



FAIR PRACTICE CODE



Loan in 3 days

INDIA FINSEC LIMITED



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Preamble

The Fair Practices Code (“FPC”) has been framed and adopted by India Finsec Limited (“IFL” or “Company”) in accordance with guidelines issued by The Reserve Bank vide its Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and subsequent amendments, on Fair Practices Code (FPC) for all NBFCs to be adopted by them while doing lending business. This Fair Practice Code (FPC) aims to ensure that the Company’s lending and recovery practices are conducted ethically, fairly, and in compliance with applicable regulatory requirements.

Objectives of the Code

India Finsec Limited ensures fair and transparent dealings with its customers who approach it for obtaining a loan and for transactions with customers after the loan has been granted. This code will enable employees to provide better customer service and maintain transparency in business dealings with its customers. Accordingly, a Fair Practices Code has been set with an objective to:

- to promote good and fair practices by setting minimum standards in dealing with customers;
- to increase transparency so that the customer can have a better understanding of what he/she can reasonably expect of the services;
- to encourage market forces, through competition, to achieve higher operating standards;
- to promote a fair and cordial relationship between the customer and the Company;

Application of the Code

This code shall apply to all employees of the company and other persons authorized to represent it in the course of its business with respect to all products and services.

Commitments

Company shall adhere to this code to act fairly and reasonably in all dealings with customers, by ensuring that:



- The company shall meet the commitments and standards in this Code for the products and services it offers and, in the procedures, and practices their staff follows.
- Products and services of the company will meet relevant laws and regulations in both letter and in spirit.
- The company will act quickly in correcting the mistakes and attend to complaints lodged by its customers in light of objective of this code.
- Company will not discriminate in any manner between genders, castes, religions or disability while dealing with the customers visiting/approaching for services from us. However, the restrictions, if any, as mentioned in the loan products, shall continue to apply.

Disclosure and Transparency

Our company believes in complete disclosures and transparency in dealing with our customers. We shall provide all relevant information which may have a bearing on the transactions between the Company and the customers including but not limited to the interest rates, common fees and charges through all possible means including:

- putting up notices in branches;
- providing tariff schedule as and when requested.
- through the company's website
- through designated staff

Confidentiality

The Company will collect personal information that it believes to be relevant and required to understand the profiles of the customer and conduct its business. The Company shall keep all personal information of customers as private and confidential and shall not disclose any information to a third person unless required by any law or Government authorities including Regulators or Credit agencies or where the sharing of information is permitted by the customer. If company shall avail services of any third party for providing support services, Company shall require that such third parties handle customers' personal information with the same degree of confidentiality.

Advertising, Marketing and Sales

The Company shall ensure that all advertising and promotional material is clear and not misleading. The Fair Practice Code shall also apply to sales associates / representatives of the company to the extent of their identification when they approach the borrower for selling products personally. In case of any advertisement in any media and promotional literature that draws attention to a service / product and its interest rate, the Company shall also provide the details of other fees or



charges, if any.

Loans

Applications for loans and their processing

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

The Company shall transparently disclose to the borrower all information about fees/ charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed, pre-payment options and charges, if any, penal charges for delayed repayment, if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any interest reset clause and any other matter which affects the interest of the borrower. In other words, the Company shall disclose 'all in cost' inclusive of all charges involved in processing/ sanctioning of loan application in a transparent manner. It should also be ensured that such charges/ fees are non-discriminatory.

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 can be taken by the borrower. The loan application form may indicate the list of documents required to be submitted with the application form.

The Company shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.

Loan Appraisal and Terms/Conditions

Normally all particulars required for processing the Loan Application will be collected by the Company at the time of application. In case it needs any additional information, the customer will be informed to provide the same.

The Company will convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges, if any and keep the written acceptance of these terms and conditions by the borrower on its record.

The Company shall mention the penal charges which are charged for late repayment in bold in the loan agreement.

Borrower shall be entitled to a copy of the Loan Agreement along with a copy of each of all enclosures quoted in the Loan Agreement at the time of sanction / disbursement of loans, against acknowledgement.



Penal Charges in Loan Accounts

- a) 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 capitalization 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.
- b) The Company shall not introduce any additional component to the rate of interest and ensure compliance to the RBI guidelines in both letter and spirit.
- c) The Company shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.
- d) 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.
- e) 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.
- f) The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on the Company’s website under Interest rates and Service Charges.
- g) 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.

