

# Fair Practice Code

**Policy on 009- Fair Practices Code**

<b>Action</b>	<b>Entity</b>	<b>Signature</b>
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<b>Release Date</b>	October 20, 2022	
<b>Version</b>	3	

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## 1. Introduction

FAIR PRACTICES CODE ("FPC") has been devised by Arka Fincap Limited (erstwhile Kirloskar Capital Limited) (AFL) with an aim to achieve synchronization of best practices when the company is dealing with all the stakeholders viz Customers, employees, vendors in India. It is AFL's endeavor towards stakeholders which includes a commitment to the communities in which their businesses operate and also includes a responsibility for ensuring that those businesses operate according to the highest legal and ethical standards.

This Fair lending practices applies across all aspects of the operations including marketing, loan origination, processing, and servicing and collection activities. AFL's commitment to Fair Practice Code shall be demonstrated in terms of employee accountability, monitoring and auditing programs, training and technology. This Fair Practices Code applies to all categories of products and services offered/to be offered by AFL. The guidelines inter alia, covered general principles on adequate disclosures on the terms and conditions of a loan and also adopting a non-coercive recovery method.

### Key Aspects:

#### The essence of FPC lies in the following and AFL would strive to follow them:

- Ensuring the fair practice in dealing with customers and also to comply with RBI/statutory guidelines on fair practice on time to time basis
- To provide assistance to customers in understanding of the product, applying for loans, taking informed decision, making them aware of the terms and conditions,
- To attempt in good faith to resolve any disputes or differences with customers
- Greater transparency in dealing with borrowers
- To comply with all the regulatory requirements in good faith
- Enhancing customer confidence and supporting them
- Ensure compliances relating to Indian laws relating to fair practices as may be prescribed under AFL's policies and practices.

## 2. Applications for loans and their processing:

All communications to the borrower shall be provided in English language and shall be explained in language as understood by the borrower, if requested by borrower. In case, the borrower is not conversant in English language, the borrower shall provide a letter in the regional language that he has understood the terms and conditions of the application form and he shall abide by it. Further in case the borrower is going to use his thumb print or sign in any other language other than English, he shall provide an undertaking for the same. The Application form 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 and also may indicate the documents required to be submitted by the borrower. As part of the process, AFL provides all necessary information to the customer along with the term sheet/application as the case may be like fees/Charges, if any, payable for processing, the amount of such fees refundable in the case of non-acceptance of application, pre-payment options and any other matter which effects the interest of the customer so that informed decision can be taken by the customer. Along with the details of relevant products, the borrower would also be explained about an end to end details of the processes involved till sanction, disbursement and closure of the loan. The Customer would be informed of the names and the phone numbers of office and the

persons whom he can contact for the purpose of loans to suit his needs. AFL shall define the time frame within which the loan applications/ loan agreement shall be disposed of shall be indicated in the acknowledgement/ term sheet or similar document.

### **3. Loan appraisal and terms/conditions and sanction**

AFL shall convey in writing/orally to the borrower in English or in vernacular language /the language as understood and confirmed by the borrower, the fate of the loan application/ loan agreement by means of sanction letter or otherwise. In case of sanction of loan, the sanction letter shall contain the amount of loan to be sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof.

The acceptance of the terms and conditions communicated by the borrower shall be preserved by AFL on its records and copy of the same shall be provided to the borrower upon its request

AFL shall convey in writing to the borrower in English or in the vernacular language as understood by the borrower and conditions including monthly/quarterly/annualized rate of interest (as the case maybe) and method of application thereof and keeps the acceptance of these terms and conditions by the borrower on its record. AFL shall furnish a copy of the loan agreement either in English or language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement. AFL 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 its notice. If the customer is found indulging into activities which are harmful to the environment, public health, safety, non-committed to compliance with applicable national, state, and local labor laws; non supportive to the payment of competitive wages and benefits to employees and not providing a safe and healthy workplace in conformance with national and local laws; or finds that funds are being utilized for child or forced labor, the loan application shall be rejected.

AFL shall convey in writing to the customer by means of sanction letter or otherwise, the amount of loan, details of the default interest / penal interest rates and the charges payable by the customers, terms and conditions and other caveats governing the credit given by AFL, all other information which is relevant from the point of view of the transaction and all the parties involved.

All the fees / charges / interest would be payable as per mutual agreement. AFL shall mention the penal interest, if any, charged for late repayment in bold in the sanction letter and loan agreement.

AFL shall furnish copies of security creation documents/ agreements along with a copy of each of the enclosures quoted in each of the security creation documents/ agreement to the borrower, at the time of execution of the loan agreement including the enclosures /disbursement of loan in English or in vernacular language /or the language as understood by the borrower.

### **4. Disbursement of loans including changes in terms and conditions**

AFL shall give notice to the customer in English or in vernacular language/ the language as understood by the borrower of any changes in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. Decision to recall /

accelerate payment or performance under the agreement shall be in consonance with the loan agreement. Further AFL 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 AFL may have against borrower. Further if any such right of set off is exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which AFL is entitled to retain the securities till the relevant claim is settled/paid.

