

Fair Practices Code

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1. Introduction

The Reserve Bank of India (RBI) vide its Notification No.DNBS (PD) CC No.80/03.10.042/2005-06 dated September 28, 2006, issued Guidelines on Fair Practices Code to be adopted by NBFCs and in terms of the same, Northern Arc Capital Limited (the “Company”) has framed the Fair Practices Code (“Code”).

The RBI guidelines provide a broad framework for fair practice standards for the Company to follow when dealing with its customers.

2. Objective

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 RBI from time to time;
3. Foster customer confidence in the Company.

3. Application

The Code shall apply to all products offered by the Company.

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

4. Term Sheet for facilities and their processing

- a. At the outset of a transaction, the Company shall provide a detailed term sheet/sanction terms and conditions to the customer in a language understood by the customer or in the vernacular language.

The term sheet shall contain:

- i. Details of the facility, including annualized interest rates including method of application thereof, fees charged and any other costs applicable, prepayment options etc.
 - ii. Terms and conditions of sanction, including covenants and conditions that the customer is required to follow.
 - iii. Necessary information required from the customer, including KYC requirements.
- b. The term sheet shall contain all necessary information required by the customer to meaningfully compare the terms of the Company’s along with the terms available from other financial institutions, to enable an informed decision.

- c. The Company shall also indicate, either in the term sheet, or through a separate communication, the time frame within which the transaction is expected to be completed.
- d. The Company shall indicate in the term sheet, that the terms provided herein are subject to internal credit, legal and compliance requirements.
- e. The Company shall analyse / verify the information provided by the customer within a reasonable period of time. If additional details / documents are required, the Company shall intimate the customer at the earliest.

5. Loan appraisal and terms / conditions

- a. The Company shall ensure that there is proper assessment of each credit application. The assessment shall be in line with the Company's credit and investment policies and procedures.
- b. If the credit assessment meets all necessary internal credit, legal and compliance requirements and is duly approved, the Company shall convey, in writing, the final terms of sanction to the customer through a term sheet. The term sheet shall contain the amount of loan sanctioned along with the terms and conditions including annualised rate of interest.
- c. The Company shall 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.
- d. A copy of the facility agreement / documentation, along with a copy each of all enclosures quoted in the loan agreement shall 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.

6. Disbursement of Loans

- a. The Company shall ensure timely disbursement of loans in conformity with the terms and conditions governing such loans as communicated to the customer.
- b. The Company shall 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.
- c. The Company shall also ensure that changes in interest rates and charges are effected only prospectively.
- d. The Interest Rate Model is annexed as Annexure - A to the Code.

7. Post-Disbursement Supervision

- a. The Company shall carry out post-disbursement supervision in accordance with normal business practice, either directly or through its authorised agent(s) (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 RBI from time to time.
- b. The Company, either directly or through its authorised agent(s), shall 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.
- c. The Company, either directly or through its authorised agent(s), shall 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 Customer. If such right of set off is to be exercised, the customer 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.
- d. The notice shall 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.

8. General

- a. The Company shall 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).
- b. The Company shall 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.
- c. The Company shall not charge prepayment penalty on floating rate interest loans sanctioned to individual customers.
- d. In the matter of recovery of loans, the Company shall 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 shall ensure its staff is adequately trained to deal with the customers in an appropriate manner.

- e. 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.

9. Grievance Redressal Mechanism

- a. The Company shall designate a Grievance Redressal Officer (“GRO”) to maintain a record of customer complaints. If a complaint is received in writing from a customer, GRO shall take the complaint on record and maintain the same in a database.
- b. GRO shall endeavour to sort out the matter within 15 (fifteen) days of receipt of a complaint.
- c. In case the complaint requires more time for resolution, the same shall be informed to the customer. The customer shall be updated at regular intervals regarding the status of the complaint by GRO.
- d. The internal grievance redressal mechanism shall ensure that complaints arising out of the action / misconduct by any functionary within the Company, shall be referred by GRO for developing solutions and disposal of the complaint.
- e. In case of any complaints / grievances the customer may contact the Grievance Redressal Officer:

Name: Mr. Shiva KC

Address: IIT M Research Park, Phase 1, 10th Floor,
No. 1, Kanagam Village, Taramani, Chennai – 600 113
Phone No: 044 - 6668 7394; Fax No: 044 - 66687010
Toll Free Number: 1800 419 8766
Email ID: gro@northernarc.com

- f. In case the customer is not satisfied with the response of the Grievance Redressal Officer, or if no response is received within 15 (fifteen) days, the customer may escalate the complaint to the Nodal Officer, Mr. Sreejith Raj:

Name: Mr. Sreejith Raj

Address: IIT M Research Park, Phase 1, 10th Floor,
No. 1, Kanagam Village, Taramani, Chennai - 600 113
Phone No: 044 - 6668 7308, Fax No: 044 - 66687010
Toll Free Number: 1800 258 7010
Email ID: nodal.officer@northernarc.com

In case the complaint / dispute is not redressed within a period of one month from the date 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

- g. GRO may formally delegate the task of redressal of a specific complaint to a team member as suitable, with due information to the customer.

