs to the Borrower in loan agreement.

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8 **GENERAL**

8.1 The company would refrain from interference in the affairs of the borrower except for what is provided in the terms and conditions of loan sanction documents (unless new information, not earlier disclosed by the borrower, has come to the notice of the company as lender). However, this does not imply that company's right of recovery and enforcement of security under Law is affected by this commitment.

8.2 No discrimination on the grounds of gender, caste or religion in its lending policy and activity.

8.3 In all recovery proceedings Company would resort to the usual measures as per laid down guidelines and extant provisions, and would operate within the legal framework. Company does not resort to coercive measures (like persistently bothering at odd hours, use of muscle power, rude behaviour or harassment from any staff of the company) for recovery of loan.

8.3.1 All the members of the staff or any person authorized to represent our Company in collection or/and security repossession would follow the guidelines set out below:

8.3.1.1 The Borrower would be contacted ordinarily at the place of his/her business/occupation and if unavailable at the place of his/her business/occupation, at the place of his/her residence.

8.3.1.2 Identity and authority of persons authorized to represent the Company for follow up and recovery of dues would be made known to the borrowers at the first instance. The Company staff or any person authorized to represent the Company in collection of dues or/and security repossession will identify himself / herself and display the authority letter issued by the Company upon request.

8.3.1.3 The Company would respect privacy of its borrowers.

8.3.1.4 Normally the Company's representatives will contact the borrower between 07.00 hrs and 19.00 hrs, unless the special circumstance of his/her business or occupation requires the bank to contact at a different time.

8.3.1.5 Borrower's request to avoid calls at a particular time or at a particular place would be honoured as far as possible.

- 8.3.1.6 The Company shall document the efforts made for the recovery of dues and the copies of communication sent to customers, if any, will be kept on record.
 - 8.3.1.7 Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.
 - 8.3.1.8 The Company shall provide necessary assistance to resolve disputes or differences regarding dues in a mutually acceptable and in an ordinary manner
- 8.4 Clarifications required by the borrowers are given on e-mail or other mode.
- 8.5 In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of the NBFC, if any, should 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.
- 8.6 The Company's staff shall be adequately trained (including not to behave rudely with the customers) to deal with the customers in a polite and professional manner.
- 8.7 A declaration that the Company will be accountable for preventing in appropriate staff behaviour and timely grievance redressal shall be made in the loan agreement and also in the Fair Practices code displayed in Branches.

9 RESPONSIBILITY OF BOARD OF DIRECTORS

The Board of Directors of the Company shall lay down the appropriate grievance redressal mechanism within the Company. Such a mechanism should ensure that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level. The Board of Directors should also provide for periodical review of the compliance of the Fair Practices Code and the functioning and the functioning of the grievance 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.

10 COMPLAINTS, GRIEVANCES AND FEEDBACK

10.1 Grievance Redressal Mechanism:-

- 10.1.1 The Company has laid down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism ensures that all disputes arising out of the decisions of the functionaries are heard and disposed of at least at the next higher level.
- 10.1.2 The Board shall periodically review the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management
- 10.1.3 Response to a complaint would be given within a maximum period of one month from the date of complaint, unless the nature of complaint requires verification of voluminous facts and figures.

10.2 Grievance Redressal Officer (GRO):

Name	Address	Contact No. and Email	
Mr. Anurag Sinha	CSC, Pocket 52, CR Park, Near Police Station, New Delhi-110019	Mob. No.	9837727603
		Ph. No.	01143518888
		Fax No.	01143518816
		Email Id	anurag.sinha@paisalo.in

10.3 The Company shall display at all its branches / places where business is transacted the above details of Grievance Redressal Officer viz. contact details (Telephone / Mobile nos. as also email address) who can be approached by the public for resolution of complaints against the company.

10.4 If the complaint/dispute is not redressed within a period of one month, the customer may appeal to the Officer- in Charge as per the below mentioned contact details:-
Officer-in-Charge of the Regional Office of Department of Supervision of Reserve Bank of India:

Officer & Designation	Address	Contact Details	
The Manager (Department of Non Banking Supervision), Reserve Bank of India	6, Sansad Marg, RBI Building, P.B. no. 123, New Delhi-110001	Phone No.	011-23714456
		Fax No.	011-23713672

11 **OMBUDSMAN FOR NBFCs**

The customers may lodge their complaints (as complying under the Reserve Bank – Integrated Ombudsman Scheme, 2021) online through the portal designed for the purpose (<https://cms.rbi.org.in>) or through electronic or physical mode to the Centralized Receipt and Processing Centre as notified by the Reserve Bank, in this regard.

Before making a complaint under The Reserve Bank – Integrated Ombudsman Scheme, 2021, the customer should have made a written complaint to the Company and the complaint should have been rejected wholly or partly by the Company and the Customer is not satisfied with the reply or Customer had not received any reply within 30 days after the Company received the complaint. The complaint is made to the Ombudsman within one year after the complainant has received the reply from the Regulated Entity to the complaint or, where no reply is received, within one year and 30 days from the date of the complaint.

12 **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. Further, the Company shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism.

13 **REVIEW OF THE FAIR PRACTICES CODE**

Code shall be reviewed by the Board of Directors from time to time and shall make such amendments as required pursuant to change in regulatory provisions or operations of the Company as deemed fit by the Board of the Company.