A separate Policy on Fair Lending Practice- Penal Charges on Loan accounts has been put in place and duly approved by the Board of Directors in its meeting held on May 4, 2024.

Disbursement of Loans including changes in terms and conditions

Disbursement should be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.



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, penal charges (if any), service charges, prepayment charges, other applicable fee/ charges, etc. The Company 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.

Decision to Recall or Acceleration of repayment of loan amount:

Before taking a decision to recall/accelerate payment or performance under the agreement or seeking additional securities, the Company shall give notice to the borrower(s) in consonance with the Loan Agreement.

Closure of Loan Account and release of Securities/Documents on repayment/settlement of personal loans*:

The Company shall 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 that the Company 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 the company is entitled to retain the securities till the relevant claim is settled / paid.

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.

The borrower shall be given the option of collecting the original movable/ immovable property documents either from the branch where the loan account was serviced or any other office of the Company where the documents are available, as per her/ his preference.

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.

The Company shall have a well laid out procedure for return of original movable/ immovable property documents to the legal heirs in case of demise of the sole borrower or joint borrowers. The procedure shall be displayed on the website of the Company for customer information.



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, 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 sub-paragraph (a) above. However, in such cases, an additional time of 30 days will be available to the Company 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 shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

***Personal loans are defined in Annex defined to the Circular on ‘XBRL Returns – Harmonization of Banking Statistics’ dated January 04, 2018.**

General

- a) The Company shall not interfere in the affairs of the borrower except for the purposes provided in the Loan Documents, unless new information not earlier disclosed by the borrower has come to the notice of the Company.
- b) In case of receipt of a request from the borrower for transfer of the borrower’s account to other NBFC or Bank, the consent or otherwise i.e. objection of the Company, if any, shall be conveyed within 21 days from the date of receipt of such request in writing. 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 like bothering the borrowers at odd hours, use of muscle power including rude behaviour of the staff of company for recovery of loans etc. The Company shall ensure that its staff is adequately trained to deal with the customers in an appropriate manner.



- d) The Company or its representative will call delinquent customers between 0900 hrs to 1800 hrs unless special circumstances of the borrower's business require to call them otherwise outside the hours mentioned.
- e) The Company may arrange for enforcing security charged to it of the delinquent borrower, if required, with an aim only to recover dues and will not be aimed at whimsical deprivation of the property.
- f) The Company shall ensure that the entire process of enforcing its security, valuation and realisation thereof be fair and transparent.
- g) In order to ensure customer protection and to bring in uniformity about prepayment of various loans by borrowers of banks and NBFCs, Company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loans sanctioned to individual borrowers with or without co-obligant(s).
- h) All the fees / charges / interest would be payable as per interest rate policy or as per mutually agreed terms.
- i) Post disbursement supervision is constructive and the genuine difficulties which the customer may face is given consideration.

Responsibility of Board of Directors

The Board of Directors of the Company has laid down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. The mechanism ensures that all disputes arising out of the decisions of lending institution's 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. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

Grievance Redressal Mechanism

The Company would strive for customer satisfaction within the framework of law, adopted policies and procedures. Customers have the following ways of approaching the Company as per details mentioned below:

- a) **Voice Support:** The customer can call us at our Customer care No. +91 8595010101 between 10:00 am to 6:30 pm from Monday to Saturday.



b) **Email Support:** Please write to us to Grievance Redressal officer at indiafinsec@gmail.com (Please ensure to mention your loan account number and contact number in the email). The customer will receive a response from the team within 7 business days but there would be instances wherein the team may even take longer to respond/reply.

The e-mail ID and Telephone No. for the grievances of the customers will also be mentioned in the Application Form or any other document issued to the borrower.

c) A customer can escalate the matter to Chief Financial Officer of the Company at 011-47096097 in case he/she is not satisfied with the response received from Grievance Redressal Officer. Depending upon the query/dispute/grievance, a written reply/resolution will be sent to the customer within 10 business days at his/her registered email id.

d) At all the branches / Head Office of the Company, notice will be put up informing the customers about the escalation mechanism and the Grievance Redressal Officer (including the name and contact details). If the grievance is not redressed within a period of 30 days, the customer can lodge a complaint on RBI CMS portal – <https://cms.rbi.org.in>

Or may also appeal to the below mentioned address:

Centralised Receipt and Processing Centre,

Reserve Bank of India, 4th Floor,

Sector 17, Chandigarh – 160017

Tollfree Number- 14448

Email id: crpc@rbi.org.in

e) The Company shall request the customer to provide feedback on the services rendered. This can be done through direct contact by staff or through specific customer satisfaction surveys that may be conducted from time to time.

