

FAIR PRACTICE CODE OF FEDFINA

This Fair Practice Code (“the Code”) is aimed to provide to all the stakeholders, especially customers effective overview of practices followed by the company in respect of financial facilities and services offered by the company to its customers. This Fair Practice Code has been revised taking into account the “Master Direction- Non Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Direction, 2016 (updated from time to time) and other relevant guidelines

This is a code adopted by Fedbank Financial Services Limited (hereinafter referred as Fedfina or the Company) which promotes transparency and healthy competition among market forces to achieve high operating standards for the ultimate benefit of customers.

Commitments outlined in this Code are applicable under normal operating environment.

1. Applications for loans and their processing

- The Loan application forms will carry necessary information, which affects the interest of the borrower, such that a meaningful comparison with the terms and conditions offered by other NBFC'S and finance companies can be made and an informed decision can be taken by the borrower. The loan application form will indicate the documents required to be submitted along with application. These forms shall contain information about the fees/charges, if any, payable for processing the loan application, fees refundable in case of non-acceptance of application, pre-payment options and such other matters which affect the interest of the borrower.
- The Company shall devise a system of giving acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed off will be indicated in the acknowledgement. If any additional details/ documents are required, the same shall be intimated to the borrowers.
- Communications to the borrower shall be either in **English or in vernacular language or in a language understood by the borrower.**

2. Loan appraisal and terms/ conditions

- Loan applications from all the customers are processed fairly. The company shall not discriminate while appraising loan applications across borrower segments.
- The Company shall conduct a due diligence on the credit worthiness of the borrower, which will be an important parameter for taking decision on the application. The assessment would be in line with the Company's credit policies, norms and procedures in respect thereof.
- The Company shall convey in writing to the borrower **in English or in vernacular language or in a language 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 shall keep on record the acceptance of these terms and conditions by the borrower.
- The company shall furnish a copy of the loan agreement in English or in 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.
- The penal interest that will be charged for late payment shall be mentioned in bold letters in the sanction letter/loan document.

3. Disbursement of loans including changes in terms and conditions

- The loan/ facility agreement executed by the borrower at the time of availing the loan/ facility shall carry all the details with regards to the terms & conditions applicable. It shall also carry details on the interest and other charges as would be applicable.
- The company shall give due notice to the borrower in English or in vernacular language **or in a language understood by the borrower** of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, etc. The information can also be obtained by calling the customer care numbers or referring to the company's website. The company will ensure that changes in interest rates and charges are effected only prospectively and in accordance with the provisions in the loan/ facility agreement.
- Decision to recall/ accelerate payment or performance under the agreement shall be in consonance with the loan agreement or through subsequent written communication to the borrowers giving complete details.
- The Company shall not charge foreclosure charges/ pre-payment penalties on floating rate term loans sanctioned for purposes other than business to individual borrowers, with or without co-borrower. (Reference: RBI Circular on Levy of Foreclosure Charges/ Pre-Payment Penalty on Floating Rate Loans by NBFCs DNBR(PD) CC.No.101/03.10.001/2019-20 dated August 2, 2019)
- The company shall release all securities on repayment of all dues and/ or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the company shall have against the borrower. If the right of set off is to be exercised, the borrower shall be given due notice about the same with full particulars of the outstanding claims and conditions under which the company is entitled to retain these securities till the relevant claim is settled/ paid.

4. General

- The Company shall refrain from interference in the affairs of the borrower except for the purpose provided in the terms and conditions of the loan agreement (unless certain additional information, not earlier disclosed by the borrower, has come to the notice of the company).
- The company shall make sure that all the advertising and promotional material is clear, fair, reasonable and not misleading.
- In case of receipt of request from the borrower for transfer of borrowed account, the consent or otherwise of the company 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.
- In the matter of recovery of loans, Fedfina will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, rude behavior etc. Fedfina shall ensure that the staffs are adequately trained to deal with the customers in an appropriate manner.

