

FAIR PRACTICES CODE

The Fair Practices Code (FPC) has been formulated and adopted by Raj Radhe Finance Limited (RRFL) as an affirmation of its values and commitment towards transparency and fairness in its dealings with its customers. The FPC incorporates all applicable guidelines and instructions issued by the Reserve Bank of India (RBI) from time to time (Ref: RBI/2015-16/16DNBR (PD) CC.No.054/03.10.119/2015-16). This code is applicable in respect of all services/ products/ loans and facilities etc. sourced or serviced by RRFL either directly or its business correspondents/ agents.

The Reserve Bank of India (RBI) had issued guidelines on Fair Practices Code (FPC) for Non-Banking Financial Companies (NBFCs) vide its Circular No. RBI/ 2006-07/ 138 DNBC (PD) CC No. 80/ 03.10.042 / 2005-06 dated September 28, 2006. Further RBI vide its Circular No. RBI/2011-12/470 DNBS.CC.PD.NO. 266/03.10.01/2011-12 dated March 26, 2012, in supersession of Circular No. RBI/ 2006-07/ 138 DNBC (PD) CC No. 80/ 03.10.042 / 2005-06 dated September 28, 2006; had amended guidelines on FPC for NBFCs and directed all NBFCs to make suitable amendments in their existing FPC.

Pursuant to above Circular, The NBFCs having consumer interface and involved in public lending, would require to frame the FPC and implement the same. The Company, on achieving the stated criteria, had framed the FPC and the same was approved by the Board at its meeting held on April 01, 2021, in line with the Non-Banking Financial Company – Non-Systematically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016

Further revision in the Master directions dated November 10th, 2023 were considered and the FPC was revised and approved by the Board of Directors at its meeting held on July 26th, 2022 and the revised FPC was effective from August 01st, 2022.

Subsequently in compliance of Master Direction issued by RBI (Ref: RBI/DoR/2023-24/106, Dor.FIN.REC.No.45/03.10.119/2023-24 dated October 19, 2023 (updated as on November 10,2023) the FPC was again modified/updated and same was approved by the Board in its meeting dated 08th January 2024.

1. Objective of the Code:

This code has been adopted to encourage an ecosystem in which:

- ⌘ A baseline for just and fair practices while carrying out business with customers are set,
- ⌘ The business operates from a high moral ground,
- ⌘ There is clarity for the customers regarding the services that they can expect,
- ⌘ The organization's commitment to transparency and fairness in all customer dealings are internalized and evidenced.

2. Our Key Commitments and Declarations:

- a. RRFL shall provide assistance to the borrower to understand and interpret the financial schemes and products being offered and their appropriateness for individual or class of customers by making available information and appropriate disclosures in writing and orally in the languages understood by the customer. All such disclosures will also be made and periodically updated on the Company's website, if need persists.
- b. Accurate and timely information with respect to terms and conditions, costs, rights and liabilities shall be provided.
- c. RRFL shall promptly redress any customer complaint within timelines committed under its grievance redressal mechanism.

3. Non-Discrimination Policy

The Company will not discriminate between customers on the basis of gender, race, caste, creed or religion or any such likely parameters, as and when times shall unveil.

4. Confidentiality:

All information provided by the customer shall be dealt with as confidential and private, unless it is otherwise explicitly disclosed and acknowledged by the customer.

EXCEPTIONAL CIRCUMSTANCES:

- ⌘ To provide the information if required under statute or regulation,
- ⌘ Mandated duty to reveal the information to the public,
- ⌘ If the Company is required to provide this information (e.g. fraud prevention) to Banks/ Financial Institutions/ Our Group and Associate Companies providing Business Support services.
- ⌘ The Company will not use this reason for giving information about customers to anyone else for marketing purposes.

