

## **FAIR PRACTICE CODE**

This has reference to Reserve Bank of India's (RBI) DNBS (PD) CC No.80/03.10.042/2005-06 dated September 28, 2006, wherein the Reserve Bank of India had issued Guidelines on Fair Practices Code for NBFCs and Circulars issued by the Reserve Bank of India from time to time relating to fair practices to be adopted by NBFCs. The Guidelines provide a broad framework for Fair Practice standards for the Company to follow when dealing with its customers.

### **I. Objective of the Code**

The Code has been developed with the following objectives:

1. Promote fair practices by setting minimum standards in dealing with customers
2. Increase transparency through requisite disclosures by the Company as may be relevant to the customer and as prescribed by the Reserve Bank of India (RBI) from time to time.
3. Foster customer confidence in the Company

### **II. Application of the Code**

The Code applies to all products offered by the company.

The Company will continue to evaluate multiple products to meet the financing requirements of its customers. The Code will continue to apply to any product that is developed and provided by the Company to its customers.

### **III. Term Sheet for facilities and their processing**

1. At the outset of a transaction, the Company will provide a detailed Term Sheet/ Sanction terms and conditions to the customer in a language understood by the customer, or in the vernacular language. Each Term Sheet will contain:
  - a. Details of the facility, including annualized interest rates including method of application thereof, fees charged and any other costs applicable, prepayment options etc.
  - b. Terms and conditions of sanction, including covenants and conditions that the customer is to follow.
  - c. Necessary information required from the customer, including KYC requirements.
2. The Term Sheet will contain all necessary information required by the customer to meaningfully compare the Company's terms with terms available from other financial institutions, to enable an informed decision.
3. The Company will also indicate, either in the term sheet, or through a separate communication, the time frame within which the transaction is expected to be completed.
4. The Company will indicate in the Term Sheet that the terms provided herein are subject to internal credit, legal and compliance requirements.
5. The Company will analyse / verify the information provided by the customer within a reasonable period of time. If additional details / documents are required, the Company will intimate the customers at the earliest.

### **IV. Loan appraisal and terms / conditions**

1. The Company will ensure that there is proper assessment of each credit application. The assessment will be in line with the Company's credit and investment policies and procedures.
2. If the credit assessment meets all necessary internal credit, legal and compliance requirements and is duly approved, the Company will convey, in writing, the final terms of sanction to the customer through a Term Sheet. The Term Sheet will contain the amount of loan sanctioned along with the terms and conditions including annualised rate of interest.

3. The Company will obtain an acceptance of the terms and conditions from the customer, as understood by the customer, or in the vernacular language, and keep the said acceptance on its record.

4. A copy of the facility agreement / documentation, along with a copy each of all enclosures quoted in the loan agreement will be furnished to the customer at the time of sanction/ disbursement of loans. Penal interest charged in case of late repayment shall be highlighted in bold in the loan agreement.

#### **V. Disbursement of loans**

1. The Company will ensure timely disbursement of loans in conformity with the terms and conditions governing such loans as communicated to the customer.

2. It will give notice of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc., in a language understood by the customer, or in the vernacular language.

3. It will also ensure that changes in interest rates and charges are effected only prospectively.

#### **VI. Post disbursement supervision**

1. The Company will carry out post-disbursement supervision in accordance with normal business practice, either directly or through its authorised agents (subject to compliance of RBI's directions on Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs as amended from time to time) the signed facility documentation / Term Sheet, and the guidelines issued by the Reserve Bank of India from time to time.

2. The Company, either directly or through its authorised agent(s), will carry out any decision to recall / accelerate payment or performance under the agreement only after giving sufficient notice and in consonance with the facility documentation.

3. The Company, either directly or through its authorised agent(s), will release all securities on repayment of all dues or on realisation of the outstanding amount of any loan, subject to any legitimate right or lien for any other claim the Company may have against the customer, with prior notice to the customers. 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.

4. The notice will provide full particulars about the remaining claims and the provisions under which the Company is entitled to retain the securities till the relevant claim is settled / paid.

#### **VII. General**

1. The Company would not cause interference in the day-to-day affairs of the customer except as provided in the terms and conditions of the facility documentation (i.e. unless new information not earlier disclosed by the customer, or the occurrence of a materially adverse event, has come to the notice of the Company).

2. The Company will not discriminate on grounds of sex, caste and religion in the matter of dealing with its customers. However, this does not preclude the Company from participating in credit-linked schemes framed for weaker sections of the society.

3. The Company shall not charge prepayment penalty on floating rate interest loans sanctioned to individual customers.

4. In the matter of recovery of loans, the Company will adopt legally valid processes and not resort to undue harassment or use of force viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The company undertakes that its staff will be adequately trained to deal with the customers in an appropriate manner.

