

# **FAIR PRACTICES CODE**

## **INTRODUCTION**

The Reserve Bank of India (RBI) has issued guidelines on the Fair Practices Code (hereinafter referred to as "FPC") for Non Banking Finance Companies to maintain standards for fair business and corporate practices while dealing with their customers. This Code has been made pursuant to RBI Circular DNBS (PD) CC No. 80 / 03.10.042 / 2005-06 dated September 28, 2006.

The FPC is aimed to provide to the customers, an effective overview of practices which will be followed by JPT Securities Limited (hereinafter referred to as "the Company") in respect of the financial facilities and services offered by the Company to its customers. The Code will facilitate the customers to take informed decisions in respect of the financial facilities and services to be availed by them and will apply to any loan that the Company may sanction and disburse.

The Company's policy is to treat all the customers consistently and fairly i.e., the financial facilities and services shall be made available to all qualified applicants without discrimination on the basis of race, caste, color, religion, sex, marital status or handicap. The employees of the Company will offer assistance, encouragement and service in a fair, equitable and consistent manner. The Company will also communicate its FPC to its customers by uploading the same on its website.

The Company shall ensure that the implementation of the FPC is the responsibility of the entire organisation. The Company's fair lending practices shall apply across all aspects of its operations including marketing; loan origination, processing, servicing and collection activities. Its commitment to FPC will be demonstrated in terms of employee accountability, training, counselling, and monitoring, auditing programs and internal controls and optimal use of technology.

The Board of Directors and the Management Team of the Company are responsible for implementing the fair practices hereinafter detailed and also to ensure that its operations reflect its strong commitment to all the customers/stakeholders for offering in a fair and equitable manner, the various financial services and products including lending.

The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications, if any, in the FPC to comply with the standards so prescribed. Unless otherwise specified, such modifications shall be effective from the date of approval by the Board of Directors. This Code has been revised pursuant to RBI Circular DNBS.CC.PD.No.266/03.10.01/2011-12 dated March 26, 2012, vide Resolution dated April 18, 2012.

### **1. OBJECTIVE OF THE CODE**

This Code has been developed to:

- Promote good, fair and trustworthy practices by setting minimum standards in dealing with the customers;

- Increase transparency to enable the customers to have a better understanding of what they can reasonably expect of the services;
- Encourage market forces, through competition, to achieve higher operating standards;
- Promote a fair and cordial relationship between the customers and the Company;

## **2. KEY COMMITMENTS AND DECLARATIONS**

The Company shall act efficiently, fairly and diligently in its dealings with all the customers by:

- Meeting the commitments and standards mentioned in this FPC regarding the financial products and services offered by the Company and procedures and practices followed by the staff;
- Ensuring that all dealings shall rest on principles of honesty, integrity and transparency.
- Ensuring that all the financial services meet relevant laws and regulations;
- Providing professional, courteous and speedy services;
- Providing accurate and timely disclosure of terms and conditions, costs, rights and liabilities as regards financial transactions.

The Company shall make the customers understand the financial products and services offered by the Company by:

- Giving verbal information about the financial schemes in Hindi and/or English and/or local vernacular language;
- Ensuring that the advertising & promotional literature is clear and is not misleading;
- Explaining financial implications of the transactions;
- Helping the customers to choose the financial scheme that meets their needs.

The Company shall deal quickly and proactively with things that go wrong by:

- Correcting mistakes quickly;
- Attending customer complaints quickly;
- Guiding the customers for taking their complaints forward in case if they are not satisfied;
- Reversing any charges that were applied due to an error/oversight.

The Company shall make every attempt to ensure that its customers have a trouble free experience in dealing with it.

## **3. CONFIDENTIALITY**

Unless authorized by the customers, the Company shall treat all the information provided by the customers as private and confidential.

The Company will not reveal transaction details to any other entity including within the group except where:

- the Company has to provide the information as per statutory or regulatory laws.
- there is a duty to the public to reveal the information for preventing fraud, etc.
- the customers have given permission (for instance at the time of loan sanctioning, etc) to provide such information to its group / associate / entities or companies for providing other products or services.

## **THE FAIR PRACTICES CODE OF THE COMPANY IS AS FOLLOWS:**

### **A. (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 shall 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 may indicate the documents required to be submitted with the application form.
- (c) The Company shall issue an acknowledgement receipt for all loan applications. Loan applications shall be disposed off within 15 days or such extended time as may be mutually agreed between the borrower and the Company from the date of receipt of the application form complete in all respects.

### **(ii) Loan appraisal and terms/conditions**

- a) The Company shall 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 alongwith the terms and conditions including annualised rate of interest and method of application thereof.
- b) The Company shall obtain an acceptance from the borrower on the said sanction letter and shall maintain a record of such acceptance.
- c) The Company shall furnish a copy of the loan agreement (in vernacular language or a language as understood by the borrower) alongwith a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/ disbursement of loans. The said loan agreement or enclosures quoted shall include all the terms and conditions including rate of interest on which the loan is granted. The loan agreement shall also mention the penal interest charged for late repayment in bold letters.
- d) The disbursement of loan shall be done upon compliance of all the terms and conditions of the sanction by the borrower.

