

In terms of RBI Master Direction **DNBR PD.007/03.10.119/2016-17 September 01, 2016, on Fair Practices Code** the company has customized its Fair Practice Code duly approved by the board of directors of the company. The detailed guidelines in this regard is as under:

## **Guidelines on Fair Practices Code for Inclusion Finance Private Limited**

### **1. Applications for loans and their processing**

- (1) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- (2) 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 shall indicate the documents required to be submitted with the application form.
- (3) Applicable NBFCs 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.

### **2. Loan appraisal and terms/conditions**

Applicable NBFCs 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 annualized rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. As complaints received against NBFCs generally pertain to charging of high interest / penal interest, applicable NBFCs shall mention the penal interest charged for late repayment in bold in the loan agreement.

Borrowers may not be fully aware of the terms and conditions of the loans including rate of interest at the time of sanction of loans, either because the NBFC does not provide details of the same or the borrower has no time to look into detailed agreement. Not furnishing a copy of the loan agreement or enclosures quoted in the loan agreement is an unfair practice and this could lead to disputes between the NBFC and the borrower with regard to the terms and conditions. Applicable NBFCs, shall furnish a copy of the loan agreement 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.

### **3. Disbursement of loans including changes in terms and conditions**

- (1) Applicable NBFCs 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, service charges, prepayment charges etc. Applicable NBFCs shall also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard must be incorporated in the loan agreement.
- (2) Decision to recall/ accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- (3) Applicable NBFCs 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 they 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 applicable NBFCs are entitled to retain the securities till the relevant claim is settled/ paid.

### **4. General**

- (1) Applicable NBFCs 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 been noticed).
- (2) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the applicable NBFC, 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.

- (3) In the matter of recovery of loans, an applicable NBFC shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behavior from the staff of the companies, applicable NBFC shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- (4) 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 NBFCs, applicable NBFCs shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant (s).

## **5. Responsibility of Board of Directors**

The Board of Directors of applicable NBFCs shall also lay down the appropriate grievance redressal mechanism within the organization. Such a mechanism shall 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. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

## **6. Grievance Redressal Officer**

At the operational level, all applicable NBFCs shall display the following information prominently, for the benefit of their customers, at their branches/ places where business is transacted:

- (1) the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- (2) 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 Department of Supervision of the Bank (with complete contact details), under whose jurisdiction the registered office of the applicable NBFC falls.

## **7. Reserve Bank –Integrated Ombudsman Scheme, 2021**

NBFCs covered under the Reserve Bank–Integrated Ombudsman Scheme, 2021 shall appoint Principal Nodal Officer in accordance with directions provided under the said Scheme.

## **8. 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 applicable NBFCs having customer interface with the approval of their Boards. Applicable NBFCs 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, if any, for the information of various stakeholders.

## **8. Regulation of excessive interest charged by applicable NBFC**

- (1) The Board of each applicable NBFC 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 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.

- (2) The rates of interest and the approach for gradation of risks 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.
- (3) The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

#### **9. Complaints about excessive interest charged by Applicable NBFCs**

The Bank has been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFC. Though interest rates are not regulated by the Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. Boards of applicable NBFCs shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard, the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view.

For INCLUSION FINANCE PRIVATE LTD.



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Place: Gurgaon

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