10. Principal Nodal Officer under the Ombudsman Scheme

In accordance with the Ombudsman Scheme for Non-Banking Financial Companies, 2018 (“Scheme”), every NBFC is required to appoint a Nodal Officer / Principal Nodal Officer. In line with the requirements, the Company has designated Mr. Sreejith Raj, Associate Vice President – Company Secretary as the Principal Nodal Officer (“PNO”) for all locations of the Company for receiving and addressing complaints from customers in a fair and expeditious manner. The contact details of the Principal Nodal Officer and the Ombudsman are annexed to this Code as Annexure - B.

The PNO shall be responsible, inter alia, for representing the Company before the Ombudsman and the Appellate Authority under the Scheme. The salient features of the Scheme are annexed to this Code as Annexure - C.

11. Disclosures

A review of compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism would be done by the management at regular intervals and a consolidated report of such reviews shall be submitted to the Board of Directors on a half-yearly basis.

An updated copy of the Code shall be displayed 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 for its review.

12. Review of Code

This Code may be amended, modified or supplemented from time to time. The Code shall be reviewed every year by the Board of Directors of Company or whenever there is a significant change in law governing the subject matter of the Code.

Interest Rate Model

Code on Interest Rate Model, Policies and Procedure on determining Interest Rates and other charges

The Reserve Bank of India (RBI) 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 shall be taken into account when determining interest rates or other charges.

- The interest rates applicable to loans shall 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 reset period shall be decided by the company from time to time and communicated to the customer.
- The interest rate Code shall be available on the website of the Company and updated from time to time.

Contact Details of Principal Nodal Officer and the Ombudsman

Locations of our offices	Contact Details of Nodal Officer	Contact Details of Ombudsman
Chennai and Bangalore	Mr. Sreejith Raj Address: IIT M Research Park, Phase 1, 10th Floor, No. 1, Kanagam Village, Taramani, Chennai – 600 113 Phone No: 044 - 6668 7308 Fax No: 044 - 66687010 Email ID: nodal.officer@northernarc.com	Reserve Bank of India Fort Glacis, Chennai 600 001 Phone: 044-25395964 Facsimile: 044-25395488 E-mail: nbfcochennai@rbi.org.in
Mumbai	Mr. Sreejith Raj Address: IIT M Research Park, Phase 1, 10th Floor, No. 1, Kanagam Village, Taramani, Chennai – 600 113 Phone No: 044 - 6668 7308 Fax No: 044 - 66687010 Email ID: nodal.officer@northernarc.com	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: nbfcomumbai@rbi.org.in
Delhi and Gurgaon	Mr. Sreejith Raj Address: IIT M Research Park, Phase 1, 10th Floor, No. 1, Kanagam Village, Taramani, Chennai – 600 113 Phone No: 044 - 6668 7308 Fax No: 044 - 66687010 Email ID: nodal.officer@northernarc.com	Reserve Bank of India Sansad Marg, New Delhi -110 001 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 the Principal Nodal Officer.

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 (“Scheme”).

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

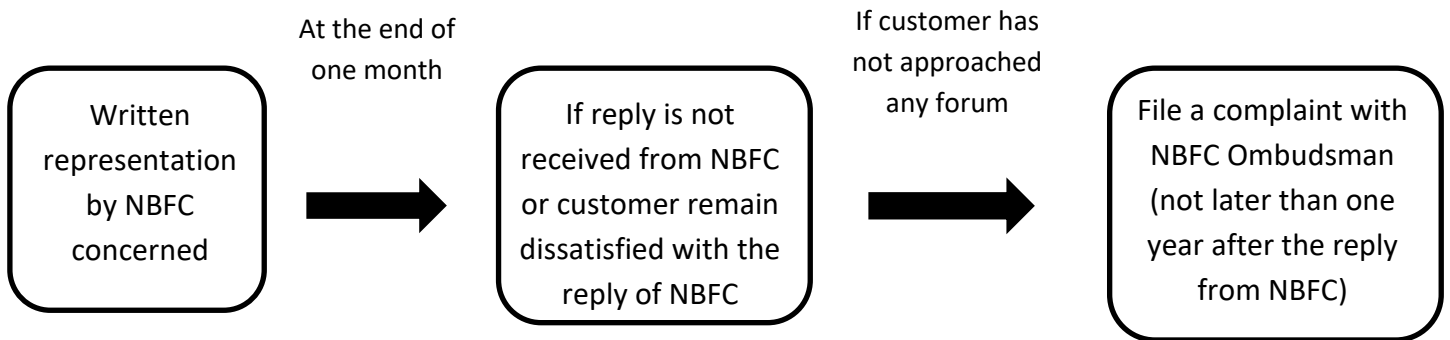
- a. receive and consider complaints relating to deficiencies in services filed on any one or more of the grounds mentioned in Clause 8 of the Ombudsman Scheme, and
- b. facilitate the satisfaction or settlement by agreement or through conciliation and mediation between the concerned NBFC and the aggrieved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

Refer to www.rbi.org.in for further details of the Scheme

