

FAIR PRACTICE CODE

Objectives of Fair Practices Code

This code has been developed:

- To promote good, fair and trust-worthy practices by setting standards in dealing with customers;
- 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 enable customers to have better understanding of what they can reasonably expect of the services offered by the Company;
- To reckon with market forces, through competition and strive to achieve higher operating standards;
- To strengthen mechanisms for redressal of customer grievances.

4.Guidelines on Fair Practices Code for NBFCs

A (i) Applications for loans and their processing

- a. All communications to the customer/borrower shall be in the vernacular language or a language as understood by the borrower.
- b. Loan application forms should include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs/Banks can be made and informed decision can be taken by the borrower. The loan application form may indicate the documents required to be submitted with the application form.
- c. TFCI 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 should also be indicated in the acknowledgement.
- d. Customers who have evinced interest in availing the facilities from Company should fill up the facilities application form, complete in all aspects and should submit the same to the Company;

(ii) Loan appraisal and terms/conditions

- (a) The application so received will be acknowledged by the Company immediately on submission and will be processed for sanction of the facility. The Company will consider all the documents submitted and the information provided, verify the credit worthiness of the customer and evaluate the proposal at its sole discretion and will grant facility by issuing a sanction letter within 1 month days from the date of receipt of the all requisite papers/information during the processing of application of financial assistance. If the Company does not find the proposal viable, it will convey the rejection of the proposal to the applicant.
- (b) The Company shall convey in writing to the customers whose facilities have been sanctioned after due-diligence by means of Letter of Intent/Sanction letter in vernacular language or a language as understood by him the following:

- Amount financed;
 - Documents to be submitted for disbursement of the facility;
 - Rate of interest including annualized rate of interest;
 - Details of security to be offered;
 - Repayment schedule;
 - Penal interest on delayed payment
 - Pre-payment premia/charges
 - Documents to be executed by the guarantor and co- applicant for disbursement.
 - Others terms& conditions
- c) Copy of the offer /sanction letter will have to be accepted. The customer will have to return to the Company a copy of the offer/sanction letter duly acknowledged by him as a token of acceptance.
- d) In case the agreement/other document is written in a language other than vernacular language, the customer before signing such agreement/document will be explained the terms and condition of the agreement in vernacular language or a language as understood by him by a translator. The translator will also sign that he has explained all the terms and conditions of the agreement to the customer.
- e) The Company shall mention the penal interest charged for late repayment in bold in the facilities agreement.
- f)The Company shall 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.
- (g) TFCI shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter, Letter of Intent 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. Further, TFCI shall mention the penal interest charged for late payment/repayment in bold in the loan agreement.
- (h) TFCI 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 in order to avoid any disputes with the borrowers with regards to the terms and conditions on which the loan is granted.

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

- (a) TFCI 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. and 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.

(b) Decision to recall/accelerate payment or performance under the agreement should be in consonance with the loan agreement.

(c) TFCI shall 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 it 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 TFCI is entitled to retain the securities till the relevant claim is settled or paid.

(iv) General

(a) TFCI 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 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 TFCI, 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.

(c) In the matter of recovery of loans, TFCI 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 borrowers also include rude behavior from the staff of the company, TFCI shall ensure that their staffs are adequately trained to deal with the borrowers/customers in an appropriate manner.

(v) The Company shall lay down the grievance redressal mechanism within the organization to resolve disputes arising in this regard ensuring 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 review the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at regular intervals. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it. TFCI has appointed the Managing Director of the company as nodal officer for redressal of their grievances. In case a borrower/customer likes to escalate the matter within the organization, the matter may be referred to the Chairman of the Board. In case the complaints/dispute is not redressed within a period of one month from the date reference to Nodal Officer/Chairman of the Board, as the case may be, the customer/borrower may appeal to the Officer-in-Charge of Delhi Regional Office of Department of Banking Supervision of the Reserve Bank of India.

(vi) TFCI shall display the following information prominently, for the benefit of their customers, at their Head office/places where business is transacted:

- 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.
- 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 DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the company falls.

In short, the public notice should serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the company, together with details of the grievance redressal officer and of the Regional Office of the RBI.

(vii) Fair Practices Code (which should preferably in the vernacular language or a language as understood by the borrower) based on the RBI guidelines. TFCI will have the freedom of drafting the Fair Practices Code, enhancing the scope of the guidelines but in no way sacrificing the spirit underlying in the RBI's guidelines. The same should be put up on their web-site, if any, for the information of various stakeholders.

(viii) Regulation of excessive interest charged

(a) The Board of Directors of TFCI 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/ Letter of Intent.

(b) The rates of interest and the approach for gradation of risks 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 updated whenever there is a change in the rates of interest.

(c) The rate of interest should also be informed in annualized form so that the borrower is aware of the exact rates that would be charged to the account.

(ix) Complaints about excessive interest charged

The Board of TFCI 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.

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