AFL shall also ensure that Post disbursement supervision is constructive and the genuine difficulties which the customer may face is given due consideration. Any Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement and only after giving notice to customers.

In case of receipt of request from the borrower for transfer borrowal account, the consent or otherwise i.e. objection of AFL, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per contractual terms entered into with the borrower and in consonance with statues, rules, regulations and guidelines as may be applicable from time to time. 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 company is entitled to retain the securities till the relevant claim is settled/ paid.

#### **5. Financial Difficulties:**

AFL shall consider cases of financial difficulty sympathetically and positively. The customer shall usually identify problems first and should let AFL know as soon as possible. AFL shall undertake reasonable steps to assist the customer in his/her endeavors including helping to develop a plan for dealing with the financial difficulties. AFL may request for additional financial information /commitments to help work together to understand the customer problems.

#### **6. Collection of Dues:**

If the customer does not adhere to the repayment schedule, a defined process in accordance with the laws of the land shall be followed for recovery of dues. This process shall involve timely reminders and follow-up with the customer. AFL collection policy is built on courtesy, fair treatment and persuasion. It believes in building customer confidence and strive hard long-term relationship and would put in best efforts to achieve them.

Pre-payment options may also be available to the customer and the penalty payable shall be mutually agreed as a case-to-case basis policy and procedure of the AFL.

AFL in the matter of recovery of loan, shall resort only to remedies which are legally and legitimately available to it. AFL shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, rude behavior from the officers/ staff of the Company etc.

AFL shall in its KYC form have a column for the contact details of the persons to be contacted for recovery along with the possible hours to call in case the borrower is not traceable.

AFL shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

#### **7. Information Secrecy**

All personal information of the customer would be confidential and would not be disclosed to any third party unless agreed to by the customer in writing. The term 'Third party' excludes all Law Enforcement Agencies, Credit Information Bureau, Reserve Bank of India, other banks and financial institutions and any other State, Central or Other regulatory body.

Customer information would be revealed only under the following circumstances, namely;

- (i) If AFL is compelled by law
- (ii) If it is in the Public Interest to reveal the information
- (iii) If the interest of AFL requires disclosure.

#### **8. Regulation of excessive interest:**

The Board adheres to interest rate framework 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.

The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

Boards shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

#### **9. Grievance Redressal Mechanism (GRM):**

For AFL, satisfaction of customer is always the primary focus and hence AFL believes in providing adequate services to its customers and also to attract new customers with highly fair and transparent governance system. The Board of Directors of AFL (hereinafter referred to as 'the Board') has laid down the appropriate GRM within the organization to resolve disputes arising in this regard. Such a mechanism ensures that all disputes arising out of the decisions of the company are heard and disposed of at least at the next higher level.

AFL has developed a mechanism to resolve the customer grievances/complaints as follows:

Ms. Priyal Shah, AVP – Compliance shall be the Grievance Redressal Officer.

The Grievance Redressal Officer shall collate the grievances received by her and submit it before the Risk Management Committee of AFL and thereafter before the Board of the Company. AFL shall display on its registered office and branches, website, KYC form the name and contact details of the Grievance Redressal Officer who can be approached for resolution of complaints against the Company.

AFL shall also display contact details of the Regional Office of the Department of Non-Banking Supervision of the Reserve Bank of India (RBI) under whose jurisdiction the registered office of the Company falls, which can be approached to, if the complaint/ dispute is not redressed by the Company within a period of one month. At present RBI Regional office address is as follows:

Reserve Bank of India  
Department of Non-Banking Supervision  
3rd Floor, RBI Building,  
Opp. Mumbai Central Railway Station, Near Maratha Mandir,  
Byculla, Mumbai – 400 008  
Tel: 022-2308 4121/2302 8436  
Fax:022-2302 2011

Grievances can be raised through phone or email as mentioned below:

- Phone : 022 4047 1000
- Email : [grievanceredressal@arkafincap.com](mailto:grievanceredressal@arkafincap.com)
- Address: One World Center, 12B Floor, Tower 2B, Jupiter Mills Compound, SB Marg, Mumbai - 400013

In case resolution is not provided with 21 days then second complaints or escalation may go to COO on below email/call/ office address

- Name: Mr. Mridul Sharma
- Phone: 022 4047 1000
- Email: [mridul.sharma@arkafincap.com](mailto:mridul.sharma@arkafincap.com)
- Address: One World Centre, 12B Floor, Tower 2B, Jupiter Mills Compound, SB Marg, Lower Parel, Mumbai - 400013

Within 5 working days of second escalation/complaints, resolutions/adequate response shall be provided to the customer.

Grievance Redressal Officer and COO shall put in place a detailed SOP for implementation of Grievance Redressal Mechanism.

Complaints that are received by AFL shall be seen in the right perspective and would be analyzed from all possible angles.

#### **10. Periodic Review:**

The Board of the company shall periodically review the compliance of the Fair Practices Code and functioning of the Grievance Redressal Mechanism.

A consolidated report of such reviews may be submitted to the board at regular intervals, as may be prescribed by it.

Fair Practice Code as approved by the Board shall be put in English on the web-site of the Company.