

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 received against the Company, or against any person acting directly or indirectly on behalf of the Company. 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. Madhan Mohan K,
Address: IndiQube Golf View Homes,
6th Floor, Tower B, 3rd Cross Road,
S R Layout, Murgesh Pallya, Bengaluru-560017
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, Ms. Deepa Nair
Name: Ms. Deepa Nair
Address: IndiQube Golf View Homes,
6th Floor, Tower B, 3rd Cross Road,
S R Layout, Murgesh Pallya, Bengaluru-560017
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 Integrated Ombudsman Scheme, 2021 (“Scheme”), every NBFC is required to appoint a Nodal Officer / Principal Nodal Officer. In line with the requirements, the Company has designated Ms. Deepa Nair 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. Guidelines on Conduct towards Microfinance Borrowers

As regards microfinance loans, the Company shall conduct its operations in adherence to the requirements set out below in compliance with Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 .

- a. At the time of origination of each microfinance loan, the loan applicant shall be provided with the choice of weekly, fortnightly or monthly repayment periodicity.
- b. The Company shall have a well-documented interest rate model/ approach for arriving at the all-inclusive interest rate. The Company shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and details on its website. The minimum, maximum and average interest rates charged on microfinance loans, which is currently at 22%, 26% and 24% respectively.
- c. Any change in interest rate or any other charge shall be informed to the borrower well in advance and these changes shall be effective only prospectively.
- d. The Company shall disclose pricing related information to a prospective borrower in a standardised simplified factsheet as per prescribed format.
- e. Any fees to be charged to the microfinance borrower by the Company and/ or its partner/ agent shall be explicitly disclosed in the factsheet. The borrower shall not be charged any amount which is not explicitly mentioned in the factsheet.
- f. The Company shall not charge any pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.
- g. There shall be a standard form of loan agreement for microfinance loans in a language understood by the borrower.

- h. The Company shall provide a loan card to the borrower which shall incorporate the following requirements. All entries in the loan card shall be in a language understood by the borrower:
 - i. Information which adequately identifies the borrower;
 - ii. Simplified factsheet on pricing;
 - iii. All other terms and conditions attached to the loan;
 - iv. Acknowledgements by the Company of all repayments including instalments received and the final discharge; and
 - v. Details of the grievance redressal system, including the name and contact number of the nodal officer of the Company.
- i. Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.
- j. Trainings, if any, offered by the Company to its borrowers shall be free of cost. All field staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products. The Company's field staffs shall be trained to make necessary enquiries with regard to existing debt of the borrowers.
- k. The Company shall be accountable for preventing inappropriate staff behaviour and timely redressal of the grievances of the borrower. The above declaration shall also be made in the loan agreement given to the borrower and also in the Code displayed in its office/branch premises and on Company's website.
- l. Recovery shall be made at a designated/ central designated place decided mutually by the borrower and the Company. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated/ central designated place on two or more successive occasions. Company or its agent shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:
 - i. Use of threatening or abusive language
 - ii. Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m.
 - iii. Harassing relatives, friends, or co-workers of the borrower
 - iv. Publishing the name of borrowers
 - v. Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
 - vi. Misleading the borrower about the extent of the debt or the consequences of non-repayment.
- m. Any engagement of recovery agency, which shall, *inter alia*, cover individuals involved in the recovery process shall be in accordance with the due diligence process stipulated in the policy approved by the board of directors of the Company. Company shall ensure that the recovery agents engaged by it carry out verification of the antecedents of their employees engaged in recovery, which shall include police verification. Re-verification of antecedents such employees shall be performed on an annual basis.
- n. To ensure due notice and appropriate authorisation, Company shall provide the details of recovery agency to the borrower while initiating the process of recovery. Company shall direct the recovery agency to ensure that its employees engaged in recovery also carry a copy of the notice and the authorisation letter from the Company (which, among other details, also include the contact details of the recovery agency and the Company) along with the identity card issued to him by the Company or the agency. Where the recovery agency is changed by the Company during the recovery process, the Company shall notify the borrower of the change and apply the foregoing requirements on the new agency.

- o. The up-to-date details of the recovery agencies engaged by the Company shall be published on the Company's website.

12. Loans Sourced through Digital Lending Platforms

Where the Company sources or originates loans through digital lending platform(s) then the following additional steps shall be taken by the Company:

- a. The names of all digital lending platforms engaged as agents shall be disclosed on the Company's website.
- b. All digital lending platforms shall be directed to disclose upfront to the customer, the name of the Company on whose behalf they are interacting with him.
- c. Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the Company's letterhead.
- d. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
- e. Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the Company
- f. Adequate efforts shall be made towards creation of awareness about the Company's grievance redressal mechanism.

13. 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.

14. 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	Name: Ms. Deepa Nair Address: IndiQube Golf View Homes, 6 th Floor, Tower B, 3rd Cross Road, S R Layout, Murgesh Pallya, Bengaluru-560017 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	Name: Ms. Deepa Nair Address: IndiQube Golf View Homes, 6 th Floor, Tower B, 3rd Cross Road, S R Layout, Murgesh Pallya, Bengaluru-560017 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	Name: Ms. Deepa Nair Address: IndiQube Golf View Homes, 6 th Floor, Tower B, 3rd Cross Road, S R Layout, Murgesh Pallya, Bengaluru-560017 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 'Integrated Ombudsman Scheme, 2021' is available with the Principal Nodal Officer.

Integrated Ombudsman Scheme, 2021

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") has provided 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 Integrated Ombudsman Scheme, 2021 ("Scheme").

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

- receive and consider complaints relating to deficiencies in services filed on any one or more of the grounds mentioned in Clause 9 of the Ombudsman Scheme, and
- 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.

Grounds for filing a complaint by a customer

Any customer aggrieved by an act or omission resulting in deficiency in service may file a complaint under the Scheme personally or through an authorised representative.

In case the customer does not receive a response from the NBFCs Grievance Redressal Officer or the Nodal Officer within one month from the date of making a representation to the Company, or if the customer is not satisfied with the response so received, a complaint may be made in accordance with Scheme to the Ombudsman in whose jurisdiction the office of the Company complained against, is located.

Procedure for filing a Complaint with Ombudsman

- The complaint may be lodged online through the portal designed for the purpose (<https://cms.rbi.org.in>).
- The complaint may also be submitted through electronic or physical mode to the Centralised Receipt and Processing Centre as notified by the Reserve Bank.
- The complaint, if submitted in physical form, shall be duly signed by the complainant or by the authorised representative. The complaint shall be submitted in electronic or physical mode in such format and containing such information as may be specified by Reserve Bank.

How does Ombudsman take decisions

The complaint would be deemed to be resolved by the Ombudsman when:

- it has been settled by the Regulated Entity with the complainant upon the intervention of the Ombudsman; or
- the complainant has agreed in writing or otherwise (which may be recorded) that the manner and the extent of resolution of the grievance is satisfactory; or
- the complainant has withdrawn the complaint voluntarily.

Can a customer appeal, if not satisfied with decision of Ombudsman

The complainant may, if aggrieved by an Ombudsman Award or rejection of a complaint, may within 30 days of the date of receipt of the Award or rejection of the complaint, prefer an appeal before the Appellate Authority.

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