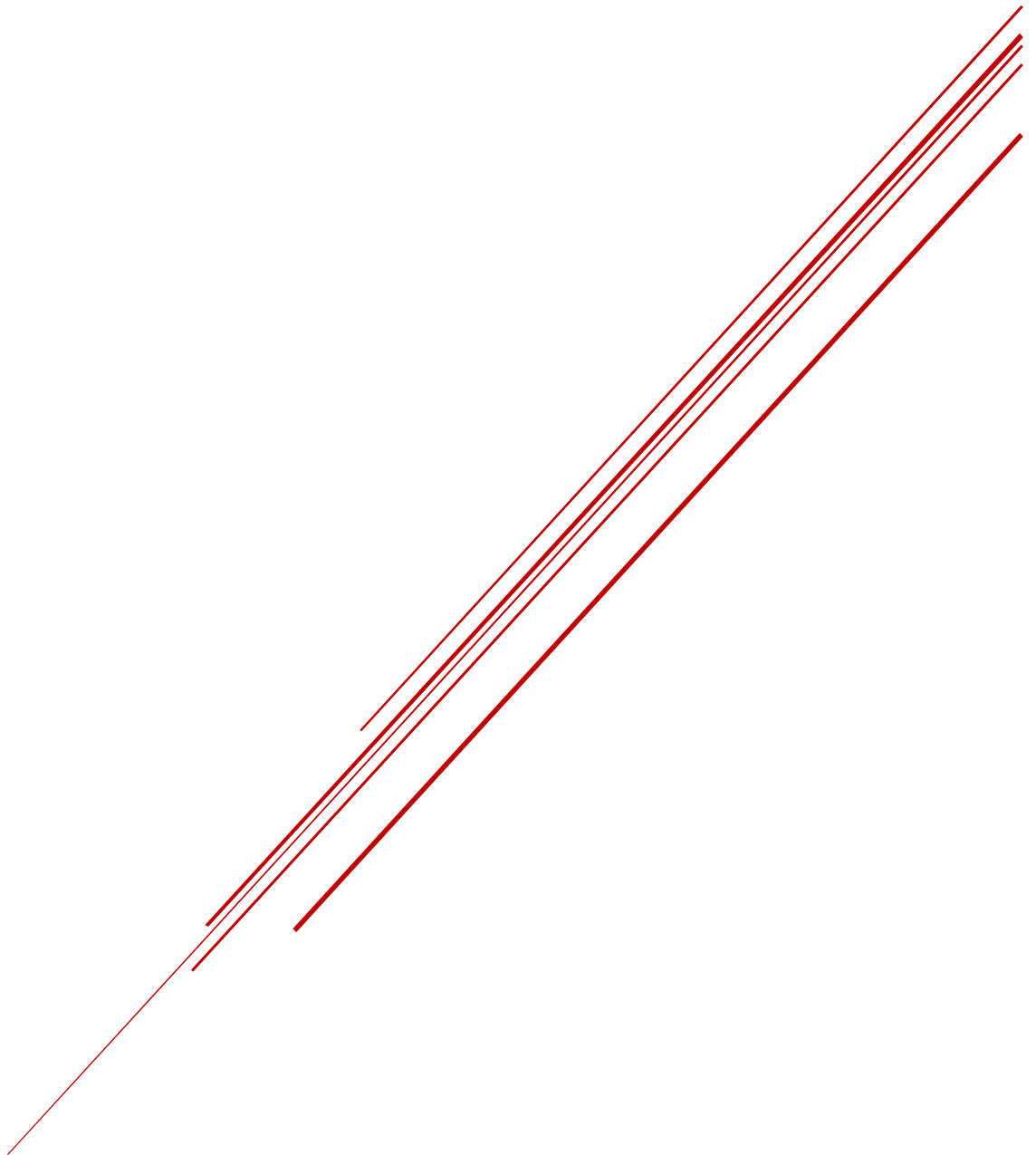


# FAIR PRACTICE CODE

Chinmay Finlease Limited



NBFC registration number A.01.00558  
(CIN) U67120GJ1996PLC031275

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# Fair Practice Code

## Summary of Policy

<b>Policy Name</b>	<b>Fair practice Code</b>
Issue and Effective	<b>Immediately –After 3<sup>rd</sup> May, 2024</b>
Periodicity of review	<b>Annually</b>
Owner / Contact	<b>Compliance Department</b>
Approver	<b>Board</b>