5. Debt Servicing

- The debt collection policy of the company is built around dignity and respect to customers.
- Fedfina would institute recovery and other debt service measures only through its authorized representatives who would carry proper identification on them at all times which shall be produced on demand.
- The authorized representatives would issue a proper receipt for any sum collected from the borrowers.
- While conducting recovery of loans, Fedfina shall follow measures as per the laid down guidelines and extant provisions and would operate within the legal framework and in compliance with the applicable laws and regulations.
- Fedfina respects the privacy of its borrowers and would try and reach them at the place and time most convenient to the borrower. If no specific place and time is mentioned, the borrower would be approached either at the residence or at place of work.

- Normally the company's representatives will contact the borrower between 0700 hrs and 1900 hrs, unless the special circumstance of his/her business or occupation requires the company to contact at a different time.
- Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.
- Fedfina would initiate repossession of the security or any other legal action only when all other attempts, requests and follow-ups with the customer to regularize the account have failed to yield any results or where the company has a reason to believe that the customer has intent to defraud/ default with the repayments. The recovery process through repossession of security will involve repossession, valuation of security and realization of security through appropriate means. All these would be carried out in a fair and transparent manner. Repossession will be done only after issuing due notice. Due process of law will be followed while taking repossession of the property. The company will take all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business.
- The valuation and sale of the security shall be conducted in a fair and transparent manner. In case of any excess recoveries post adjusting all the sums due to the company, the surplus would be refunded back to the borrower. In case of any shortfall, the company would proceed for recovering the balance overdue through lawful means and as per laid down guidelines.
- The company would provide every opportunity to the borrower to repay the outstanding dues and other charges if any, prior to the conduct & confirmation of sale of the repossessed security, and take back the delivery of the secured asset.

6. Customer Grievance

- All customers are treated fairly at all times. All customer escalations and grievances are dealt with courtesy and resolved on time.
- As a customer service strategy, the company shall provide multiple channels through which the customer could raise his/her concerns and seek a redressal. He/she could either go to any of the branches or call up the customer care number or send an email to the customer care desk. In case the issue still remains unresolved up to the customer's satisfaction, he/she could have his grievance details intimated to Mr. Sougata Roy, In-charge - Operations, Fedbank Financial Services Ltd, Kanakia Wall Street, A-Wing, 5th Floor, Unit No. 511/512, Andheri – Kurla Road, Chakala, Andheri East, Mumbai – 400093. sougata.roy@fedfina.com, Telephone Number – 022- 68520837.
- The company will institute an appropriate desk within the organisation to resolve disputes arising in this regard. Such a mechanism shall ensure that all disputes arising out of the decisions of the company's functionaries are heard and disposed of at least at the next higher level. The Board of Directors shall also conduct a 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 will be submitted to the board at regular intervals, as may be prescribed by it.
- The Company shall display the following information prominently, for the benefit of its customers, at its branches / places where business is transacted:
- Mr. Sougata Roy, In-charge - Operations, Fedbank Financial Services Ltd, Kanakia Wall Street, A-Wing, 5th Floor, Unit No. 511/512, Andheri – Kurla Road, Chakala, Andheri East, Mumbai – 400093. sougata.roy@fedfina.com, Telephone Number – 022- 68520837 has been appointed as Nodal Officer/Grievance Redressal Officer of the company who can be approached by the customer 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 Deputy General Manager, Reserve Bank of India, Department of Non-Banking Supervision, Deputy General Manager, Reserve Bank of India, Department of Supervision Reserve Bank of India Centre I, World Trade Centre, Mumbai-400 005, Tel No: 022-22150573/Email: cgmicdosco@rbi.org.in

7. Sharing of Customer Information

- Fedfina respects and values the privacy of its customers and takes utmost care to ensure that customer details are not shared with any third party including its own associate concerns for the purpose of offering other products and services to the customer, unless specifically requested and mentioned by the customer.
- Wherever the company has installed CCTV for close surveillance as part of security arrangements, the same will be indicated.
- The company would not reveal any account or transaction details of its customers to any third party other than the below five exceptional cases where it is allowed to do so:
 - If it has to give the information by law or under terms of an Agreement
 - If there is a duty towards the Public to reveal the information
 - If the company's interests require it to give the information [for example, to prevent fraud, defaults within Group & associate concerns etc.]
 - If the borrower asks to reveal the information, or if the company has his/her permission to provide such information to its group/ associate /entities or companies where it has tie-up arrangements for providing other financial service products.
- For sharing account details with credit bureaus such as CIBIL etc.

