

FAIR PRACTICES CODE OF NABFINS LTD

1. Intent and Content:

NABFINS Limited is registered as Non-deposit taking, Systemically Important NBFC-MFI with RBI and commits itself for implementing and adopting fair practices in all its activities and transactions with the stakeholders. This code drafted by NABFINS Limited as per the Guidelines issued by the Reserve Bank of India on Fair Practices Code for Non-Banking Finance Companies vide its Circular No. (RBI/2015-16/16 DNBR (PD) cc.No.054/03.11.119/2015-2016) dated 1st July 2015 and revised as per the Master Directions issued by RBI vide Circular No. RBI/DOR/2021-22/89 – DoR.FIN.REC.95/03.10.038/2021-22 dated March 14, 2022. This code sets minimum Fair Practices standards for NABFINS to allow when it is dealing with the customers. It provides information to customers and explains how NABFINS is expected to deal with the customers on day-to-day basis. This code is effective from the date of approval and adoption by the Board for implementation by NABFINS Limited.

2. Objectives of the Code

The Code has been developed with an object to:

- a. Promote good, fair and transparent business practices by setting minimum standards in dealing with the customer which NABFINS shall follow;
- b. Increase transparency so that the customer can have a better understanding of what type of service level can be expected from the NABFINS;
- c. Promote cordial relationship with customers and be sensitive to their needs;
- d. Achieve, through fair means, higher operating standards; and
- e. Foster customer confidence in NABFINS in all the activities undertaken.

3. Application of the Code

The Code applies to all products, offered by NABFINS as envisaged in its Memorandum of Association.

4. Key Commitment

4.1 To help borrower/customer to understand how NABFINS's financial products and services work and ensure transparency by:

- 4.1.1 providing the customer with clear information about NABFINS's products and services, the terms and conditions and interest rates/ service charges, which apply to them in the loan application form;
- 4.1.2 Keeping customer informed about changes in the interest rates, charges, terms and conditions, as and when necessitated;

4.2 To act fairly and reasonably in all dealings with the customer by:

- 4.2.1 Meeting the commitments and standards in this Code for products and services offered by NABFINS.
- 4.2.2 Making sure that products and services meet relevant principles of integrity and transparency.

- 4.2.3 Specifying timeline by which loan application will be processed and informing them of the status at regular intervals.
- 4.2.4 Putting in place a Grievance Redressal Mechanism to ensure address customer's complaints
- 4.2.5 Informing customers about the process to escalate their complaints
- 4.2.6 Treating the information as shared by the customers private and confidential and ensuring that their data is shared with the third parties, only after obtaining an informed consent as required by Statutory / Regulatory authorities.

5. Fair Practices Code for Lending Activities:

5.1 Application for Loan

- 5.1.1 Primary data is collected from the borrower along with Know Your Customer (KYC) norms as per the Company guidelines in the prescribed format.
- 5.1.2 Loan application forms will be designed and implemented based on the loan products offered and these forms will provide clear information in a language understood by the borrowers regarding loan products and services, the terms and conditions, the interest *rates* / service charges, benefits available to customers and their implications.
- 5.1.3 NABFINS shall acknowledge the receipt of loan applications
- 5.1.4 The loan application shall be disposed off within 2 to 4 weeks from the date of receipt of complete loan application form with a clear credit decision.
- 5.1.5 All communications by the Company to the borrower shall be in a language as understood by the borrower.

5.2 Terms and conditions of Loan and charges

- 5.2.1 The rate of interest will be aligned with the repayment capacity of the borrowers, and will not be usurious and congruent with market rates.
- 5.2.2 The sanction letter will convey the amount to be financed and the rate of interest and the method of application thereof, mode and time at which the interest will be debited, other charges including processing fee, if any and other terms and conditions applicable to loan. One copy would be handed over to the customer and one copy will be retained in Customer's file and after due acceptance of the terms and conditions by the borrower.
- 5.2.3 A loan card/ Fact sheet containing repayment schedule, interest rate, processing fees and any other charges, if any shall be given to the loanee.

5.3 Post disbursement commitments

- 5.3.1. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement will be furnished to the borrower at the time of sanction /disbursement of loan.
- 5.3.2 Any change in terms of conditions like change in interest rate, tenure, all charges/ fees would be communicated to the borrower in writing in a language understood by the borrower. The Company will ensure that changes are effected only prospectively.
- 5.3.3 Any decision to recall or to accelerate payment would be communicated to the borrower in writing as per the terms of the loan agreement.