5. In case of receipt of request for transfer of borrowal account, either from the borrower or from a bank/financial institution that proposes to take over the account, the consent or otherwise from the Company would be conveyed within 21 days from the date of receipt of request.

#### **VIII. Grievance Redressal Mechanism:**

1. The Company will designate an official ("Complaint Redressal Official") to maintain a record of customer complaints. If a complaint is received in writing from a customer, the Complaint Redressal Official will take the complaint on record and maintain the same in a database.

2. The Complaint Redressal Official will endeavour to sort out the matter within fifteen days of receipt of a complaint.

3. In case the complaint requires more time the same will be informed to the customer. The customer would be updated at regular intervals regarding the status of the same by the Complaint Redressal Official.

4. The internal grievance redressal mechanism within the organization will ensure that complaints arising out of the action / misconduct by any functionary within the Company will be referred by the Complaint Redressal Official for developing solutions and disposal of the complaint

5. The Complaint Redressal Official appointed by the Company is Mr. KC Shiva, Director- Operations, Northern Arc Capital Limited.

6. In case of any complaints / grievances the customer may contact the Complaint Redressal Official at:

**Name:** Mr. KC Shiva,

**Designation:** Director- Operations,

**Address:** IIT M Research Park, Phase 1, 10th Floor,  
No. 1, Kanagam Village,  
Taramani, Chennai – 600113

**Phone No:** 044- 6668 7394; **Fax No:** 044- 66687010

**Mobile:** +91 7358111592

**Email ID:** shiva.kc@northernarc.com

7. In case the customer is not satisfied with the response of the Complaint Redressal Official, the customer may escalate the complaint to Ms. Bama Balakrishnan, Chief Finance Officer who may be contacted at the details given below:

**Name:** Ms. Bama Balakrishnan

**Designation:** Chief Finance Officer

**Address:** IIT M Research Park, Phase 1, 10th Floor,  
No. 1, Kanagam Village,  
Taramani, Chennai – 600113

**Phone No:** 044- 6668 7364 **Fax No:** 044- 66687010

**Mobile:** + 91 9840342055

**Email ID:** bama.balakrishnan@northernarc.com

In case the complaint/ dispute is not redressed within a period of one month of the complaint, the customer may appeal to the Officer-in Charge of the Regional Office of DNBS of RBI:

**Designation:** General Manager

**Address:** Department of Non-Banking Supervision,  
Reserve Bank of India, Fort Glacis,  
Rajaji Salai, Chennai – 600 001

**Phone No:** 044-25393406 Fax No: 044-25393797

**Email ID:** dnbschennai@rbi.org.in

7. The Complaint Redressal Official may formally delegate the task of redressal of a specific complaint to a team member as suitable, with due information to the customer.

#### **IX. Nodal Officer under the Ombudsman Scheme for NBFCs, 2018:**

The Company hereby also designates Smt. Bama Balakrishnan, Chief Financial Officer as the Principal Nodal Officer (PNO) for all its locations for receiving and addressing complaints from customers in a fair and expeditious manner. The PNO/NO shall be responsible, inter alia, for representing the Company before the Ombudsman and the Appellate Authority under the Ombudsman Scheme for Non-Banking Financial Companies, 2018 ("Scheme"). The salient features of the Scheme are annexed to this Code as Annexure A.

#### **IX. Review**

A review of compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism would be done by the Management regularly and a consolidated report of such reviews will be submitted to the Board of Directors on a half-yearly basis. An updated copy of this code shall be put up on the Company's website. A consolidated Report on the compliance of the Fair Practices Code shall be presented to the Board of Directors periodically. The Board of Directors of the Company shall conduct a review of the same.

## **Interest Rate Model**

#### **Policy on Interest Rate Model, Policies and Procedure on determining Interest Rates and other charges**

The Reserve Bank of India had advised that Boards of NBFCs should lay out appropriate internal principles and procedures in determining interest rates, processing and other charges. This was considered in view of the several complaints RBI received regarding levying of excessive interest and charges on certain loans by NBFCs. While reiterating these guidelines RBI further advised the NBFCs to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest.

Keeping in view the RBI's guidelines as cited above and our borrowers being institutional borrowers the following internal guidelines, policies, procedures, and interest rate model will be taken into account when determining interest rates or other charges:

- The interest rates applicable to loans will be approved by the Credit Committee, from time to time.