8. Interest Rate

- The Company had framed appropriate internal principles and procedures for determining the interest rates and processing and other charges taking into account relevant factors.
- The rate of interest and the approach for gradation of risk and rationale for charging different rates of interest to different borrowers / schemes shall be disclosed to in the application form and also communicated explicitly in the sanction letter issued to the borrower.
- The rates of interest and the approach for gradation of risk shall also be made available on the website. The information published in the website shall be updated whenever there is change in the rates.
- The rate of interest will be annualized rates so that the borrower is aware of the exact rates that would be charged on the loan.

9. Policy for Lending against Gold

The Company has put in place a policy for lending against gold duly approved by the Board inter alia covering following aspects:

- 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.
- Proper assaying / appraisal procedure for jewellery accepted as collateral security.
- Declaration shall be obtained from the borrower confirming ownership of gold jewellery.
- All branches shall have proper storage facility of either Strong Rooms or Safes conforming to certain Standards of approved make to store the jewellery in safe custody. The keys to the strong room/safe shall be held separately by two officials and the operations thereof shall be done jointly. The staff shall be imparted training on a continuous basis to ensure that the guidelines covering security issues are strictly adhered to. The gold items shall be periodically inspected by the internal auditors to ensure quality, quantity and proper storage. As a policy, loans against the collateral of gold will not be extended by branches not having appropriate facility for storage.
- The jewellery accepted as collateral security shall be appropriately insured.
- The auction procedure in case of non - repayment shall be transparent and shall be followed as laid down. Adequate prior notice to the borrower shall be given before the auction date. The auction process shall ensure that an arm's length relationship in all transactions during the auction is maintained including with group companies and related entities.

- The auction shall be announced to the public by issuing advertisements in at least two newspapers, one in vernacular language and the other in a national daily newspaper.
- The auction will be only through auctioneers approved by the Board
- The Company, its group companies or any of their employees and their relatives shall not participate in the auction.
- The details regarding procedure for auction shall be disclosed in the loan document for availing the loan or on company website.
- Any fraud in the functioning of the Company shall be enquired into by the appropriate authority and suitable punitive measure shall be taken by the appropriate disciplinary authority. Systems and procedures shall be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.

10. Auction Procedure

- The borrower is required to regularly service the interest on the availed loan facility and close the loan account at the time of loan maturity by paying the principal outstanding together with interest and other charges if any.
- In case the borrower is unable to service the loan facility regularly as per defined product norms, the Branch Team would initiate a relationship based follow up with the borrower. This would involve tele-calling, personal visits, reminder notices, SMS alerts etc. However, in case, despite repeat reminders and follow ups as defined in the said process note, if the borrower fails to regularize the account, FEDBANK Financial Services Ltd., under its right to auction the pledged security to recover the overdue and outstanding, shall initiate auctioning of the pledged gold and have the overdue recovered. Notwithstanding anything stated herein, the company reserves the right to recall the loan and auction the gold before the maturity of loan in case of events leading to probable loss on account of fall in the value of security due to fluctuations in gold prices or any other reason due to which the company anticipates that there could be loss in the account
- The Gold auction process would apply for each of the below account types:
- The account continues to remain in overdue despite follow up with the customer
- Margin call is initiated when the pledged gold is not sufficient to cover the total outstanding with expected margins)
- Gold pledged is found to be less than acceptable carat level (18 carat) or spurious / low-quality during the audit and inspection.
- Any other instance where the company has a reason to believe that the customer is likely to default (malafide intentions)
- Types of notices serviced to customers at various intervals:

