

FAIR PRACTICE CODE

NIVRIDDDHI CAPITAL PRIVATE LIMITED

A. (i) Applications for loans and their processing

(a) All communications to the borrower will be in the vernacular language or a language as understood by the borrower.

(b) Loan application forms would 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 would indicate the documents required to be submitted with the application form.

(c) The Company will devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of will be indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

The Company would 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. The Company will mention the penal charges for late repayment in bold in the loan agreement.

Company would provide 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.

The company would issue key fact statement (KFS) in simple and easier to understand language in standardised format to the borrower. KFS would also include annual percentage rate (APR), EPI and the amortisation schedule of the loan over the tenure. KFS would be issued before executing the loan contract. The company would explain KFS to borrower and acknowledgement shall be obtained from the borrower that the borrower has understood the same.

The KFS shall also include a computation sheet of annual percentage rate (ADR) and all the amortisation schedule of the loan over the loan tenor. APR will include all changes which are levied by the company.

Charges recoverable from the borrowers by the company on behalf of third – party service providers on actual basis, such as insurance charges, legal charges etc., shall also form part of the APR and shall be disclosed separately. In all cases wherever the company is involved in recovering such charges, the receipts and related documents shall be provided to the borrower for each payment, within a reasonable time.

Any fees, charges, etc. which are not mentioned in the KFS, shall not be charged by the company to the borrower at any stage during the term of the loan, without explicit consent of the borrower.

The KFS shall also be include as a summary box to be exhibited as part of the loan agreement.

The company would be bound by the terms of the loan included in the KFS if agreed to by the borrower during the validity period.

The KFS shall be provided with a unique proposal number and shall have a validity period of at least three working days for loans having tenor of seven days or more, and a validity period of one working day for loans having tenor of less than seven days.

B. Penal Charges in loan accounts

- a) The company would ensure that penalty, for non – compliance of material terms and conditions of loan contract by the borrower would be treated as ‘Penal charges’ and would not be levied in the form of ‘Penal interest’ that is added to the rate of interest charged on the advances. Company would further ensure that company will not capitalize 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.
- b) Therefore, the company may charge interest on unpaid interest (including on unpaid EMI) at the contracted rate of interest till the date of remediation, and not at the penal rate of interest.
- c) The company will not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- d) The company would formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.
- e) The company would ensure that the quantum of penal charge 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.
- f) The company would ensure that the quantum and reason for penal charges will be clearly disclosed by the company 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 the company under interest rates and Services Charges.

- g) The company would ensure that whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges will be communicated. Further, any instance of levy of penal charges and the reason thereof will also be communicated.
- h) The company would ensure that penal charges in case of loan sanctioned to individual borrowers for purpose other than business shall not be higher than the penal charges to non-individual borrower for similar non-compliance of material terms & Conditions.
- i) The material terms and conditions shall be defined, if not already done, as per the credit policy of the company and they may vary from one category of loan to another based on assessment of the company.
- j) Default in repayment by the borrower is also a type of non-compliance of material terms and conditions of loan repayment contract by the borrower and penalty, if charged, for such default shall only be levied in the form of penal charges and not penal interest. Such penal charges shall be reasonable and levied by the company only on the amount under default in a non-discriminatory manner. Further, it shall be ensured that there is no capitalization of the penal charges i.e., no further interest computed on such charges.
- k) The company Shall follow the instructions and clarification, if any, issued by Central Board of Indirect & Customs (CBIC) with regard to applicability of GST on penal charges.
- l) The penal charges can be different within the same product category depending upon the amount of loan and the company may adopt a suitable structure of penal charges subject to adherence to the above stipulations. The structure of penal charges within a particular loan/ product category shall have to be uniform irrespective of the constitution of the borrower.
- m) Although no upper limit/ cap for penal charges has been prescribed, the company, while formulating its Board approved policy on penal charges, shall keep in mind that the intent of levying penal charges is essentially to inculcate a sense of credit discipline and such charges are not meant to be used as a revenue enhancement tool.

C. Disbursement of loans including changes in terms and conditions and release of securities

(a) The Company would 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. The Company would also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard would be incorporated in the loan agreement.

(b) The company would ensure that decision to recall / accelerate payment or performance under the agreement would be in consonance with the loan agreement.

