



FAIR PRACTICE CODE POLICY

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1. Introduction

Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Non- Banking Finance Companies (NBFCs) defining the standards for fair business and corporate practices while dealing with customers, vide Circular number RBI/2006-07/138 DNBS (PD) CC 80/03.10.042/2005-06 dated 28th Sept 2006, and Master Circular RBI/2014-15/34 DNBS (PD) CC No.388/03.10.042/2014-15 dated 1st July, 2014. Nitstone Finserv Pvt Ltd. (herein after referred to as “the Company”) is committed to abide by the said guidelines and has published this Fair Practices Code - FPC in line with the RBI guidelines, aimed to provide effective overview of practices followed by the Company in respect of the facilities and services offered by the Company to its customers. Further, the Company notes to effect appropriate modifications in the FPC as per the directives issued by RBI from time to time. The Fair Practices Code shall apply to all lending activities of the Company. The commitments made in the FPC are applicable under normal operating environment.

2. Key Objectives

This FPC is defined to ensure

- that all the dealings of the Company with borrowers are fair, honest and transparent
- that the products and services of the Company are in accordance with the laid down laws and regulations in this regard
- compliance with legal norms in respect of measures for recovery of loans
- quick and efficient grievance redressal mechanism with proper escalation process
- higher standards in respect of the operating model

3. Processing of loan applications

Detailed information in respect of the terms and conditions and any other relevant information regarding the loan shall be provided in the loan application form. Further, the list of documents to be submitted by the customers along with the application shall also be provided in the form. In case any documents in addition to the list of documents stated in the application form are required by the Company to process the application, this shall be communicated separately to the customer.

The Company shall note to explain the terms and conditions governing the loan in vernacular or the language understood by the customer

The Company shall provide adequate information in respect of the loan in the application form so as to enable the customer to do a comparison with the terms and conditions of other lenders and take a free decision in availing the loan.

The Company shall have in place, a system of providing acknowledgement for receipt of loan applications and related documents.

The Company shall intimate the customer regarding the status of the loan applications in respect of approval or rejection within 7 working days of receiving the application along with all necessary documents. The Company shall demand for any further documents from the customer if required, verify the credit worthiness and evaluate the proposal at its sole discretion.

The Company shall provide a communication in the language understood by the customer, the details of the sanction terms and conditions and a copy of the same duly acknowledged by the customer shall be kept on record. The particulars furnished in the sanction letter shall include the following:

- Loan amount sanctioned
- Tenor of the loan
- Annualized rate of interest applicable for the loan
- Rate of overdue interest on default
- Details of security
- Repayment schedule and installment
- Pre-payment penalty
- Cheque/ ECS/NACH bounce charges

4. Disbursement of loan and changes in terms & conditions

The Company shall furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to the borrower at the time of disbursement. The Company shall ensure timely disbursement of loans sanctioned in conformity of terms and conditions governing such sanction. Any changes in the terms and conditions of the sanction such as interest and service charges shall be notified to the borrower in the language understood by the borrower before effecting the changes. Further, any changes in interest rate and service charges shall be effected only prospectively.

5. Recall of loans

The decision to recall or demand early payment of a loan or to call for additional security to cover the loan amount shall be in accordance with the terms and conditions in the loan agreement with the borrower and further amendments made thereto.

6. Release of securities

On repayment of the loan amount in full including any dues from the borrower in respect of the loan, the Company shall release all the securities created for the loan, in favour of the borrower, subject to the right of lien for any other dues from the borrower to the Company. The Company shall notify the borrower in such cases of exercising the right of lien, with full particulars of the claims by the Company as well as the conditions under which the Company is entitled to retain the securities with it until the claims are settled by the borrower.

Up on closure of the loan account by the borrower and settlement of any other claims as mentioned above in respect of right of general lien, the Company shall ensure to relinquish any charge created on the securities provided by the customer for the loan.

7. General Principles

The Company or any of its employees shall not interfere in the affairs of the borrowers except where provided for in the terms and conditions in the loan agreement. In case of any new information not previously disclosed by the borrower comes to the notice of the Company, the Company will have the right to elicit the necessary information from the borrower and initiate action to protect its interest.

In the case of receipt of request for transfer of loan account, either from the borrower or from other banks / FIs which propose to take over the loan, the Company's consent or objection, if any, shall be conveyed within 21 days from the date of receipt of request. Acceptance or refusal in this regard shall be in accordance with terms of the loan agreement and such transfers shall be as per transparent contractual terms in consonance with law.

In the matter of loan recovery, the Company shall not resort to undue harassment such as persistently bothering the borrowers at odd hours, use of muscle power etc. Recovery shall be conducted in accordance with the rights provided under the Agreement and in accordance with legally accepted norms.

The Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

8. Repossession of security

In case of default by the borrower in repayment of the loan, the company may initiate to execute the right to take possession of the securities created by the borrower in favour of the Company by giving 30 day's notice to the borrower to repay the loan or to hand over the possession of the security in favour of the Company. However, such notices need not be served in the following instances.

- when the borrower has agreed for waiver of such notice
- when the borrower has voluntarily expressed his willingness to surrender the possession of the security
- if serving such a notice prompts the borrower for any forcible resistance or foul plays leading to the Company not being able to take of possession of the security
- when the secured asset is abandoned by the borrower
- when the borrower has absconded to avoid any recovery measures against him
- on any other conditions as per the loan agreement

If the borrower fails to respond positively to the demand made in the above referred notice, the Company may approach the appropriate forum for an approval enabling it to take possession of the security asset. The Company may take possession of the security as per the approval by the competent authority and the Company is further entitled to transfer the rights over the security in any form like sale, rental or for its own use, as convenient to the Company and to appropriate the proceeds thereby received towards the repayment of the loan account . The Company at its discretion may provide a time of seven days to the borrower before taking possession of the secured asset, as a final chance for the borrower to repay the loan.

If such sale proceeds of the secured assets are insufficient to discharge the entire dues, the Company can move further against the borrower and/or the guarantor for recovery of the balance amount due to the Company. If the sale proceeds exceed the dues from the borrower, the surplus amount shall be paid to the borrower on receipt of a claim from him.

The Company is not restricted from initiating other recovery measures against the borrower/guarantor directly for recovery of the loan amount sparing the proceedings against the security

All expenses incurred by the Company in initiating recovery measures against the borrower/guarantor including the expenses incurred for taking possession of security asset, its storage, insurance, transportation and sale of the asset shall be recovered by the Company from the borrower.

9. Grievance redressal

The Company shall always ensure the best levels of products and services to the customers. However, to handle any grievance from customers, the Company shall implement appropriate grievance redressal mechanism to ensure that any disputes in respect of the decisions by the functionaries of the Company are addressed and disposed off by a higher authority in reasonable turnaround time (TAT). Customers can lodge their complaints at the branches or any other offices of the Company and such complaints shall be handled for the most appropriate resolution through the grievance redressal mechanism which provides for an escalation matrix as well. The details of the grievance redressal officer of the company shall be published in the web site of the company so as to enable the customers to lodge complaints directly. If the complaints are unresolved beyond a period of one month, customers may approach the Officer in charge at the Department of Non Banking Supervision, Regional Office of Reserve Bank of India.

10. Responsibility of Board

The Board of Directors either through itself or by through any Committee thereof shall also provide for periodical review of the compliance of the FPC of the Company and the functioning of the grievances redressal mechanism at various levels of management.

11. Interest rates and Gradation of risk

The Company shall comply with the RBI guidelines issued vide DNBS (PD) CC No.388/03.10.042/2014-15 dated July 01, 2014 in respect of the annualised interest rates charged to borrowers various categories of borrowers.

Interest rates: The Company shall implement appropriate internal principles and procedures in determining the interest rates and processing and other charges in line with the approved company policies from time to time. The rate of interest shall be arrived based on the weighted average cost of funds, administrative costs, risk premium and profit margin.

Gradation of risk: The decision on sanction of loans and the annualized interest rates applicable for the same shall be assessed by the Company officials based on various parameters including the borrower profile, backed up security, tenure of the loan, purpose of loan etc and shall vary from case to case.

12. Monitoring and reporting

Compliance to this code shall be reviewed on an annual basis and a report of the same shall be submitted to the Board of Directors.

This policy document is the property of the Company and all employees of the Company shall treat its contents as strictly confidential since it contains significantly sensitive internal information.

This policy shall be owned by the Head of Credit and Operations who shall ensure the implementation of the policy and also refer to the Board of Directors for approval in respect of any changes/amendments.

This policy comes into effect immediately on approval by the Board of Directors of the Company and shall remain in force till further review by the Board.

The regulatory guidelines issued subsequently supersede this policy and the policy gets updated automatically.

Annexure I – RBI Circulars Referenced for this Policy

Sr. No.	Circular Reference Number	Description
1	RBI / 2006-07 /138 DNBS (PD) CC No. 80 / 03.10.042 / 2005-06 dated September 28, 2006.	Guidelines on Fair Practices Code for Non-Banking Financial Companies
2	RBI/2014-15/34 DNBS (PD) CC No.388/03.10.042/2014-15 dated 1st July, 2014.	Master Circular on Fair Practice Code for NBFCs
