



FAIR PRACTICES CODE

1. BACKGROUND

The Reserve Bank of India (RBI) has prescribed broad guidelines on a fair practices code that are to be adopted by all Non-Banking Finance Companies (NBFCs) involved in the lending business. The consolidated guidelines are published in Master Circular.

Shri Ram Finance Corporation Private Limited (SRFCPL) was incorporated in 2004 as a non-deposit taking Non-Banking Financial Company (ND-NBFC). Subsequently, it started lending business in 2008 upon receiving NBFC license.

The Board of Directors of the NBFCs are responsible for framing and adopting a Fair Practices Code (“Code”) in line with the guidelines provided by the RBI. Accordingly, Board of Directors has reviewed the following approved the Fair Practice Code.

2. OBJECTIVE AND APPLICABILITY

This Code has been prepared in compliance with the “Guidelines on Fair Practices Code for NBFCs” issued by the RBI (as updated from time to time) and has following objectives:

- To provide its borrowers an effective overview of the practices followed by the Company and to enable borrowers to take informed decisions in respect of the financial facilities and services offered by the Company.
- To act fairly and reasonably in all dealings with its customers
- Setting up a Grievance Redressal Mechanism as part of this code.

3. AREAS COVERED BY FAIR PRACTICE CODE

a. Applications for loans and their processing

All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

1. 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.



2. 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.

b. Loan appraisal and terms/ conditions

1. The company 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.
2. The company 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.

c. Penal charges in loan accounts

1. Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalization of 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.
2. Company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
3. NBFCs shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.
4. The quantum of penal charges 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.
5. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to nonindividual borrowers for similar non-compliance of material terms and conditions.
6. The quantum and reason for penal charges shall be clearly disclosed by NBFCs 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 NBFCs under Interest rates and Service Charges.
7. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.



d. Disbursement of loans including changes in terms and conditions

1. The company 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. 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. The Company 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 the company is entitled to retain the securities till the relevant claim is settled/paid.

e. Responsible Lending Conduct - Release of movable/immovable property documents on repayment/ settlement of personal loans

1. Release of movable/immovable property documents

- (i) The company shall 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.
- (ii) The borrower shall be given the option of collecting the original movable/ immovable property documents either from the branch where the loan account was serviced or any other office where the documents are available, as per her/his preference.
- (iii) The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.
- (iv) In order to address the contingent event of demise of the sole borrower or joint borrowers, the company shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website along with other similar policies and procedures for customer information.

2. Compensation for delay in release of movable/immovable property documents

- (i) In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan they will be compensated as per the RBI regulations also, the company shall communicate to the borrower reasons for such delay.
- (ii) In case of loss/damage to original movable/immovable property documents, either in part or in full, the company shall assist the borrower in obtaining duplicate/certified



copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (ii) above. However, in such cases, an additional time of 30 days will be available to the NBFCs to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

f. Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans

At the time of sanction of EMI based floating rate personal loans, the company is required to take into account the repayment capacity of borrowers to ensure that adequate headroom/margin is available for elongation of tenor and/or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenor of the loan.

However, in respect of EMI based floating rate personal loans, in the wake of rising interest rates, several consumer grievances related to elongation of loan tenor and/or increase in EMI amount, without proper communication with and/or consent of the borrowers have been received. In order to address these concerns, NBFCs are advised to put in place an appropriate policy framework meeting the following requirements for implementation and compliance:

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



1. Apart from the equated monthly instalment loans, these instructions would also apply, mutatis mutandis, to all equated instalment based loans of different periodicities.
2. NBFCs shall ensure that the instructions in paragraph 45.6 are extended to the existing as well as new loans suitably by December 31, 2023. All existing borrowers shall be sent a communication, through appropriate channels, intimating the options available to them.

g. General

1. The company shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement
2. In case of receipt of request from the borrower for transfer of borrowable account, the consent or otherwise i.e., objection of the Company, 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, the company shall not resort to undue harassment at odd hours, use muscle power for recovery of loans etc.
4. The company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers.

h. Responsibility of Board of Directors

1. The Board of Directors shall 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 institution's functionaries are heard and disposed of at least at the next higher level.
2. The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievance 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.

i. 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). The same shall be put up on the website, for the information of various stakeholders.

j. Regulation of excessive interest charged

1. The Board 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. The information published on 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.

k. Repossession of vehicles financed

1. The company must have a built-in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding:
 - (i) Notice period before taking possession;
 - (ii) Circumstances under which the notice period can be waived;
 - (iii) The procedure 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.
2. A copy of such terms and conditions must be made available to the borrower.

1. Loan facilities to the physically/visually challenged

The company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches shall render all possible assistance to such persons for availing of the various business facilities. Further, the company shall ensure redressal of grievances of persons with disabilities under the **Grievance Redressal Mechanism** already set up by them.

m. Grievance Redressal Mechanism

In case of any complaint/grievance, the applicant/borrowers may contact through any of the following channels:

Level 1

The customer may write to us at Support@srfcnbfc.com; or
Call our toll-free No. – 1800-2708-2000 from 9:30 am to 5:30 pm Monday to Friday and between 10.00 a.m. to 3.30 p.m. on Saturday (except on public holidays); or
Address the complaint to the following: -



Shri Ram Finance Corporation Private Limited
29/B7 Parishram Tower, Shankar Nagar,
Raipur, Chhattisgarh 492007

Level 2

If you do not receive a response within 15 working days from the date, we receive your communication or if you are not satisfied with the response received, you may write to our Grievance Redressal Officer/ Nodal Officer, at compliance@srfcnbfc.com or through a written complaint to be sent to: Grievance Redressal Officer/ Nodal Officer, Shri Ram Finance Corporation Pvt. Ltd, 29/B-7, Parishram Tower, In Front of Doordarshan Tv Tower, Shankar Nagar 492007 Raipur (C.G.)

Level 3

In case of non-redressal of the complaint to the customer's satisfaction, within a period of one Month, the customer may approach the local RBI ombudsman for resolving their issue.

4. REVIEW OF THE CODE

Compliance with respect to all aspects of the Fair Practice Code shall be reviewed by the Board as and when required.