5.4. General

- 5.4.1 NABFINS would not discriminate on grounds of gender, caste and religion in the matter of lending. However, this does not preclude the Company from participating in credit linked schemes for the weaker sections of the society and in respect of schemes formulated by NABFINS / NABARD / other Government Agencies, implemented through NABFINS.
- 5.4.2 The Company will not interfere 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.
- 5.4.3 NABFINS will take recourse actions only through legally permissible remedies as per the terms and conditions of loan agreement entered into with the borrower.
- 5.4.4 If there is any specific request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of the Company, 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.
- 5.4.5 In the matter of recovery of loans, the Company will not resort to undue harassment i.e. persistently bothering the borrowers before 9:00 am and after 6:00 pm, use of muscle power for recovery of loans etc.
- 5.4.6 The company will ensure that its staff is adequately trained to deal with the customers in an appropriate manner without resorting to rude behavior. NABFINS will be liable and accountable for the inappropriate staff behavior or the behavior any outsources agencies, including Business & Development Correspondents and will ensure timely redressal.
- 5.4.7 NABFINS shall treat customer information as private and confidential. The information shall be parted by the NABFINS only in the following circumstances:
 - a. Information required to be given under law or as demanded or required by statutory and/or regulatory authorities.
 - b. Information is given with customer's specific written permission.
- 5.4.8 NABFINS shall not charge pre-payment levy or penalty on pre-closure of loans under any circumstances.

6. Responsibilities of Board of Directors

- 6.1 The Board shall put in place the Fair Practices Code for the Company and shall have an oversight of its implementation.
- 6.2 The Board of Directors shall ensure that an appropriate grievance redressal mechanism is in place and all disputes arising out of the decisions of lending by the concerned staff are heard and disposed off timely.
- 6.3 A periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism shall be made annually.

7. Grievance Redressal Mechanism

- 7.1 A vigil mechanism/ whistle blower policy shall be in place as an extension of the Fair Practices Code and Staff Rules of the Company. Strictly disciplinary action shall be taken against any case of staff misbehavior or corrupt practices.

- 7.2 In order to ensure that all disputes arising out of the decisions of the company's functionaries are heard and disposed of, borrowers may contact the Grievance Redressal Officer for customer complaints and grievance redressal which is as follows:

Name of Grievance Redressal Officer	Shri Shubham Mehta
Designation	Assistant General Manager (Operations)
Contact Details	080-26563443, 26574222 Toll Free Number: 18001024205
E-mail ID	complaints@nabfins.org

- 7.3 Suggestions and complaints are accepted through the toll free phone number (18001024205), through branch offices and through the suggestion/complaint box. A register is maintained and status of all such complaints are reviewed on monthly basis by the competent authority.
- 7.4 If the complaint/dispute is not redressed within a period of one month, the client may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI / Banking Ombudsmen under BO scheme:

Designation	The General Manager
Contact Address	Department of Non-Banking Supervision (DNBS), Reserve Bank of India, 10/3/8, Nrupathunga Road, Post Bag No.5467, Bangalore-560001

8. Measures/Regulations against charging of Excessive Interest

- 8.1 NABFINS will adhere to the guidelines with regard to transparency of terms & conditions of the loan as mentioned in the Fair Practices Code of the Company.
- 8.2 NABFINS shall adopt interest rate model approved by the Board. The rate of interest charged to the borrowers will be as per Board approved Policy, based on Cost of Funds, Operational Cost, Margins, and Risk Premiums etc.
- 8.3 Charging different rates of interest for different products shall be disclosed in the loan application form, repayment schedule and loan sanction letter to the Borrowers.
- 8.4 The rate of interest shall be made available on the web-site of NABFINS and shall be updated whenever there is a change in the rate of interest.

9. Fair Practices Code for Microfinance Activities

In addition to the general principles as above, the Company follows fair practices that are specific to its microfinance lending business and regulatory framework.

9.1 General

- 9.1.1 The Fair Practices Code in vernacular language or a language understood by the borrower shall be displayed by the Company in its Branch Office premises and in the web-site in English and Hindi.
- 9.1.2 A statement shall be made in a language understood by the borrower and displayed by the Company in its premises and in loan documents articulating NABFINS' commitment to transparency and fair lending practices.
- 9.1.3 The Company's Field staff shall be trained to make necessary enquiries with regard to collecting information regarding customer profile, their income and expenditure and existing debt of the borrowers, if any.
- 9.1.4 Training if any, offered to the borrowers shall be free of cost. 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.
- 9.1.5 The effective rate of interest charged and the grievance redressal system set up by the Company shall be prominently displayed in all its offices and on its website.
- 9.1.6 The Company shall comply with the KYC Guidelines of RBI and due diligence shall be carried out to ensure the repayment capacity of the borrowers.
- 9.1.7 All sanctioning and disbursement of loans shall be done only at the central locations/ Borrower meeting points or any other point convenient to the borrower. Efforts may be made to ensure more than one individual is available in such occasion.
- 9.1.8 The Company shall ensure that the procedure for application of loan is simple and loan disbursements are effected as per the pre-determined time structure.