5. Loan Life Cycle:

a. Applications for loans and their processing

- i. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- ii. Loan application forms 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.
- iii. The loan application form shall indicate the documents required to be submitted with the application form including processing fees or any other fees, if any, and the extent to which these fees are refundable or not in the event the loan is not sanctioned or the customer declines the facility.
- iv. RRFL will devise a system of giving acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of will also be indicated in the acknowledgement.

b. Loan appraisal and terms/conditions

- i. RRFL shall convey in writing to the borrower in the vernacular or the 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.
- ii. RRFL shall mention the penal interest charged for late repayment and pre-closure charges/ penalty clearly in the loan agreement. RRFL, however, shall not levy prepayment charges/ penalty on floating rate loans granted for purposes other than business to individual borrowers with or without co obligants.
- iii. RRFL 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.
- iv. In case of loans secured by any property, the terms and conditions of the loan agreement will contain provisions regarding: (a) notice period before taking possession of security in case of default; (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

c. Penal charges in loan accounts

- i. 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 advance. 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.
- ii. RRFL shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- iii. RRFL shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.
- iv. 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.
- v. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charge to Non-individual borrowers for similar non-compliance of material terms and conditions.

- vi. The quantum and reason for penal charges shall be clearly disclosed by RRFL to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites of NBFCs under Interest rates and Service Charges.
- vii. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- viii. The instructions in paragraph 5(c) shall come into effect from January 1, 2024. RRFL may carry out appropriate revisions in their 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 or six months from the effective date of these instructions, whichever is earlier.

d. Disbursement of loans including changes in terms and conditions

- i. RRFL shall give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. RRFL shall also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.
- ii. Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

e. Responsible Lending Conduct Release of movable/immovable property documents on repayment/ settlement of personal loans

RRFL follow divergent practices in release of movable/ immovable property documents upon receiving full repayment and closure of loan account leading to customer grievances and disputes. To address the issues faced by the borrowers and towards promoting responsible lending conduct among the RRFL, the following instructions are issued:

(A) Release of movable/immovable property documents

- i. RRFL 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 subject to any legitimate right or lien for any other claim RRFL 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 RRFL is entitled to retain the securities till the relevant claim is settled/paid.
- ii. 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 RRFL where the documents are available, as per her/his preference.
- iii. 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.
- iv. In order to address the contingent event of demise of the sole borrower or joint borrowers, RRFL 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 RRFL along with other similar policies and procedures for customer information.

(B) Compensation for delay in release of movable/immovable property documents

- i. 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, RRFL shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the RRFL, it shall compensate the borrower at the rate of RS 5,000 for each day of delay.
- ii. In case of loss/damage to original movable/immovable property documents, either in part or in full, RRFL 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 RRFL to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- iii. 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.

(C) Applicability

The instructions in paragraph 5.e shall be applicable to all cases where release of original movable/immovable property documents falls due on or after December 01, 2023.

f. Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans

- a. At the time of sanction of EMI based floating rate personal loans, RRFL 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. However, in respect of EMI based floating rate personal loans, in the wake of rising interest rates, several consumer grievances related to elongation of loan tenor and/or increase in EMI amount, without proper communication with and/or consent of the borrowers have been received. In order to address these concerns, RRFL are advised to put in place an appropriate policy framework meeting the following requirements for implementation and compliance:
 - i. At the time of sanction, RRFL shall clearly communicate to the borrowers about the possible impact of change in benchmark 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, RRFL 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/ prepayment 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 RRFL from time to time.
 - v. RRFL shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
 - vi. RRFL 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. RRFL shall ensure that the statements are simple and easily understood by the borrower.
- b. Apart from the equated monthly instalment loans, these instructions would also apply, mutatis mutandis, to all equated instalment based loans of different periodicities.
- c. RRFL shall ensure that the instructions in paragraph 5.f 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.

a. General

- i. RRFL 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 by the borrower, has come to the notice of RRFL).
- ii. In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of RRFL, 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.
- iii. In the matter of recovery of loans, RRFL shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc., as complaints from customers also include rude behaviour from the staff of the companies. RRFL shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- iv. The Board of Directors of RRFL has laid down and shall periodically review the appropriateness of the grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism shall ensure that all disputes arising out of the decisions of RRFL functionaries or its agents are heard and disposed of at least at the next higher level.