- Interest rates charged by the Company depends on a variety of factors affecting the Company including cost of borrowed funds, matching tenor cost, market liquidity, RBI policies on credit flow, offerings by competition, market reputation, cost of operations, disbursements, cost of capital required, inherent credit and default risk in the counterparty and products, industry trends, etc. Identical products with identical tenor and availed during the same period may attract different interest rates for different customers. Interest rates could vary depending upon consideration of all or combination of multiple factors including but not limited to the following:

- Credit and default risk in the related business segment
- Historical performance of similar homogeneous clients
- Profile of the applicant
- Industry segment
- Repayment track record of the applicant
- Nature and value of collateral security
- Secured Vs unsecured loan
- Seniority of the loan
- Loan ticket size
- Credit rating of the applicant and corporate guarantor, if any
- Loan tenor
- Location delinquency and collection performance (applicable for retail)
- Other indebtedness of the applicant

- Interest rates will be intimated to the customers at the time of sanction of the loan and the interest and principal repayment schedule will be made available to the customer.

- The interest shall be deemed payable immediately on the due date as communicated and no grace period for payment of interest is allowed.

- Besides normal interest, the company may levy additional interest for ad hoc facilities, penal interest for any delay or default in making payments of any dues. This additional or penal interest for different products or facilities will be approved by the Credit Committee.

- Besides interest, other financial charges like processing fees, late payments, RTGS/ other remittance charges, etc. may be levied by the company under due communication to the customer, wherever considered necessary. Any revision in these charges would be with prospective effect.

- Claims for refund or waiver of charges/ penal interest / additional interest will normally not be entertained by the company and it is the sole discretion of the company to deal with such requests if any.

- Prepayment penalty shall not be charged on floating rate interest loans sanctioned to individual customers.

- The interest re-set period will be decided by the company from time to time and communicated to the customer.

- The interest rate policy will be available on the website and updated from time to time.

## Ombudsman Scheme for Non-Banking Financial Companies, 2018:

### Salient Features

#### Purpose

In order to promote a conducive credit culture among NBFCs and to regulate the credit system of the country to its advantage, the Reserve Bank of India ("RBI") was satisfied that it was necessary to provide for a system of redressal of complaints against deficiency in services concerning deposits, loans and advances and other specified matters. Towards this end, the RBI notified 'The Ombudsman Scheme for Non-Banking Financial Companies, 2018' ("Ombudsman Scheme").

In terms of the Ombudsman Scheme, an Ombudsman appointed by the RBI shall:

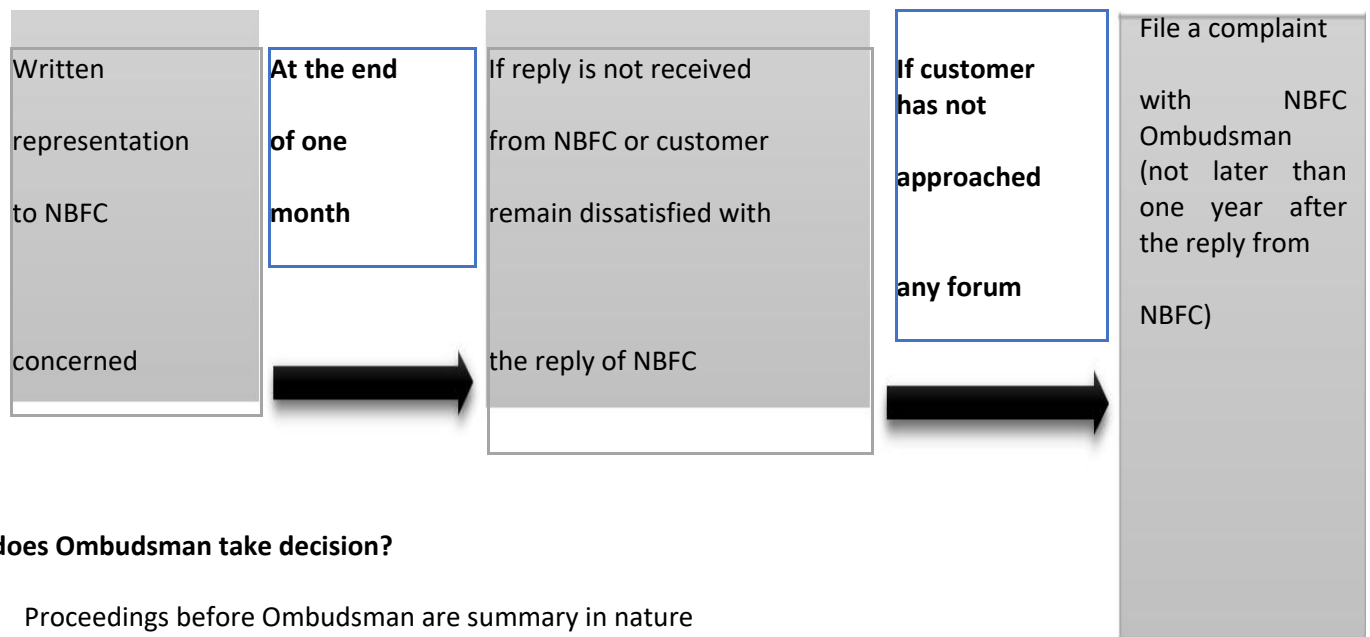
- a. receive and consider complaints relating to deficiencies in services filed on any one or more of the grounds mentioned in Clause 8 of the Ombudsman Scheme, and
- b. facilitate the satisfaction or settlement by agreement or through conciliation and mediation between the concerned NBFC and the aggrieved party, or by passing an award.