10. Disclosures in loan agreement / loan card

The company shall have a Board approved, standard form of loan agreement. The loan agreement shall preferably be in a language understood by the borrower disclosing the following details:

10.1 Loan Agreement

- 10.1.1 Pricing of the loan viz; interest charge, Processing fee and service tax on processing fee, insurance premium and other charges, if any, shall be made known to the borrower.
- 10.1.2 Penal interest, if any, for the delayed payment shall be on the overdue amount only
- 10.1.3 That no Security Deposit / Margin is being collected from the borrower.
- 10.1.4 The moratorium between the grant of the loan and the due date of the repayment of the first instalment will be as per instructions issued by RBI from time to time.
- 10.1.5 An assurance that the privacy of borrower data will be respected

10.2 Loan Card/ Fact Sheet

Loan card/ Fact sheet shall be in a language understood by the borrower containing the following details and shall be provided to each of the borrower

- 10.2.1 The effective rate of interest charged.
- 10.2.2 Simplified factsheet on pricing.
- 10.2.3 Information which adequately identifies the borrower.

- 10.2.4 Acknowledgements by the company of all repayments including instalments received and the final discharge.
- 10.2.5 Contact details of Grievance Redressal System
- 10.2.6 Details of Non-credit products like insurance

10.3 Collection of Dues/Recovery of Loans

- 10.3.1 NABFINS will put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.
- 10.3.2 Collection shall be done only at a central location which is convenient to borrowers. Collection policy shall be built on courtesy, fair treatment and persuasion. Efforts will be made in building customer confidence and long-term relationship.
- 10.3.3 Recovery will be made at a designated/ central designated place decided mutually by the borrower and NABFINS. 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.
- 10.3.4 The staff deputed to make recovery calls shall identify themselves and shall provide details with regard to outstanding claims to the customer.
- 10.3.5 NABFINS or its agents 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, for any purpose other than what is allowed by regulators/ consented by the borrower
 - (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
- 10.3.6 NABFINS shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower at the time of loan disbursement.

10.4 Engagement of Recovery Agents

- 10.4.1 Recovery Agent shall mean agencies engaged by NABFINS for recovery of dues from its borrowers and employees of these agencies.
- 10.4.2 NABFINS shall have due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals involved in the recovery process. NABFINS shall ensure that the recovery agents engaged by it carry out verification of the antecedents of their employees, which shall include police verification. NABFINS shall also decide the periodicity at which re-verification of antecedents shall be resorted to.
- 10.4.3 To ensure due notice and appropriate authorization, NABFINS shall provide the details of recovery agent to the borrower while initiating the process of recovery. The agent shall also carry a copy of the notice and the authorization letter from NABFINS along with the identity card issued to him by NABFINS or the agency. Further, where the recovery agency

is changed by NABFINS during the recovery process, in addition to NABFINS notifying the borrower of the change, the new agent shall carry the notice and the authorization letter along with his identity card.

10.4.4 The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and NABFINS.

10.4.5 The up-to-date details of recovery agencies engaged by NABFINS shall also be hosted on NABFINS website.

10.4.6 NABFINS shall be responsible for the acts of commission / omission by the recovery agents.

10.5 Internal Control System: The Company shall make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the Company and establish systems of internal control including audit and periodic inspection to ensure the same.

11. Grounds for filing a complaint by a customer to Nodal officer under NBFC Ombudsman, 2018

11.1 Any person may file a complaint with the Ombudsman having jurisdiction, on any one of the following grounds alleging deficiency in services:

11.1.1 failure to convey in writing, the amount of loan sanctioned along with terms and conditions including annualized rate of interest and method of application thereof;

11.1.2 failure or refusal to provide sanction letter/ terms and conditions of sanction in vernacular language or a language as understood by the borrower;

11.1.3 failure or refusal to provide adequate notice on proposed changes being made in sanctioned terms and conditions in vernacular language as understood by the borrower;

11.1.4 failure or inordinate delay in releasing the securities documents to the borrower on repayment of all dues;

11.1.5 levying of charges without adequate prior notice to the borrower/ customer;

11.1.6 non-observance of directions issued by Reserve Bank to the non-banking financial companies;

11.1.7 Non-adherence to any of the other provisions of Reserve Bank Guidelines on Fair Practices Code for Non-Banking Financial Companies.