### A. PREAMBLE:

**Chinmay Finlease Limited** (hereinafter referred to as “**CFL**” or “**the Company**”) is a public limited company incorporated under the provisions of the Companies Act, 1956 and is a Deposit Accepting Non-Banking Financial Company, registered with the Reserve Bank of India.

The Fair Practices Code (“FPC”) has been devised by **Chinmay Finlease Limited** (“CFL” or “Company”) in accordance with guidelines issued by The Reserve Bank vide its circular dated September 28, 2006 and subsequent amendments, on Fair Practices Code (FPC) for all NBFCs to be adopted by them while doing lending business. The guidelines inter alia, covered general principles on adequate disclosures on the terms and conditions of a loan and adopting a non-coercive recovery method and should be published and disseminated on the web-site of the Company, for the information of the public.

### B. PURPOSE

CFL has put in place the FPC with an endeavour to achieve synchronization of best practices when the Company is dealing with its stakeholders such as customers, employees, vendors, etc. The Company’s Fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities. CFL’s commitment to the FPC would be demonstrated in terms of employee accountability, monitoring and auditing programs, training and technology.

The Company’s Board of Directors and the management are responsible for establishing practices designed to ensure that its operations reflect a strong commitment to fair lending and that all employees are aware of that commitment.

### C. KEY COMMITMENT:

The essence of the FPC lies in the following aspects that CFL shall strive to follow in spirit and in letter:

- To provide professional, efficient, courteous, diligent and speedy services.
- Not to discriminate on the basis of religion, caste, sex, descent in any manner.
- To be fair and honest in any advertisement and marketing of loan products.

- To provide customers with accurate and timely disclosure of terms, costs, rights and liabilities as regards loan transactions.
- If sought, to provide such assistance or advise to customers seeking loans.
- To attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal system within the organization.
- To comply with all the regulatory requirements in good faith.
- Seek to use governance structures that provide appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest and to implement compensation and other policies that align the interests of owners and management.
- Ensure compliances relating to Indian regulations prescribed by the Reserve Bank of India ('RBI')

#### **D. APPLICATIONS FOR LOANS AND THEIR PROCESSING:**

- a. CFL shall communicate to the borrower in the English languages as understood by the borrower.
- b. Loan application stages would include necessary information which affects the interest of the borrower, so as to be competitive in prevailing market rate while charging and terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application platform would indicate the documents required to be uploaded during the loan application process.
- c. The Company would give acknowledgement for receipt of all loan applications. The time frame within which loan application shall be declined shall also be indicated in the acknowledgement. The company would verify the loan applications within a reasonable period of time. If additional details / documents are required, it would intimate the customers immediately.

#### **E. LOAN APPRAISAL AND TERMS/CONDITIONS:**

- a. The Company would ensure that there is proper assessment of credit application made by borrowers. The assessment would be in line with the Company's credit policies and procedures.
- b. The Company shall convey in writing to all the borrowers in the English language as understood by all the borrowers by means of sanction letter, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest, all applicable fees/charges, and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its server. The Company shall also communicate to the borrower if the loan is rejected. The Company should mention the penal charges for late repayment in bold in the loan agreement.
- c. The Company shall furnish a copy of the loan agreement preferably in the English Language or Hindi as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to the borrowers at the time of sanction / disbursement of loans.