To start with, where the account continues to remain irregular despite follow up through branches, SMS alerts etc., A Demand-cum-Loan Recall Notice is issued to customers post maturity of the loan. The notice carry complete details of outstanding, requesting them to make necessary payments and regularize the account within 10 days from notice issuance date. Same shall be despatched through registered / speed post

In case the account continues to remain in overdue post issuance of demand-cum LRN notice, a Final Liquidation Notice (Auction) will be issued by the company for enforcement of security and intimation of gold auction date and place. Same shall be despatched through registered / speed post

Post issuance of Final Liquidation Notice (Auction), an advertisement is placed in local newspapers one local vernacular and one English newspaper. Details of auction shall also be displayed in the branch as well as on website of the Company.

- Auction should be conducted only through auctioneers (including Branch Staff) as approved by the Board.
- Auctions shall be conducted in the same town or taluka / District in which the branch which has extended the loan is located.
- Further, in case, the first auction has failed at town or taluka level due to lack of bids or any other reasons, Fedfina shall have the option to pool gold jewellery from different branches in a district and auction it at any location as mentioned in the notice / paper publication / website within the same district subject to compliance with regulatory guidelines. **Any un-auctioned ornament shall continue to be held at the District till the time the same is resolved. Proper intimations by way of SMS and / or updation on website shall be given to the borrowers for every subsequent auction.**

The company, its group companies or any of their employees or their relatives shall not participate in any of these auctions.

- Reserve price fixed for auction of pledged ornaments shall not be less than 85% of the previous 30 day average closing price of 22 carat gold as declared by Indian Bullion and Jewelers Association (IBJA) or the historical spot gold price data publicly disseminated by commodity exchange regulated by the Forward Markets Commission and value of the jewelry of lower purity in terms of carats should be proportionately reduced.
- Post conclusion of auction, a post-sale notice shall be issued to the customers carrying details of auction value and the difference amount. In case of surplus realizations, post appropriating the auction proceeds against outstanding liabilities of borrower, (including past overdue in linked loans etc.), same shall be refunded within 30 days by way of A/c Payee cheque / demand draft to all the borrower where refund amount exceeds Rs. 1000/-through registered post, together with a post-sale notice carrying detailed break-up of surplus amount, appropriations made, auction realizations etc. A/c payee cheques/ cash for lower amount shall be handed over to the customers through branch staff under proper receipt. . In instances where borrowers approach the Branch directly, Branch staff is authorized to refund in cash up to Rs. 3000/- with approval from Regional Business Head or above, against proper acknowledgment, post verifying credentials. Branch shall issue necessary instructions to Central/ Regional Operations to cancel the refund instrument already issued to the borrower. In instances where the instrument is delivered but unbanked and becomes stale and in instances where the instrument returns back undelivered due to any reason, the Branch staff shall continue its efforts to trace the customer and pursue him/ her to avail the refund. In all unclaimed instances Fedfina shall continue to send follow up SMS/ IVR to customer for following six months to avail the refund.
- In case customer's bank account details are available with the company, the refund shall be credited to said bank account and post-sale auction notice shall be issued giving details of such credit. In case of any auction deficit, recovery proceedings may be initiated against the borrowers with proper notice at last known communication address, giving detailed break-up of deficit, amount realized etc.

Note: All the above communications shall be addressed to the last known communication detail of the customer. (Communication address, contact numbers etc.)

11. Periodical Review

- A periodical review of the Fair Practices Code and functioning of the grievances Redressal mechanism at various levels of management would be undertaken by the Company at regular intervals.
- The company shall abide by this Fair Practice Code following the spirit of the Code and in the manner it may be applicable to its business.
- The company shall put the above Fair Practice Code outlined hereinabove on its website, for the information of various stakeholders. The Company would also review and refine the Code, as may be required periodically based on its own experience and new guidelines, if any, issued by the Reserve Bank of India in this regard.