

FAIR PRACTICE CODE



SHAAN FINANCE LTD

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Fair Practice Code(FPC)

The **SHAAN FINANCE LTD** having customer interface shall adopt the following guidelines

Application of the Code:

- This Code shall apply to all the products and services, whether they are provided by the **SHAAN FINANCE LTD**, through manually or Digital Lending Platforms (self-owned and/or under an outsourcing arrangement).
- The FPC shall be applicable across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

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.
- The **SHAAN FINANCE LTD** shall transparently disclose to the borrower all information about fees/ charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed, pre-payment options and charges, if any, penal interest/ penalty for delayed repayment, if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any interest reset clause and any other matter which affects the interest of the borrower. In other words, the company must disclose 'all in cost' inclusive of all charges involved in processing/ sanctioning of loan application in a transparent manner.
- It should also be ensured that such charges/ fees are non-discriminatory.
- 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 companies can be made and informed decision can be taken by the borrower.
- The loan application form may indicate the list of documents required to be submitted with the application form.

- The company shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed should also be indicated in the acknowledgement.
- In case of outsourced lending platforms, the company must meticulously follow regulatory instructions on outsourcing of financial services and IT services.
- Loan appraisal details, terms/ conditions of sanction and communication of rejection of loan application must be made in writing to the applicant.
- All particulars required for processing the loan application shall be collected by the company at the time of application.
- In case it needs any additional information, the customer should be told immediately that he/she would be contacted again.
- The company shall convey in writing to the borrower in the vernacular language or a language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges, penal interest (if any) and keep the written acceptance of these terms and conditions by the borrower on its record.
- The Company shall mention the penal interest charged for late repayment in bold in the loan agreement.
- The company shall invariably furnish a copy of the loan agreement along with a copy of each of the enclosures quoted in the loan agreement to every borrower at the time of sanction/ disbursement of loans, against acknowledgement.
- If the company cannot provide the loan to the customer, it shall communicate in writing the reason(s) for rejection.
- Disbursement of loans including changes in terms and conditions should be communicated and acknowledged.
- Disbursement should be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.
- 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, penal interest (if any), service charges, prepayment charges, other applicable fee/ charges etc.

- The Company should also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- If such change is to the disadvantage of the customer, he/ she may within 60 days and without notice close his/ her account or switch it without having to pay any extra charges or interest.
- Decision to recall/ accelerate payment or performance under the agreement or seeking additional securities, should be in consonance with the loan agreement.
- 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 the Company 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.
- Loans sourced over Digital Lending Platforms outsourcing of any activity by the Company does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with them.
- Wherever the Company engage digital lending platforms as their agents to source borrowers and/ or to recover dues, they must follow the following instructions:
 - Names of digital lending platforms engaged as agents shall be disclosed on the website of the company.
 - Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the company on whose behalf they are interacting with him.
- Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the company concerned.
- Our 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.

- Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the company.
- Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.
- Responsibility of Board of Directors:
 - The Board of Directors of the company should lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism should 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.
 - The Board of Directors of the company should provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.
- In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e., objection of the applicable NBFC, 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.
- In the matter of recovery of loans, an applicable NBFC, our company shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behaviour from the staff of the companies, applicable NBFC shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and NBFCs, applicable NBFCs shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan

sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).

- Grievance Redressal Officer at the operational level, our company shall display the following information prominently, for the benefit of their customers, where business is transacted:
 - The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
 - if the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of Department of Supervision of the Bank/NBFC (with complete contact details), under whose jurisdiction the registered office of the applicable NBFC falls. (Reserve Bank – Integrated Ombudsman Scheme, 2021 NBFCs covered under the Reserve Bank – Integrated Ombudsman Scheme, 2021)
- 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) based on the guidelines outlined hereinabove shall be put in place by our company.
- The Fair Practice Code shall be put up on our website, for the information of various stakeholders.
- Regulation of excessive interest charged by our Company
 - Our 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.
 - The rates of interest and the approach for gradation of risks shall also be made available on the website of the companies or published in the relevant newspapers.

- The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- 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.
- Complaints about excessive interest charged: Though interest rates are not regulated by the RBI, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice.
- Board of our company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard, the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view.
- Repossession of vehicles financed by our Company: Our Company shall 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:
 - notice period before taking possession;
 - circumstances under which the notice period can be waived;
 - the procedure for taking possession of the security;
 - a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property;
 - the procedure for giving repossession to the borrower; and
 - The procedure for sale / auction of the property.
 - A copy of such terms and conditions must be made available to the borrower.
- Lending against collateral of assets or personal guarantee or Govt securities in Secured Business loan: While lending to individuals against collateral of mentioned assets, our company shall adopt the following in addition to the general guidelines as above
 - They shall put in place Board approved policy for lending against collateral for Secured business loan that shall inter alia, cover the following:

- Adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan,
- The credit facilities would be secured by primary and collateral security wherever applicable and as per the credit policy of the NBFC from time to time.
- The loan agreement shall also disclose details regarding collateral procedure.
- Monitoring of the account would be as per the policy of the company/NBFC from time to time which may include periodical visits, stock verifications, audits etc
- The policy shall also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.

➤ 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.