11.2 The Ombudsman may also deal with such other matter as may be specified by the Reserve Bank from time to time in this behalf.

12. Procedure for filing complaint

12.1 Any person who has a grievance against a Non-Banking Financial Company on any one or more of the grounds mentioned in Point 11 of the above policy may, himself / herself or through his authorized representative (other than an Advocate), make a complaint to the Ombudsman within whose jurisdiction the Branch/ Registered Office of the Non-Banking Financial Company complained against, is located.

12.2 The complaint, when in writing, shall be duly signed by the complainant or his authorized representative and shall be, as far as possible, in the form specified in Annexure-II or as near as thereto as circumstances admit, stating clearly:

i) the name and address of the complainant,

ii) the name and address of the branch or registered office of the Non-Banking Financial Company against which the complaint is made,

- iii) the facts giving rise to the complaint,
 - iv) the nature and extent of the loss caused to the complainant, and
 - v) the relief sought for.
- 12.3 A complaint made through electronic means shall also be accepted by the Ombudsman and a print out of such complaint shall be taken on the record of the Ombudsman.
- 12.4 The Ombudsman shall also entertain complaints covered by this Scheme received by the Central Government or Reserve Bank or other financial regulators and forwarded to him for disposal.

13. NABFINS to display salient features of the Scheme for knowledge of public (in English, Hindi and a Language understood by the borrower)

- 13.1 NABFINS shall ensure that the purpose of the Scheme and the contact details of the Ombudsman to whom the complaints are to be made by the aggrieved party are displayed prominently in all the offices and branches, in such manner that a person visiting the office or branch has adequate information of the Scheme.
- 13.2 NABFINS shall ensure that a copy of the Scheme is available with the designated officer of the company for perusal in the office premises, if anyone desires to do so, and notice about the availability of the Scheme with such designated officer shall be displayed along with the notice under **13.1** and shall place a copy of the Scheme on their websites.
- a) NABFINS shall appoint Nodal Officers at their Head/ Registered/ Regional/ Zonal Offices and inform all the Offices of the Ombudsman about the same.
 - b) The Nodal Officers so appointed shall be responsible for representing the company and furnishing information to the Ombudsman in respect of complaints filed against the NBFC.
 - c) Wherever more than one zone/ region of a NBFC is falling within the jurisdiction of an Ombudsman, one of the Nodal Officers shall be designated as the 'Principal Nodal Officer' for such zones or regions.
 - d) The Board of Directors of NABFINS will review the Code and its implementation from time to time.

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Address and Area of Operation of the Ombudsmen for NBFCs

Sl. No.	Centre	Address of the Office of NBFC Ombudsman	Area of Operation
1.	Chennai	C/o Reserve Bank of India Fort Glacis, Chennai 600 001 STD Code: 044 Telephone No : 25395964 Fax No : 25395488 Email : cms.nbfcochennai@rbi.org.in	Tamil Nadu, Andaman and Nicobar Islands, Karnataka, Andhra Pradesh, Telangana, Kerala, Union Territory of Lakshadweep and Union Territory of Puducherry
2.	Mumbai	C/o Reserve Bank of India RBI Byculla Office Building Opp. Mumbai Central Railway Station Byculla, Mumbai-400 008 STD Code: 022 Telephone No : 2300 1280 Fax No : 23022024 Email : cms.nbfcomumbai@rbi.org.in	Maharashtra, Goa, Gujarat, Madhya Pradesh, Chhattisgarh, Union Territories of Dadra and Nagar Haveli, Daman and Diu
3.	New Delhi	C/o Reserve Bank of India Sansad Marg New Delhi -110001 STD Code: 011 Telephone No: 23724856 Fax No : 23725218-19 Email : cms.nbfconewdelhi@rbi.org.in	Delhi, Uttar Pradesh, Uttarakhand, Haryana, Punjab, Union Territory of Chandigarh Himachal Pradesh, and Rajasthan and State of Jammu and Kashmir
4.	Kolkata	C/o Reserve Bank of India 15, Netaji Subhash Road Kolkata-700 001 STD Code: 033 Telephone No : 22304982 Fax No : 22305899 Email : cms.nbfcoolkata@rbi.org.in	West Bengal, Sikkim, Odisha, Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Bihar and Jharkhand