#### **F. PENAL CHARGES IN LOAN ACCOUNTS:**

In accordance with the RBI guidelines on Fair Lending Practice - Penal Charges in Loan Accounts dated August 18, 2023 the Company shall adhere to the following guidelines with effect from April , 2024.

- a. The Company shall ensure that there shall be no capitalization of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account.
- b. The company shall ensure that the quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- c. The Company shall ensure that any instance of levy of penal charges and the reason therefor shall be communicated to the borrowers.

## G. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS:

- a. The Company would ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction. The Company shall give **prior notice** to the borrower in the English language as of any change in the terms, including disbursement schedule, interest rates, service charges, prepayment charges etc.
- b. The Company shall ensure that changes in interest rates, fees, and all other charges are affected only **prospectively**.
- c. Decision to recall / accelerate payment or performance under the agreement should be in consonance with the loan agreement.
- d. Cooling off/look up period: The customer shall be given an explicit option to exit digital loan by paying the principal and the proportionate Annual Percentage Rate (APR) without any penalty during this period. In this regard, a cooling off/look up period of 03 days from the date of disbursement shall be provided to the customer.

## H. GENERAL

- a. The Company shall 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 the Company).
- b. In the matter of recovery of loans, consistent with its policy over the years, the Company shall not resort to undue harassment viz.. persistently bothering the borrowers at odd hours (before 08:00 a.m. and after 07:00 p.m.), use of muscle power for recovery of loans, use of threatening or abusive language, harassing relatives or friends or co-workers of the borrower, use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation, misleading the borrower about the extent of the debt or the consequences of nonrepayment etc.

The Company's staff shall be adequately trained (including not to behave rudely with customers) to deal with customers in an appropriate manner.

- c. If the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land will be followed for recovery of dues. The process will involve reminding the customer by sending the notice or by making personal visits, if any. In case of default, CFL

may refer the case to the recovery agent and will inform the customer of the recovery proceedings being initiated.

- d. All the fees / charges / interest would be payable as per loan agreement signed mutually.

## I. GRIEVANCES:

The Board of Directors have laid down the appropriate grievance redressal mechanism to ensure that the disputes arising out of the decisions of the Company's functionaries would be disposed of at the next higher level.

There will be a periodical review of the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the board at regular intervals.

**Grievance Redressal Policy:** The Company has in place a grievance redressal policy under strict supervision by Principal Nodal Officer as specified under RBI guidelines who shall monitor the grievances and report the same as required in the policy. (Please add Grievance Redressal Policy as an annex)

## J. WEBSITE DISCLOSURE:

Fair Practices Code should be put up on the website of the Company.

## K. REGULATION OF EXCESSIVE INTEREST RATE CHARGED:

The Company shall follow the appropriate internal principles and procedures in determining interest rates and processing and other charges in line with the approved policies from time to time.

The Company shall follow the interest rate model adopted and approved by the Board and made available on the website. 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 in the application form and communicated explicitly in the sanction letter.

The rate of interest shall be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

## L. LOANS SOURCED OVER DIGITAL LENDING PLATFORMS:

Wherever the product/business team engages digital lending platforms as their agents to source borrowers and/ or to recover dues, they shall follow the following instructions:

- a. Names of digital lending platforms engaged as agents shall be disclosed on the website of the CFL.
- b. Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of CFL 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 letter head of the CFL.
- d. Effective oversight and monitoring shall be ensured by the product/business teams over the digital lending platforms engaged by them.

The above points shall be duly ensured by the product/business teams.

#### **M. REVIEW OF POLICY:**

This Policy shall be reviewed at such intervals (but at least on annual basis), as the Risk Management Committee may deem necessary and any changes to the policy shall be approved by the Risk Management Committee and placed before Board for their necessary considerations.

#### **N. REVISION OF POLICY:**

CFL reserves the right to amend/revise this Policy from time to time as may deem necessary in accordance with existing/new notifications, Circular or any law which may effect the company.