

**FAIR PRACTICE CODE
OF
FINCFRIENDS PRIVATE LIMITED**

Version 5

**Approved by the Board of Directors of
Fincfriends Private Limited**

on

22nd February, 2024

Whole-time Director / Chief Executive Officer

Version Control

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Legal & Compliance Department	2	Modified on 27 August 2020	Managing Director
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INDEX

S. No.	Particulars	Page No.
1	Introduction	4
2	Applicability	4
3	Regulatory Context	4
4	Relevant Documents	4
5	Objectives	5
6	Non-Discrimination Policy	5
7	Applications for loans and their processing	5
8	Loan Appraisal and Terms & Conditions	6
9	Disbursal of loans including changes in Terms & Conditions	6
10	Privacy and Confidentiality	6
11	Recovery Mechanism	6-7
12	Responsibility of Board of Directors	7
13	Integrated Ombudsman Scheme for Non-Banking Financial Companies	7-8
14	Grievance Redressal Mechanism	8
15	Language and Mode of communicating Fair Practice Code	8
16	Policy for determining interest rate and charges including penal charges in loan accounts	8-9
17	General	9
18	Review	9

1. Introduction

As per Chapter VII, of the RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, RBI/ DoR/ 2023-24/ 105n DoR. FIN. REC. No.45 /03. 10. 119/ 2023-24 dated October 19, 2023, the Non-Banking Financial Company’s (“NBFC”) having customer interface shall adopt the guidelines on Fair Practices Code.

Fincfriends Private Limited (“FF” or “the Company”) is a NBFC registered with the Reserve Bank of India (“RBI”) is presently engaged in the business of providing unsecured personal loans to its retail customers. In accordance with the applicable laws (hereinafter defined), the Company has framed and adopted this Fair Practices Code (“FPC” or “this Code”) which sets the fair practice standards while dealing with its customers.

The Company has adopted this Fair Practices Code for its digital lending operations which intends to provide assurance to all the borrowers of the Company’s commitment to fair dealing, and transparency in its business transactions.

2. Applicability

- The FPC shall apply to all the products and services offered by the Company through Company’s website, mobile applications or by any other means.
- The Code shall apply to all the employees, its agents, representatives, third party vendors, service providers, Directors of the Company and other persons authorised to represent the Company in its normal course of business.
- The Company’s Fair practices code shall apply across all aspects of its operations including marketing, loan origination, processing, servicing and collection activities.

3. Regulatory Context

This Code takes into account regulatory documents published by regulatory bodies (referred as ‘Applicable Laws’), in particular: -

- 3.1** ‘Fair Practice Code (Chapter VII)’ under the Master Direction issued by Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as amended time to time and applicable to NBFC-ICC;
- 3.2** Guidelines on Digital Lending issued by Reserve Bank of India vide notification RBI/2022-23/111 DOR.CRE.REC.66/21.07.001/2022-23 dated September 02, 2022, as amended time to time;
- 3.3** Guidelines on ‘Fair Lending Practice - Penal Charges in Loan Accounts’ issued by Reserve Bank of India vide notification no. RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24 dated August 18, 2023 along with Frequently Asked Questions thereon, as amended time to time.
- 3.4** The Reserve Bank – Integrated Ombudsman Scheme, 2021 dated November 12, 2021.

4. Relevant Documents

This Code shall be read along with the following policies of the Company as amended from time to time-

- Interest Rate and Charges Policy
- Grievance Redressal Policy
- Privacy Policy
- Loans and Advances Policy
- KYC & AML Policy

5. **Objectives**

The Company has put in place the FPC with an endeavour to achieve synchronization of best practices when the Company is dealing with its stakeholders. The primary objectives for adopting the FPC is as mentioned below:

- a. To promote good and fair practices by setting minimum standards in dealing with customers;
- b. To increase transparency so that the customer can have a better understanding of what they can reasonably expect of the services;
- c. To promote a fair and cordial relationship between customer and the Company;
- d. To ensure that the products and services meet relevant laws and regulations in force in India;
- e. To foster confidence in financial services system.

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.

6. **Non-Discrimination Policy**

The Company will not discriminate between its customers on the basis of gender, physical ability, race or religion. The Company will also not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services, facilities, etc. However, this does not preclude the Company from participating in credit-linked schemes framed for weaker sections of the society.