The Board of Directors shall also periodically review the compliance of the Fair Practices Code and the functioning of the grievance's 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.

v. Reserve Bank Integrated Ombudsman Scheme, 2021:-

RRFL covered under the Reserve Bank Integrated Ombudsman Scheme, 2021 (RBIOS,2021) shall comply with the directions provided under the said Scheme.

vi. 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 guidelines outlined hereinabove shall be put in place by all NBFCs with the approval of their Boards. RRFL will 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 their website, for the information of various stakeholders.

b. Regulation of excessive interest

- i. The Board of RRFL 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 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.
- ii. RRFL shall make available on request, the rates of interest and the approach for gradation of risks applicable for its loan customers. The information, if published on the website or otherwise published, shall be updated whenever there is a change in the rates of interest.
- iii. The rate of interest shall be annualised rates so that the borrower is aware of the exact rates that would be charged to the account. There shall be no penalty for prepayment/foreclosure for floating rate loans granted for purposes other than business to individual borrowers with or without co obligants.

c. Repossession of vehicles financed by NBFCs

- (A) RRFL must 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 shall also contain provisions regarding:
- i. Notice period before taking possession;
 - ii. Circumstances under which the notice period can be waived;
 - iii. The procedure for taking possession of the security;
 - iv. A provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;
 - v. The procedure for giving repossession to the borrower; and
 - vi. The procedure for sale/auction of the property.
- (B) A copy of such terms and conditions must be made available to the borrower. RRFL shall 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 forms a key component of such contracts/ loan agreements.

d. Lending against collateral of Gold Jewellery (whenever is Applicable)

While lending to individuals against collateral of gold jewellery, RRFL shall adopt the following in addition to the general guidelines as above.

1. They shall put in place Board approved policy for lending against gold that shall inter alia, cover the following:
 - i. Adequate steps to ensure that the KYC guidelines stipulated by the Reserve Bank are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan,
 - ii. Proper assaying procedure for the jewellery received,
 - iii. Internal systems to satisfy ownership of the gold jewellery,

- iv. 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 shall not be extended by branches that do not have appropriate facility for storage of the jewellery,
 - v. The jewellery accepted as collateral shall be appropriately insured,
 - vi. Transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There shall be no conflict of interest and the auction process must ensure that there is arm's length relationship in all transaction during the auction including with group companies and related entities,
 - vii. The auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national daily newspaper,
 - viii. As a policy, the RRFL themselves shall not participate in the auctions held,
 - ix. Gold pledged shall be auctioned only through auctioneers approved by the Board,
 - x. The policy shall also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilisation, execution and approval.
2. The loan agreement shall also disclose details regarding auction procedure.

3. Other Instructions

- i. RRFL financing against the collateral of gold must insist on a copy of the PAN Card of the borrower for all transactions above ₹5 lakh.
- ii. Documentation across all branches must be standardized.
- iii. RRFL shall not issue misleading advertisements like claiming the availability of loans in a matter of 2-3 minutes.

e. Loan facilities to the physically/visually challenged by NBFCs

RRFL shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of RRFL shall render all possible assistance to such persons for availing of the various business facilities. RRFL 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, RRFL shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

f. Grievance Redressal Mechanism:

- i. RRFL has established a grievance redressal mechanism within the organization. It comprises of Business Heads, Heads of Risk and Collections and Heads of Operations to resolve service quality disputes or disputes arising in regard to adherence to the Fair Practices Code.
- ii. There would be a periodical review of compliance with the Fair Practices Code and functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews would be submitted to the Board at regular intervals.
- iii. Name and contact details for any grievance expressed by the customer shall also be displayed at all places where the Company is doing business. The customer would require to express the issue over either of the communication channels and the expected resolution of the matter shall be 30 days from the received communication.
- iv. RRFL shall abide by the Fair Practices Code and uphold the spirit of the Code. A copy of the Code shall be displayed on the Company's website.
- v. If the complaint / dispute is not redressed within a period of one month, the customer may take up the complaint with the appropriate superior Authority, if they are still not satisfied.

MISCELLANEOUS ISSUES

Removal of Difficulties

If any difficulty arises in giving effect to the FPC or in case of urgency, the MD may make such provisions not inconsistent with the FPC as it may consider necessary or expedient for removing any difficulty.