

Fair Practices Code for NBFC business

(i) Applications for loans and their processing

- (a) 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. The loan application form will indicate the documents required to be submitted with the application form.
- (b) The company will give acknowledgement for receipt of loan applications. The time frame within which loan applications will be disposed of may be indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

The company will convey in writing to 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.

(iii) Disbursement of loans including changes in terms and conditions

- (a) The company will give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The company will also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard may be incorporated in the loan agreement.
- (b) Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.
- (c) The company will 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 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 will be entitled to retain the securities till the relevant claim is settled/paid.

(iv) General

- (a) The company will 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 the lender).
- (b) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the company 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.
- (c) In the matter of recovery of loans, the company will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc..

(v) Surplus funds available with the company will be disbursed as short term advances or loans & advances refundable on demand by the lender with or without any security and on such terms & conditions as may be decided by the company on the basis of past track record, Goodwill, reputation, nature of business of the borrower and need of priority.

(vi) The Board of Directors of the company will also lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism will 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 wherever possible. The Board of Directors will also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism, if so required, at various levels of management. A consolidated report of such reviews, if so required, may be submitted to the Board at regular intervals, as may be prescribed by it.