**(iii) Disbursement of loans including changes in terms and conditions**

- a) The Company shall 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. The Company will also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.
- b) Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- c) 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 which 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 Company is entitled to retain the securities till the relevant claim is settled/paid.

**(iv) 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 lender).
- 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, should 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, the Company shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall adequately train its staff to deal with the customers in an appropriate manner.
- d) The Company may arrange for enforcing security charged to it of the delinquent borrower, if required, with an aim only to recover dues and not be aimed at whimsical deprivation of the property. The Company shall also ensure that the entire process of enforcing its security, valuation and realisation thereof be fair and transparent.

**(v) Complaint Redressal Mechanism**

- a) If complaint is received in writing or over phone, the Company shall give complaint number which would be referred to in future. The Company shall also maintain a Complaint register.
- b) After examining the matter, the Company shall endeavour to send the customer its response within 21 days and intimate the customer how to escalate the complaint to higher level, if he is not satisfied with the response

- c) In case the complaint requires more time then the same would be informed to the customer. Customer would be updated at regular intervals regarding the status of the same.
- d) The grievance redressal mechanism within the organisation will be explained to the customer to resolve any dispute. Such a mechanism would ensure that all disputes arising out of decisions of the functionaries are heard and disposed off at least at the next higher level. A complaint of misconduct against an official of the Company shall be redressed by next level of authority.
- e) The Company shall request the customer to provide feedback on the service rendered. This can be done through direct contact by staff or through specific customer satisfaction surveys that may be conducted from time to time.
- f) The Board of Directors shall provide for periodical review of the compliance of the FPC and the functioning of the grievances redressal mechanism at various levels of Management. A consolidated report of such reviews may be submitted to the Board of Directors of the Company at regular intervals, as may be prescribed by it.

**(vi) Internal principles and procedures for determining and ensuring the interest rates and processing and other charges**

- a) As per the directions issued by RBI in its Circular No. 95 dated May 24, 2007, the Company has framed appropriate internal principles and procedures for determining and ensuring that the interest rates and processing and other charges are not excessive.
- b) The Directors of the Company had passed a resolution on April 18, 2012, that the Company shall not charge interest exceeding Cost of Funds + 3% or SBI + 3% whichever is higher on the loans and advances given by the Company.
- c) The Company shall, at the time of disbursal, ensure that the interest rate and processing and other charges on loan and advances are in strict adherence to above referred internal principles and procedures conforming to normal financial practice.

**(vii) Regulation of excessive interest**

In terms of notification No. DNBS. 204 / CGM (ASR)-2009 dated January 2, 2009, issued by RBI, the Company has adopted the Interest Rate Policy for regulation of excessive interest. The features of the said policy are mentioned hereunder:

- a) The Company shall calculate the base interest rate after taking into account relevant factors such as cost of funds, margin, risk premium, other costs such as administrative expenses and profit margin. The base interest rate shall be reviewed periodically.

- b) The interest rate applicable to each loan account shall be assessed based on multiple parameters like tenure, borrower's profile, borrower's repayment capacity based on the cash flows, loan to value of the asset financed, type of collateral security provided by the borrower, past repayment track record of the borrower, etc.
- c) The Company shall disclose to the borrower or customer the rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicate the same explicitly in the sanction letter.
- d) The Company shall intimate the borrower, the loan amount; annualize rate of interest and method of application at the time of sanction of the loan alongwith the tenure and amount of monthly/quarterly installment. The other charges such as processing fees, additional interest charged on delayed payments and cheque bouncing charges shall also be mentioned in the Loan Agreement.
- e) The Company shall mention the annualised rate of interest so that the borrower is aware of the exact rates that would be charged to the account.

#### **(viii) Repossession of vehicles**

If the Company finances loan to the borrower for buying vehicles, then it shall have a built-in re-possession clause in the contract/ loan agreement with the borrower which shall be legally enforceable.

To ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding:

- i) notice period before taking possession;
- ii) circumstances under which the notice period can be waived;
- iii) the procedure for taking possession of the security;
- iv) a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property;
- v) the procedure for giving re-possession to the borrower and
- vi) the procedure for sale / auction of the property.

A copy of such terms and conditions shall be made available to all the borrowers alongwith a copy of loan agreement alongwith a copy of each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans, which may form a key component of such contracts/loan agreements.

#### **(ix) Force Majeure**

The various commitments outlined and made by the Company are applicable under the normal operating environment. In the event of Force Majeure, the Company will not be able to fulfill the commitments under the FPC to the entire satisfaction of the customer/s, stakeholders and the public in general.