

FAIR PRACTICE CODE
OF
CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED



Version No.	FPC /1.2/2017-18
Originally adopted Date of Policy	9 th April 2012
Amended/Modified Date of Policy	26 th August 2017
Policy owner	Anand Rao
Approved by	Board of Directors
Signature	

Reference : RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015.
RBI/DNBR/2016-17/44 CC.No.DNBR.PD.007/03.10.119/2016-17 dated March 09, 2017

Chaitanya India Fin Credit Pvt. Ltd. has formulated this Fair Practices Code to lay down the following procedures/practices in dealing with the business transactions. The Code is as per the March 26th, 2012 RBI Guidelines on Fair Practices Code for NBFC's. The FPC has been approved by the Chaitanya Board of Director's on 9th April 2012. Based on Further Guidelines issued by the RBI on February 18, 2013, the FPC of Chaitanya has been revised. The revised FPC of the company has been approved by the Board on March 11, 2013. The Policy was reviewed on April 2016. Based on further Guidelines issued by the RBI on March 09, 2017, the FPC of Chaitanya has been revised. The revised FPC of the company has been approved by the Board on August 26, 2017.

A. NBFC

I. Applications for loans and their processing

- All communications to the borrower will be in the vernacular language or a language as understood by the borrower
- Loan application forms will include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs-MFI can be made and informed decision can be taken by the borrower. The loan application form indicates the documents required to be submitted with the application form
- Chaitanya gives acknowledgement for receipt of all loan applications. The time frame within which loan applications will be disposed of is also indicated in the acknowledgement

II. Loan appraisal and terms/conditions

- Chaitanya will convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keeps the acceptance of these terms and conditions by the borrower on its record.
- Chaitanya does not charge penal interest for late repayment and it has been specified in bold in the loan agreement.
- Chaitanya will 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 disbursement of loan. The details/ clauses in the loan agreement is explained orally in vernacular language to the Customers by the Branch Manager.

III. Disbursement of loans including changes in terms and conditions

- Chaitanya will give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc
- Chaitanya will ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard is incorporated in the loan agreement
- Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement
- Chaitanya will release all securities on repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim Chaitanya 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 Chaitanya is entitled to retain the securities till the relevant claim is settled / paid.

IV. General

- Chaitanya will 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 the notice of Chaitanya)
- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of Chaitanya, if any, will 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, Chaitanya will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. Chaitanya will ensure that the staffs are adequately trained to deal with the customers in an appropriate manner.
- Chaitanya will not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

V. Responsibility of Board of Directors

The Board of Directors of Chaitanya have laid down the appropriate Grievance Redressal Mechanism within the organization to resolve disputes arising in this regard. The Grievance Redressal Mechanism has been set up to ensure that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level.

The Board of Directors will also 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 will be submitted to the Board at regular intervals, as may be prescribed by it.

VI. Grievance Redressal Officer

At the operational level, Chaitanya will display the following information prominently, for the benefit of the customers, at our branches/places 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 DNBS of RBI, under whose jurisdiction the registered office of the Chaitanya falls, which is as under:

Officer-In-charge
DNBS Department
Reserve Bank of India,
10/3/8, Nrupathunga Road,
Post Bag No.5467,
Bangalore-560 001
Phone: 2275020.Fax: 2210185

VII. Language and mode of Communication Fair Practice code

Fair Practices Code will be in the vernacular language or language as understood by the borrower and will be put in place with the approval of the Board within one month from the date of issue of this circular, which is 28th September 2017

VIII. Interest Charged by Chaitanya

The Board of Chaitanya has laid out appropriate internal principals 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 have also been kept in view.

IX. Regulation of excessive interest charged by NBFCs

- The Board of Chaitanya will adopt an interest rate model 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 will be disclosed to the borrower or customer in the application form.
- The rates of interest and the approach for gradation of risks will be made available on the web-site of Chaitanya The information published in the website will be updated whenever there is a change in the rates of interest.
- The rate of interest is annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

B. NBFC-MFIs:

1. General:

- The FPC in vernacular language will be displayed by Chaitanya in its office and branch premises
- Chaitanya is committed to transparency and fair practices lending to its borrowers. Chaitanya will make a statement to this effect in the vernacular language and display the same in all its branches and also print it in all borrower loan cards.
- Chaitanya' field staffs are trained to make necessary enquiries with regard to existing debt of the borrowers
- All training offered by Chaitanya to its borrowers will be free of cost. All field staff are trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products
- Chaitanya displays the effective interest rate it charges in all its offices and in the literature issued by it in vernacular language. The Grievance Redressal System of Chaitanya will also be prominently displayed in all its offices
- Chaitanya will be accountable for preventing inappropriate staff behavior and timely Grievance Redressal of the borrower. The above declaration is also made in the loan agreement given to the borrower
- Chaitanya ensures that the KYC guidelines of RBI and complied with. Due diligence of each and every borrower will be carried out to ensure the repayment capacity of borrowers
- As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, all sanctioning and disbursement of loans will be done only at a central location and more than one individual will be involved in this function. In addition, there will be close supervision of the disbursement function
- Chaitanya will ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.