Language and mode of communicating Fair Practice Code

Fair Practices Code (which shall preferably be in the vernacular language or a language as understood by the borrower) based on the directions outlined hereinabove shall be put in place by the Company with the approval of their Boards. The same shall be put up on their website, for the information of various stakeholders.



Regulation of excessive interest charged by NBFCs

The Board of the Company shall adopt 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 gradation 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.

The rates of interest and the approach for gradation of risks, and penal charges (if any) shall also be made available on the website of the companies or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.

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

Following parameters needs to be considered at the time of sanction of EMI based floating rate personal loans with reference to RBI/2023-24/55 DOR.MCS.REC.32/01.01.003/2023-24 dated 18.08.2023

At the time of sanction of EMI based floating rate personal loans, REs are required to take into account the repayment capacity of borrowers to ensure that adequate headroom/ margin is available for elongation of tenor and/ or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenor of the loan.

1. At the time of loan sanction, REs must inform borrowers about the potential impact of benchmark interest rate changes on their loan, including possible changes in EMI and loan tenor. Any such changes should be promptly communicated.
2. REs must offer borrowers the option to switch from a floating to a fixed interest rate at the time of rate reset, in accordance with their approved policies. They may limit the number of times a borrower can switch during the loan term.
3. Borrowers must have the option to increase their EMI, extend the loan tenor, or a combination of both. They should also have the option to prepay the loan, partially or fully, without incurring foreclosure charges, as per current guidelines.
4. Any charges related to switching loan types (floating to fixed) and administrative costs must be transparently disclosed in the loan agreement and whenever such charges change.
5. REs must ensure that extending the loan tenor for floating rate loans does not lead to negative amortisation.
6. REs 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 REs shall ensure that the statements are simple and easily understood by the borrower.

Further following parameters needs to be considered while charging interest with reference to RBI/2024-25/30 DoS.CO.PPG.SEC.1/11.01.005/2024-25 dated 29.04.2024

1. Charging of interest from the date of actual disbursement of the funds to the customer.
2. In the case of disbursal or repayment of loans during the course of the month, then interest will be charged only for the period for which the loan was outstanding.
3. REs will not charge interest on the full loan amount, in case of, one or more instalments have been collected in advance.

Penal Charges

Following parameters needs to be considered with respect to Penal Charges with reference to RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated 18.08.2023

- Penal charges, 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 capitalization of penal charges i.e., no further interest computed on such charges.
- The company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- The quantum of penal charges shall be reasonable and without being discriminatory within a particular loan / product category.
- The quantum and reason for penal charges shall be clearly disclosed by the company to the customers in the loan agreement/MITC, in addition to being displayed on the company's website.

Complaints about excessive interest charged by NBFCs

The Board of the Company shall lay out an interest rate policy mentioning internal principles and procedures in determining interest rates, processing charges and other charges.

Lending against collateral of gold jewellery

Company does not lend against gold jewellery to individuals but if it plans to do the



same in future then it shall adopt the following in addition to the general guidelines as mentioned above: -

Company shall put in place Board approved policy for lending against gold that should inter alia, cover the following:

- a) Adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan,
- b) Proper assaying procedure for the jewellery received,
- c) Internal systems to satisfy ownership of the gold jewellery,
- d) Adequate systems for storing the jewellery in safe custody, reviewing the systems on an on-going basis, training the concerned staff and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to. Normally, such loans should not be extended by branches that do not have appropriate facility for storage of the jewellery,
- e) The jewellery accepted as collateral should be appropriately insured,
- f) Transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There should be no conflict of interest and the auction process must ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities,
- g) The auction should be announced to the public by issue of advertisements in at least two newspapers, one in vernacular language and another in national daily newspaper,
- h) As a policy, Company itself will not participate in the auctions held,
- i) Gold pledged will be auctioned only through auctioneers approved by the Board,
- j) The policy will also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.
- k) The loan agreement shall also disclose details regarding auction procedure.
- l) Company must insist on a copy of the PAN Card of the borrower for all transaction above ₹5 lakhs.
- m) Documentation across all branches must be standardized.
- n) NBFCs shall not issue misleading advertisements like claiming the availability of loans in a matter of 2-3 minutes.

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. 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, Company shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

The Amended Fair Practices Code has been adopted by the Board of Directors at their meeting held on May 4, 2024 and shall come into force with immediate effect.