

**FAIR PRACTICES CODE (2023)**

**SINGH FINLEASE PRIVATE LIMITED**

## **PREAMBLE**

The Reserve Bank of India (RBI), by its notification no. RBI/2006-07/138 DNBS.(PD)/CC No. 80/03.10.042/2005- 06 dated 28 September 2006 read with notification no. RBI/2011-12/470 DNBS.PD/CC.No. 266/03.10.01/2011-12 dated 26 March 2012 and Master Circular DNBS (PD) CC No.388/03.10.042/2014-15 dated 1 July, 2015 **and Master Direction- Reserve Bank Of India (Non-Banking Financial Company – Scale Based Regulation) Direction ,2023** other applicable guidelines/directions issued by RBI from time to time, has prescribed the broad guidelines on fair practices that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies (NBFCs) and should be published and disseminated on the web-site of the Company, for the information of the public.

**SINGH FINLEASEPRIVATE LIMITED** (hereinafter referred to as “**the Company**”) is a private limited company incorporated under the provisions of the Companies Act, 1956 and is a Non-Deposit Accepting or Holding Non-Banking Financial Company, registered with the Reserve Bank of India. Now **NBFCs-BASE LAYER (NBFCs-BL)**

### **(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 timeframe 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.
- (d) The company has a lending platform “Loanonsalary” which is a mobile and web-based platform and a cutting-edge Fintech product which has been developed and designed to make individual’s personal financing needs easier and faster. the entire process starting from the registration – to - Loan Application - to - Application Processing - to - Loan disbursement directly to the bank account of the user, is completely online.
- (e) 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.

- (f) 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 annualized 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.
- (g) 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.

**(II) 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 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.
- (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.

**(III) 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 affected 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 realization 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.

**(IV) RESPONSIBLE LENDING CONDUCT - ISSUE OF NOC ON REPAYMENT/ SETTLEMENT OF PERSONAL LOANS**

The Company shall adopt best practices in release of movable/ immovable property documents upon receiving full repayment and closure of loan account to avoid customer grievances and disputes in future.

To address the issues faced by the borrowers and towards promoting responsible lending, the following instructions are issued:

**A. Release of movable/immovable property documents:**

- (i) The Company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days from the date of full repayment/settlement of the loan account.
- (ii) The borrower shall be given the option of collecting the original movable/ immovable property documents either from the banking outlet/branch where the loan account was serviced or any other office of the Company where the documents are available, as per her/his preference.
- (iii) The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.

- (iv) In order to address the contingent event of demise of the sole borrower or joint borrowers, NBFCs shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of NBFCs along with other similar policies and procedures for customer information.

***B. Compensation for delay in release of movable/immovable property documents:***

- (i) In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days from the date of full repayment/settlement of loan, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, it shall compensate the borrower at the rate of ₹5,000 for each day of delay.
- (ii) In case of loss/damage to original movable/immovable property documents, either in part or in full, the Company shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (ii) above. However, in such cases, an additional time of 30 days will be available to the NBFCs to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- (iii) The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

***C. Applicability:***

The instructions in paragraph B above shall be applicable to all cases where release of original movable/immovable property documents falls due on or after December 01, 2023.

**(V) RESET OF FLOATING INTEREST RATE ON EQUATED MONTHLY INSTALMENTS (EMI) BASED PERSONAL LOANS**

- (1) The company shall consider the repayment capacity of the borrowers at the time of sanction of EMI based floating rate Education loans to ensure that there is adequate headroom / margin is available for elongation of tenor and/ or increase in EMI, in the scenario of possible increase in the interest rates during the tenor of the loan.

The Company has put in place an appropriate policy framework to meet the following requirements for implementation and compliance:

- (i) At the time of sanction, the Company shall clearly communicate to the borrowers about the possible impact of change in interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.

(ii) At the time of reset of interest rates, the company shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.

(iii) The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and (b) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/pre-payment penalty shall be subject to extant instructions.

(iv) All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the Company from time to time.

(v) The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization.

(vi) The Company shall share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. The Company shall ensure that the statements are simple and easily understood by the borrower.

(2) Apart from the equated monthly instalment loans, these instructions would also apply, *mutatis mutandis*, to all equated instalment-based loans of different periodicities.

(3) The Company shall ensure that the above instructions are extended to the existing as well as new loans suitably by December 31, 2023. All existing borrowers shall be sent a communication, through appropriate channels, intimating the options available to them.

**(VI) 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, 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.

**(VII) 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'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. Jitender Kumar Pal**, is appointed as the Grievance Redressal Officer (GRO) under the Fair Practices Code who can be approached by the public for resolution of complaints against the Company. Contact details provided below;

**Mobile:** +91 9910739751

**Email address:** [grievance@loanonsalary.com](mailto:grievance@loanonsalary.com)

**(VIII) OMBUDSMAN FOR NBFCS**

Under the Reserve Bank – Integrated Ombudsman Scheme, 2021, the Company has appointed Principal Nodal Officer. Details of the same are available on the website of the Company under Ombudsman Scheme tab.

**(IX) LANGUAGE AND MODE OF COMMUNICATING FAIR PRACTICE CODE**

The Company shall put the above Fair Practice Code (which shall preferably be in the vernacular language or a language as understood by the borrower) outlined hereinabove on its website, for the information of various stakeholders.

The Company Shall abide by this Fair Practice Code following the spirit of the code and in the manner, it may be applicable to its business.

**(X) REGULATION OF EXCESSIVE INTEREST RATE CHARGED:**

- (a) The Company would adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium etc. and determine the rate of interest to be charged for loans and advances.

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.

- (b) The rates of interest and the approach for gradation of risks shall also made available on the web site of the Company or published in the relevant newspapers. Whenever there is a change in the rates of interest the Company must publish the required changes on the website of the Company.
- (c) 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.

**(XI) COMPLAINT ABOUT EXCESSIVE INTEREST CHARGED:**

- i. To ensure that the customers are not charged excessive interest rate and charges on loans and advances by the company, the Board of the Company has adopted a Policy for determining Interest Rates, Processing and Other Charges.
- ii. The Company had laid down appropriate internal principles and procedures in determining interest rates and processing and other charges.
- iii. The rates of interest and the approach for gradation of risks shall also made available on the web site of the Company or published in the relevant newspapers. Whenever there is a change in the rates of interest the Company must publish the required changes on the website of the company.

**(XII) 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.

**(XIII) 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 jewelry received.
- c. Internal systems to satisfy ownership of the gold Jewelry.
- d. Adequate systems for storing the jewelry 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 jewelry.
- e. The jewelry 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. Gold pledged shall be auctioned only through auctioneers approved by the Board.
- i. 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.

***(XIV) LOAN FACILITIES TO THE PHYSICALLY/VISUALLY CHALLENGED:***

The Company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of the Company shall render all possible assistance to such persons for availing of the various business facilities. The Company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, the Company shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism.

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