	Scheme covers customers of
All deposit taking NBFCs	NBFCs with assets size $\geq$ Rs. 100 crore + customer interface ( <u>Excluding</u> : Infrastructure Finance Companies, Core Investment Companies, Infrastructure Debt Fund and NBFCs under liquidation)

#### Grounds for filing a complaint by a customer:

- Interest not paid OR paid with delay
- Cheque not presented OR done with delay
- Not conveyed the amount of loan sanctioned, terms & conditions, annualised rate of interest, etc.
- Notice not provided for changes in agreement, levy of charges
- Failure to ensure transparency in contract/loan agreement
- Failure/ Delay in releasing securities/ documents
- Failure to provide legally enforceable built-in repossession in contract/ loan agreement
- RBI directives not followed by NBFC
- Guidelines on Fair Practices Code not followed

## How can a customer file complaint?



## How does Ombudsman take decision?

- Proceedings before Ombudsman are summary in nature

Promotes settlement through conciliation ☑ If not reached, can issue Award/Order

**Can a customer appeal, if not satisfied with decision of Ombudsman? Yes,** If Ombudsman's decision is appealable ☑ Appellate Authority: Deputy

Governor, RBI

## Note:

- This is an Alternate Dispute Resolution mechanism
- Customer is at liberty to approach any other court/forum/authority for the redressal at any stage

**Contact Details of our Nodal Officer and the Ombudsman:**

All complaints against the Company shall be addressed through a two-step redressal mechanism as provided below:

1. Customers are requested to address all complaints to the Complaint Redressal Official. The contact details of the Complaint Redressal Official are as provided:

**Name:** Mr. KC Shiva,  
**Designation:** Director- Operations,  
**Address:** IIT M Research Park, Phase 1, 10th Floor,  
 No. 1, Kanagam Village,  
 Taramani, Chennai – 600113  
**Phone No:** 044- 6668 7394; **Fax No:** 044- 66687010  
**Mobile:** +91 7358111592  
**Email ID:** [shiva.kc@northernarc.com](mailto:shiva.kc@northernarc.com)

2. If the customer is not satisfied with the response received from the Complaint Redressal Official, the customer may write to Nodal Officer of Northern Arc Capital Limited. The contact details of our nodal officer and the jurisdictional ombudsman are provided below.

Locations of our offices	Contact Details of Nodal Officer	Contact Details of Ombudsman
Chennai and Bangalore	<b>Ms. Bama Balakrishnan</b> <b>Address:</b> IIT M Research Park, Phase 1, 10th Floor, No. 1, Kanagam Village, Taramani, Chennai – 600113 <b>Phone No:</b> 044- 6668 7364 <b>Fax No:</b> 044- 66687010 Mobile No.: + 91 9840342055 <b>Email</b> <span style="float: right;"><b>ID:</b></span> bama.balakrishnan@northernarc.com	Reserve Bank of India Fort Glacis, Chennai 600 001 Phone: 044-25395964 Facsimile: 044-25395488 E-mail: nbfcchennai@rbi.org.in
Mumbai	-do-	Reserve Bank of India RBI Byculla Office Building Opp. Mumbai Central Railway Station, Byculla, Mumbai-400 008 Phone: 022-23028140 Facsimile: 022-23022024 E-mail: nbfc Mumbai@rbi.org.in
Delhi and Gurgaon	-do-	Reserve Bank of India Sansad Marg New Delhi -110001 Phone: 011-23724856 Facsimile: 011- 23725218-19



		Email: nbfconewdelhi@rbi.org.in
--	--	------------------------------------

A copy of 'The Ombudsman Scheme for Non-Banking Financial Companies, 2018' is available with our Nodal Officer.

Refer to [www.rbi.org.in](http://www.rbi.org.in) for further details of the Scheme