

# **Policy on Fair Practices Code**

**Version 1.9**

**Preamble**

Based on the guidelines issued by the Reserve Bank of India (RBI) from time to time the policy on fair practices is framed and approved by the Board of Directors. The policy shall be published and disseminated on the web-site of the Company, for the information of the public.

**(I) Applications for loans and their processing:**

- (a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- (b) Loan application forms would include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form would indicate the documents required to be submitted with the application form.
- (c) The Company would give acknowledgement for receipt of all loan applications. The time frame within which loan application shall be disposed of 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.

**(II) 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 the borrower in the vernacular language as understood by the borrower by means of sanction letter, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. The Company shall also communicate to the borrower if the loan is rejected. The Company should mention the penal interest charged for late repayment in bold in the loan agreement.
- (c) The Company shall furnish a copy of the loan agreement preferably in the vernacular language or a language 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.

**(III) 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 January 01, 2024.

- (a) The Company would ensure that penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances.
- (b) The Company shall ensure that there shall be no capitalisation 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.
- (c) 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.

- (d) The Company shall ensure that the penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- (e) The Company shall ensure that whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges are also communicated to the borrowers.
- (f) The Company shall ensure that any instance of levy of penal charges and the reason therefor shall be communicated to the borrowers.
- (g) The Company shall publish on its website under Interest rates and Service Charges the quantum of penal charges for information of the customer.

**(IV) 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 vernacular language as understood by the borrower 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 and charges are effected only **prospectively**. A suitable condition in this regard should be incorporated in the loan agreement.
- (c) Decision to recall / accelerate payment or performance under the agreement should be in consonance with the loan agreement.
- (d) The Company shall 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 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.

**(V) 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 case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the Company, 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.
- (c) 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 non-

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

The contract/loan agreement with the borrower shall contain the repossession clauses in line with RBI circular no. RBI/2008- 09/454 DNBS (PD) CC No. 139/03.10.001/2008-09 dated 24<sup>th</sup> April 2009.

- (d) The 'fact sheet' on pricing of loans as specified under the RBI microfinance guidelines (DoR.FIN.REC.95/03.10.038/2021-22) shall also be provided for other loans (i.e., collateralized loans) extended to borrowers from low-income households (as defined in the RBI microfinance guidelines from time to time).

**(VI) 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.

With reference to RBI guidelines on outsourcing arrangements issued vide circular dated 9<sup>th</sup> November 2017, this grievance redressal mechanism includes the complaints received in respect of outsourcing arrangements also.

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

**Grievance Redressal Officer**

**Mr. Charandeep Singh Chawla**, is appointed as the Grievance Redressal Officer (GRO) under the Fair Practices Code and digital lending guidelines issued on 02.09.2022 who can be approached by the public for resolution of complaints against the Company. Contact details provided below;

**Mobile:** 91 7305963580

**Email address:** gro@tvscredit.com

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 Non-Banking Supervision (DNBS), Reserve Bank of India, Fort Glacis, Rajaji Salai, Chennai 600 001, Tamil Nadu, Tel: 044 25393406, under whose jurisdiction the registered office of the Company falls.

For the benefit of our customers, the above information on "grievances" will be displayed at our branches / places where business is transacted.

**(VII) Website Disclosure**

Fair Practices Code, preferably in the vernacular language or a language as understood by the borrower should be put up on the website of the Company for the information of various stakeholders.

**(VIII) 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 annualised rates so that the borrower is aware of the exact rates that would be charged to the account.

**(IX) *Repossession of Vehicles financed by the company:***

The Company has included a built-in re-possession clause in the loan agreement with the borrower which is legally enforceable. To ensure transparency, the terms and conditions of the loan agreement also contains 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 is made available to the borrowers.

**(X) *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 TVSCS.
- (b) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of TVSCS 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 TVSCS.
- (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 by the product/business teams over the digital lending platforms engaged by them.
- (f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.
- (g) 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 the cooling off/look up period of **minimum 3 days** from the date of disbursement.

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

**(XI) *Loans to Microfinance Customers***

Where loans are provided to microfinance customers the following directions shall be complied with, inter-alia;

- (a) The FPC shall be **displayed** in all the offices of the company. In the instance of request from the borrower, the FPC should be issued in a language understood by the borrower.
- (b) The legal team shall ensure that there shall be a **standard form of loan agreement** for microfinance loans in a language understood by the borrower.
- (c) **A loan card** shall be provided to the borrower which shall incorporate the following:
  - 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 for all repayments including instalments received and the final discharge
  - v. Details of the grievance redressal system, including the name and contact number of the grievance redressal officer of the company
  - vi. **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.

All entries in the loan card should be in a language understood by the borrower and duly vetted by the legal team.

- (d) The company hereby declares that it shall be accountable for any inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal to its customers. The legal team shall ensure that the declaration is also duly captured in the loan agreement for microfinance customers.
- (e) The collection/customer service team shall also serve as a mechanism for identification/supporting the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.
- (f) 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.
- (g) The collections/Risk Control Unit (RCU) team shall ensure that the recovery agents engaged by them carry out verification of the antecedents of their employees, which shall include **police verification**. The collections/RCU team shall ensure that the re-verification of antecedents of the recovery agents is carried out at the time of renewal of contracts.
- (h) The collection executives and/or recovery agents shall not resort to harsh methods towards recovery as mentioned under para IV (c) above. Further the timing for contacting/calling microfinance customers for recovery related matters shall be restricted between 09:00 am to 06:00pm.
- (i) The mechanism for redressal of recovery related grievances shall be provided to the borrower at the time of loan disbursement. The legal team shall ensure that the details are duly captured in the loan agreement.
- (j) To ensure due notice and appropriate authorization, the collection team shall ensure to

provide the details of recovery agents to the borrower while initiating the process of recovery.

(k) The recovery agent shall carry a **copy of the notice** and **the authorization letter** from the company along with the identity card issued to him by the company or the agency. The notice and the authorization letter shall, among other details, also include the contact details of the recovery agency and the company.

(l) Where the recovery agency is changed by the company during the recovery process,  
i. The collection team shall duly notify the borrower of the change,  
ii. The new agent shall carry the notice and the authorization letter along with his identity card.

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

The collection team shall ensure that the **up-to-date details of the recovery agencies** engaged by the company is duly hosted on the company's **website**.

(m) Flexibility of repayment periodicity (weekly, fortnightly, in addition to monthly) shall be provided as per borrower's requirement.

**(XII) Lending against collateral of gold jewellery**

A Board approved policy for lending against gold and auction policy shall be put in place covering the regulatory guidelines as issued by RBI from time to time.

The regulatory requirements pertaining to the below shall be duly ensured, inter alia;

- a. 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.
- b. Proper assaying procedure for the jewellery received.
- c. Internal systems to satisfy ownership of the gold Jewellery.
- d. 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. Gold loans shall not be extended by branches that do not have appropriate facility for storage of the jewellery.
- e. The jewellery accepted as collateral shall be appropriately insured.
- f. Transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There shall be no conflict of interest and the auction process must ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities.
- g. The auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national daily newspaper.
- h. TVSCS shall not participate in the auctions held.
- i. Gold pledged shall be auctioned only through auctioneers approved by the Board.
- j. The loan/credit 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.

**(XIII) Review of Policy**

The Company reserves the right to amend this Policy from time to time. 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.

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