7. **Applications for loans and their processing**

- The Company is in the business of digital lending and offers unsecured loans to its customers. The Company provide loans through Digital Lending Applications ("DLAs") either owned by the Company or the third party. The Company shall ensure that such DLAs shall disclose the name of the Company to the borrower as lender and such DLA's names are disclosed by the Company on its website.
- The Company shall ensure that all communications to the borrower shall be in the English language understood by the borrower. For this purpose, the Company shall obtain relevant declaration from the customer towards the language understood by the customer.
- The loan application form of the Company shall include all necessary information that may affect the interests of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs/Financial Institutions can be made and an informed decisions can be taken by the borrowers.
- The Company shall indicate on its website, or on loan documents, as the case may be, complete list of documents that are required to be submitted by the borrower along with the loan application.
- The Company shall provide an acknowledgement for receipt of all loan applications through appropriate mode indicating the time frame within which the loan application will be disposed of. The applicant may also know the status of the loan application by calling at the customer care service of the Company.
- The Company shall verify the loan applications within a reasonable period of time and if additional details / documents are required, it would intimate the borrowers immediately. In case the loan application is not approved by the Company, the borrower would be intimated about the reason/s for such rejection on the digital platform.

8. Loan Appraisal and Terms & Conditions

- ❖ All loan applications shall be evaluated by the Company on the predefined eligibility criteria for the financial products on the basis of the information and documents provided by the applicant. If required, the Company may verify all or any information/ document in a manner permissible by law. The Company shall obtain one-time consent of the applicant for verifying the information/ documents of the applicant.
- ❖ Upon approval of loan application, the Company shall convey in writing to the borrower the amount of loan being sanctioned by means of sanction letter and Key Fact Statement (“KFS”) which will include the terms and conditions along with annualised rate of interest, tenure, recovery mechanism, grievance redressal mechanism, cooling off period and method of application thereof. The acceptance of these terms and conditions by the borrower shall be obtained online and shall be retained by the Company in its record.
- ❖ The Company shall mention all fee and charges, including the penal charges levied for late repayment, in bold in the loan documents.
- ❖ After the execution of the loan documents, all the borrowers will be furnished a copy of all the loan documents through SMS or e-mail on the contact details provided by the customer or via mobile application.

9. Disbursal of loans including changes in Terms & Conditions

- The disbursement of loan will be done only after the loan is approved and terms & condition of the loan is accepted by the borrower. The Company shall disburse the loan amount directly into borrower’s bank account.
- The Company shall give notice to the borrower of any change in the terms and conditions which are impacting the borrower including disbursement schedule, interest rates, service charges, prepayment charges, fees etc. Changes in Interest rates and charges shall be affected only prospectively and a suitable condition in this regard shall be incorporated in the loan agreement.
- Decision to recall/ accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

10. Privacy and Confidentiality

- The Company shall treat the personal information of borrowers as private and confidential. The Company has adopted the Privacy Policy that provides all the relevant disclosures to the customer including but not limited to, type of data/ information required by the customers, the purpose for which the data/ information of the customer shall be used or shared with third parties, the period for which such data/ information shall be retained by the Company and the rights available to the customers in accordance with the applicable laws. The Privacy Policy shall be reviewed and approved by the Board and available on the website of the Company for reference.

11. Recovery Mechanism

- a) The staff of the Company as well as the representatives of external agencies engaged by the Company for recovery of loans shall be properly trained to communicate appropriately with the customers with due care and sensitivity, considering aspects such as soliciting customers, hours of calling, privacy of customer information and conveying the correct terms and conditions of the products etc.

- b) The Company's collection policy/ process shall be built on courtesy, fair treatment and persuasion. The Company believes in fostering customer confidence and long-term relationship.
- c) All the staff members of the Company or third-party recovery agents shall follow the guidelines set out below in collection of dues:
- i. Customer would be contacted ordinarily on his registered mobile number; or at the place of his/ her choice and in the absence of any specified place, at the place of his/ her residence.
 - ii. Identity and authority to represent the Company shall be made known to the customer at the first instance.
 - iii. Customer's privacy shall be respected.
 - iv. Interaction with the customer shall be in a civil manner and the customer should not be called at odd hours i.e. before 8:00 a.m. and after 7:00 p.m.
 - v. Customer's request to avoid calls at a particular time or at a particular place shall be honoured, as far as possible.
 - vi. Time and number of calls and contents of conversation shall be recorded.
 - vii. All assistance should be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
 - viii. During visits to customer's place for dues collection, decency and decorum shall be maintained.
- d) The Company and their agents shall not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude the privacy of the customers' family members, referees and friends, making threatening and anonymous calls or making false and misleading representations.
- e) The Company shall ensure that prior intimation of the details of the recovery agent authorised to approach the borrower for recovery and any changes thereon is given to the borrower.
- f) The collections and Recovery Mechanism adopted by the Company shall be based on the legal and acceptable practices and be disclosed to the customer as part of the loan application.

12. Responsibility of Board of Directors

- The Board of Directors of the Company has laid down the appropriate grievance redressal mechanism within the organization. The mechanism ensures that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level.
- The Board of Directors periodically reviews 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 on Half yearly basis.