2. Disclosures in loan agreement / loan card

- Chaitanya has a Board approved standard form of loan agreement. The loan agreement will be preferably in vernacular language. The terms and clauses of the loan agreement are explained to the customers orally in vernacular language by Branch Manager.

- In the loan agreement the following are disclosed:
 - a) All the terms and conditions of the loan.
 - b) That the pricing of the loan involves only three components viz; the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof)
 - c) That there will be no penalty charged on delayed payment.
 - d) That no Security Deposit / Margin is being collected from the borrower
 - e) That the borrower cannot be a member of more than one SHG / JLG
 - f) The moratorium between the grant of the loan and the due date of the repayment of the first instalment (as guided by the NBFC-MFIs (Reserve Bank) Directions, 2011)
 - g) An assurance that the privacy of borrower data will be respected.

- The loan card reflects the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011.
 - a) The effective rate of interest charged
 - b) All other terms and conditions attached to the loan
 - c) Information which adequately identifies the borrower and
 - d) Acknowledgements by Chaitanya of all repayments including instalments received and the final discharge
 - e) The loan card will prominently mention the Grievance Redressal System set up by Chaitanya and also the name and contact number of the nodal officer
 - f) Non-credit products issued will be with full consent of the borrowers and fee structure will be communicated in the loan card itself
 - g) All entries in the Loan Card will be in the vernacular language

3. **Non-Coercive Methods of Recovery**

- As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, recovery will normally be made only at a central designated place. Field staff will be allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at central designated place on 2 or more successive occasions
- Chaitanya has a Board approved policy in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code lays down minimum qualifications necessary for the field staff and shall have necessary training tools identified for them to deal with the customers. Training to field staff will include programs to inculcate appropriate behaviour towards borrowers without adopting any abusive or coercive debt collection / recovery practices. Compensation methods for staff will have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties will also be imposed on cases of non-compliance of field staff with the Code of conduct. Chaitanya will use only employees for recovery in sensitive areas

4. **Customer Protection Initiatives**

Chaitanya will ensure that greater resources are devoted to professional inputs in the formation of SHG/ JLG and appropriate training and skill development activities for capacity building and empowerment after formation of the groups.

5. Chaitanya will be prudent and responsible in their lending activity besides educating their borrowers on the dangers of wasteful conspicuous consumption.

6. **Internal control system:**

- The responsibility of compliance to the FPC is assigned to the Audit Manager of the Company. Chaitanya has an internal audit department which does periodic audit of all aspects of the operations to check on the compliance of the FPC

Clarification regarding repossession of vehicles financed by Chaitanya

- Chaitanya will 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 will also contain provisions regarding: (a) notice period before taking possession; (b) circumstances under which the notice period can be waived; (c) the procedure for taking possession of the security; (d) a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property; (e) the procedure for giving repossession to the borrower and (f) the procedure for sale / auction of the property. A copy of such terms and conditions will be made available to the borrowers at the time of sanction / disbursement of loans, which may form a key component of such contracts/loan agreements.
- Chaitanya shall furnish a copy of the loan agreement 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, which forms a key component of such contracts/loan agreements.

Lending against collateral of gold jewellery:

1. Chaitanya has a Board approved policy for lending against gold that should inter alia, cover the following:
 - Chaitanya has adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with. Chaitanya also conducts adequate due diligence on the customer before extending any loan.
 - Chaitanya ensures proper assaying procedure for the jewellery received and the same is mentioned in the Operations policy.
 - Chaitanya has internal systems to satisfy ownership of the gold jewellery.
 - Chaitanya has adequate systems for storing the jewellery in safe custody, reviewing the systems on an on-going basis, training the concerned staff and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to. As a policy, loans against the collateral of gold is not extended by branches that do not have appropriate facility for storage of the jewellery,
 - Chaitanya will ensure that the jewellery accepted as collateral is appropriately insured,
 - Chaitanya will have a Board approved policy with regard to auction of jewellery in case of non-repayment. The policy will be transparent and adequate prior notice to the borrower will be given before the auction date. The auction policy will also lay down the auction procedure that would be followed. There will be no conflict of interest and the auction process will ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities,
 - The auction will be announced to the public by issue of advertisements in at least 2 newspapers, one in vernacular language and another in national daily newspaper.
 - As a policy, Chaitanya will not participate in the auctions held.
 - Gold pledged will be auctioned only through auctioneers approved by the Company.
 - The policy will also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.
2. The loan agreement will disclose details regarding the auction process.
 - I. Chaitanya will ensure to obtain a copy of the PAN Card of the borrower for all transaction against the collateral of gold above ` 5 lakhs
 - II. Chaitanya will standardize the documentation across all branches.
 - III. Chaitanya will not issue misleading advertisements like claiming the availability of loans in a matter of 2-3 minutes