(c) Company would 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 Company may have against borrower. If such right of set off is to be exercised, the borrower will be given notice about the same with full particulars about the remaining claims and the conditions under which the company is entitled to retain the securities till the relevant claim is settled/paid.

d) The company would ensure that it will 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.

e) The company would ensure that borrower would 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 company where the documents are available, as per her/his preference.

f) The company would ensure that the timeline and place of return of original movable/ immovable property documents would be mentioned in the loan sanction letters issued.

g) The company would ensure that in order to address the contingent event of demise of the sole borrower or joint borrowers, the company would have a well laid out procedure for return of original movable/ immovable property documents to the legal heirs. Such procedure would be displayed on the website of the company along with other similar policies and procedures for customer information.

h) The company would ensure that in case of delay in releasing of original movable/ immovable property documents or failing to file satisfaction form with relevant registry beyond 30days after full repayment/settlement of loan, the company will communicate to the borrower reasons for such delay, The company would ensure that where the delay is attributable to the company, it shall compensate the borrower at the rate of Rs.5,000 for each day of delay.

i) The company would ensure that in case of loss/ damage to original movable/ immovable property documents, either in part or in full, the company will assist the borrower in obtaining duplicate / certified copies of the movable / immovable property documents and would bear the associated costs, in addition to paying compensation as indicated at clause (h) above and also additional compensation as per any applicable law.

D. The company would put in place an appropriate policy framework meeting the following requirements for implementation and compliance:

- (i) At the time for of sanction, the company would clearly communicate 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. Also, company would ensure that any increase in the EMI/ tenor or both on account of the above would be communicated to the borrower immediately through appropriate channels.
- (ii) At the time of reset of interest rates, the company would provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, would also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
- (iii) The borrowers would 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 would be subject to extant instructions issued by RBI from time to time (c) Switch to fixed interest rate for the remaining portion of the loan. Where such an option is provided by the bank.
- (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 would be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the company from time to time. The applicable charges shall be as approved by the Board and shall be displayed on the company's website.
- (v) The Company would ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization.
- (vi) The Company would share/ make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which would at the minimum, enumerate the principal and interest 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. The Company would ensure that the statements are simple and easily understood by the borrower.

- (vii) Apart from the equated monthly instalment loans, this policy would also apply, mutatis mutandis, to all equated instalment- based of different periodicities, irrespective of whether they are linked to an external benchmark or an internal benchmark. In case of loans linked to an external benchmark, the company shall put in place adequate information systems to monitor transmission of changes in the benchmark rate to the lending rate.
- (viii) The company shall adhere to the following direction regarding levy of pre-payment charges on loans and advances (term loans as well as demand loans).

For all floating rate loans granted for purposes other than business to individual, with or without co-obligant(s), the company shall not levy pre-payment charges.

- (ix) This shall be applicable irrespective of the source of funds used for pre-payment of loans, either in part or in full, and without any minimum lock –in period.
- (x) Applicability of above Directions for dual/ special rate (combination of fixed and floating rate) loans will depend on whether the loan is on floating rate at the time of pre-payment.
- (xi) The company shall not levy any charges where pre – payment is effected at the instance of the company.
- (xii) The applicability or otherwise of pre-payment charges shall be clearly disclosed in the sanction letter and loan agreement and in the KFS. No pre-payment charges which have not been disclosed as specified herein shall be charged by the company.
- (xiii) The company shall not levy any charges/ fees retrospectively at the time of pre-payment of loans, which were waived off earlier by the company.

E. General

(i) The company would 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 been noticed.)

(ii) In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of the company, if any, would be conveyed within 21

days from the date of receipt of request. Such transfer will be as per transparent contractual terms in consonance with law.

(iii) In the matter of recovery of loans, the company would 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. The company will ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

(iv) The company would not charge foreclosure charges/pre-payment penalties on any floating rate term loan sanctioned for purpose other than business to individual borrower, with or without co-obligant(s).

The relevant contact details and e-mail id would also be displayed / mentioned on notice board website and agents having executed with borrowers.

(v) Complaints about excessive interest charged by Company

(vi) Board of Company would 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 would be kept in view.

(vii) Regulation of excessive interest charged by Company

- The Board of Company would 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 will be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.
- The rates of interest and the approach for gradation of risks will 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 would be updated whenever there is a change in the rates of interest.,
- The rate of interest would be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

(viii) The Company would display on the notice board the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:

- the name and contact details (Telephone / Mobile nos. and also e-mail 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. The relevant contact details and Email would also be displayed.

(ix) In the case of finance by company against vehicles,

The company would have a built-in-re-possession clause in the contract/ loan agreement with the borrower which would be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement would also contain provisions regarding;

- i. Notice period before taking possession;
- ii. Circumstances under which the notice period can be waived;
- iii. The procedures 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;

(x) Loan facilities to the physically / visually challenged by the company

The company shall not discriminate in extending products and facilities including loan facilities to physically/ visually challenged applicants on grounds of disability. All branches of the company would render all possible assistance to such persons for availing of the various business facilities. The company would include a suitable module containing the rights of persons with disability guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. The company shall also ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

(xi) The company shall give at least three months public notice prior to the date of closure of any of its branches/ offices in, at least, one leading national newspaper and leading local (covering the place of branch/ office) vernacular newspaper indicating therein the purpose and arrangements being made to service the borrowers.

Note: The company would also put up fair practice code on its website for the information of various stake holders.