13. Integrated Ombudsman Scheme for Non-Banking Financial Companies

- ❖ The Company shall adhere to Reserve Bank – Integrated Ombudsman Scheme, 2021 (RBI – IOS), as amended time to time.
- ❖ Under the RBI – IOS, the Company has appointed a Principal Nodal Officer (PNO) and/ or Nodal Officer (NO) who shall be responsible for representing the Company and furnishing information to the Ombudsman in respect of complaints filed against the Company.
- ❖ For the benefit of the customers, at the places where business is transacted, the name and contact details (Telephone/Mobile number and email) of the PNO and NO along with the details of the complaint lodging portal of the Ombudsman (<https://cms.rbi.org.in>) shall be displayed.

- ❖ A complaint can be filed through any of the following methods:
 - Online - on CMS portal of RBI at <https://cms.rbi.org.in>.
 - Physical complaint (letter/post) in the form as specified to “Centralised Receipt and Processing Centre, 4th Floor, Reserve Bank of India, Sector -17, Central Vista, Chandigarh - 160017”.
 - Complaints with full details can be sent by email (crpc@rbi.org.in)
- ❖ The salient features of the Scheme are displayed prominently at the offices and website of the Company in such a manner that a person visiting the office has adequate information on the Scheme.

14. Grievance Redressal Mechanism

The Company has in place Board approved Grievance Redressal Mechanism within the organisation which shall also deal with the issue relating to services provided by the Company’s DLAs, Lending Service Providers or outsourced agency. The same is displayed on the website of the Company.

The Company shall prominently display the following details at its places where business is transacted:

1. Basic details of Grievance Redressal Officer (“GRO”) who can be approached by the public or customers for resolution of complaints against the Company.
2. If the complaint/ dispute is not redressed within a time limit of 30 days, the customer may further escalate to the Officer-in-Charge of the Regional Office of Department of Non-Banking Supervision of Reserve Bank of India, details of which are stated below:

General Manager
 Department of Supervision
 Reserve Bank of India,
 10/3/8, Nrupathunga Road, Bengaluru-560001
 Karnataka, India

15. Language and Mode of communicating Fair Practice Code

- This code as established by the Company has been documented in English language as understood by its customers and is based on the guidelines as outlined by the RBI, the same is approved by its Board of Directors.
- For the information of various stakeholders, the Company shall place this Code on Company’s website in language understood by its customers.

16. Policy for determining interest rate and charges including Penal Charges in Loan Accounts

- ✓ The Board of Directors of the Company shall ensure that appropriate internal principles and procedures are laid down for determining interest rates, processing fees and other charges keeping in view the Fair Practices Code about transparency in respect of terms and conditions of the loans.
- ✓ The Board of Directors of the Company shall ensure that the Company adopts an interest rate and charges policy along with interest rate model taking into account relevant factors such as cost of funds, margin, risk premium and determine the rate of interest to be charged for loans and advances.
- ✓ The different interest rate to the customers may be charged based on loan amount, tenor, down payment, payment history with the Company and in credit bureau, credit bureau’s score, age, income and type of document provided. 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 applicants/ borrowers in the loan application form and other documents, as the case may be.

- ✓ The approach for gradation of risks as well as the penalties and charges thereof, shall also be made available on the website of the Company. The information published on the website shall be updated whenever there is a change in the aforesaid information.
- ✓ The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan documents, in addition to being displayed on websites of NBFCs under Interest rates and Service Charges. The Company shall not capitalise the penal charges i.e., no further interest computed on such charges
- ✓ Whenever the Company sends reminders for non-compliance of material terms and conditions of loan to borrowers, the penal charges shall also be communicated. Also, any instance of levy of penal charges and the reason therefor shall also be communicated.

17. General

- ✚ The Company shall not cause interference in the affairs of the borrowers 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).
- ✚ In case of receipt of request for transfer of borrowal account, (either from the borrower or from a bank/financial institution) which proposes to take-over the account, the consent or otherwise i.e., objection of the Company, if any, would be conveyed within 21 days from the date of receipt of request.
- ✚ The Company would ensure that the staffs are adequately trained to deal with the customers in an appropriate manner.
- ✚ Currently, the Company only provides loans on fixed interest rates, thus, the regulatory mandate of not charging foreclosure charges/ prepayment penalties on floating rate term loans does not apply. Levy of foreclosure charges/ prepayment penalty shall be followed by Company subject to extant instructions.
- ✚ The Company offers only unsecured personal loans to its retail customers hence, the provisions related to realising of property including movable and immovable property whether related to vehicle finance or not does not apply on the Company.
- ✚ The Company only provides loans on fixed interest rates hence, provisions related to reset of floating interest rate on Equated Monthly Instalments (EMI) does not apply on the Company.
- ✚ The Company does not lend against collateral of Gold Jewellery hence provisions related to it will not apply on the Company.

18. Review

This Code will supersede the earlier version of FPC followed by the Company. This Code shall be reviewed annually by the Board of Directors of the Company. Any change/amendment in applicable laws with regard to maintenance of an appropriate Fair Practices Code shall be deemed to be incorporated in this Policy by amendment and this Code shall be accordingly amended as and when required.

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