

CHOICE FINSERV PRIVATE LIMITED

Fair Practice Code

Summary of Policy

Policy Name	Fair Practice Code
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Policy Owner	Operations
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1. BACKGROUND:

The Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Non-Banking Financial Companies (NBFCs) thereby setting standards for fair business and corporate practices.

Choice Finserv Private Limited (The Company) has adopted this Fair Practices Code (“the Code”) and have implemented it. The Code applies to the all categories of products and services offered by the Company (currently offered and which may be introduced in future).

2. OBJECTIVE OF THE CODE:

- a) To ensure Fair Practices while dealing with the customers and promote good, fair and trustworthy practices by setting up minimum standards;
- b) To ensure greater transparency enabling customers in having a better understanding of the product and taking informed decisions;
- c) To ensure that borrowers are advised of the terms and conditions of products/ services provided in a comprehensive manner for their consideration prior to commitment of a transaction;
- d) To monitor and administer borrowers accounts in a fair and transparent manner consistent with the terms and conditions of the facility provided;
- e) Recovery and enforcement, where necessary, is conducted by following the due process of law.
- f) To ensure compliance of applicable regulations prescribed by RBI relating to fair practices.

3. APPLICATION FOR LOANS AND THEIR PROCESSING:

- a) The Loan Application forms of the Company will 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 will indicate the documents required to be submitted with the application form.
- b) The Company shall provide an acknowledgement for all loan applications to the prospective borrower as per the process of the organisation. The time frame, within which loan applications will be disposed of, will be indicated in the acknowledgement.
- c) All communications to the borrower shall be in English or in vernacular language / the language as understood and confirmed by the borrower.

4. PENAL CHARGES IN LOAN ACCOUNTS

- a) 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. 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 of interest in the loan account.
- b) The Company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- c) The Company shall formulate a Board approved policy on penal charges or similar charges on loans.
- d) It will be ensured 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.

- e) 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.
- f) The quantum and reason for penal charges shall be clearly disclosed by Company to the customers in addition to being displayed on Company website.
- g) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- h) Above para 4 shall come into effect from January 01, 2024. Company may carry out appropriate revisions in the framework and ensure implementation of the instructions in respect of all the fresh loans availed/ renewed from the effective date. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date or six months from the effective date of these instructions, whichever is earlier.

5. LOAN APPRAISAL AND TERMS / CONDITIONS; AND KEY FACTS STATEMENT FOR LOANS AND ADVANCES

- a) The Company shall appraise loan applications considering the risk-based approach and credit policies of the Company.
- b) The Company shall convey in writing to the borrower in English or in vernacular language / the language as understood by the borrower by means of sanction/ welcome letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof.
- c) The acceptance of the terms and conditions communicated by the borrower shall be preserved by the Company on its record.
- d) The Company shall mention the penal charges charged for late repayment in bold in the sanction/ welcome letter or otherwise and loan agreement.
- e) The Company will furnish a copy of loan agreement along with a copy of each enclosures quoted in the loan agreement to borrower at the time of sanction/disbursement of loan.
- f) The company shall comply with the instructions relating to Key Facts Statement for loans & Advances, as amended from time to time as per format prescribed by Reserve Bank of India.

6. DISBURSMENT OF LOANS, INCLUDING CHANGES IN TERMS AND CONDITIONS:

- a) The Company shall give notice to the borrower in English or in vernacular language / the language as understood by the borrower, of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. Changes in interest rates and charges shall be affected prospectively and 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 the Company may have against borrower. If such right of set off is to be exercised, the borrower shall be informed about the same with full particulars about the remaining claims and the conditions under which the Company are entitled to retain the securities till the relevant claim is settled/paid.

7. Responsible Lending Conduct-Release of movable/immovable property documents on repayment/ settlement of personal loans:

7.1 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 after 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 the demise of the sole borrower or joint borrowers, the company will adhere to the procedure for the return of original movable/immovable property documents to the legal heirs, which shall also be displayed on the company website, along with other similar policies and procedures for customers.

7.2 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 after full repayment/ settlement of loan, the company will communicate to the borrower reasons for such delay. As per RBI guidelines compensation for each day of delay will be given at the rate of Rs.5000.
- (ii) In case of loss/damage to original movable/immovable property documents, either in part or in full, the company will 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 above. However, an additional time of 30 days will be available to the company to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).

For the purpose of Fair Practice Code, the term 'personal loans' shall have the same meaning as defined in the Annex to the circular on 'XBRL Returns – Harmonization of Banking Statistics' dated January 04, 2018.

7.3 Applicability

The instructions in paragraph 7 shall be applicable to all cases where release of original movable/immovable property documents falls due on or after **December 01, 2023**.

8. RESET OF FLOATING INTEREST RATE ON EQUATED MONTHLY INSTALMENTS (EMI) BASED PERSONAL LOAN

8.1 At the time of sanction of EMI based floating rate personal loans, the company will consider the repayment capacity of borrowers to ensure adequate headroom/margin is available for elongation of tenor and/or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenor of the loan. The company will follow appropriate norms 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 benchmark 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 interest rate reset, the company will provide the option to the offer borrowers to switch to a fixed rate in accordance with their Board-approved policy. Borrowers will be

permitted to make this switch once during the loan's tenor.

- 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 of the Regulatory bodies.
- 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 will, 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 will ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization.
- vi. The company will 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.

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

8.3 The instructions in paragraph 8 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.

For the purpose of Fair Practice Code, the term 'personal loans' shall have the same meaning as defined in the Annex to the circular on 'XBRL Returns – Harmonization of Banking Statistics' dated January 04, 2018.

9. GENERAL:

- a) The Company will 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 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.
- c) In the matter of recovery of loans, the Company will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. To avoid rude behaviour from the staff of the Company, the Company shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- d) The Company shall not charge foreclosure charges/ pre-payment penalties on floating rate term loans sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- e) The Company will not discriminate in providing loan facilities to individuals with physical or visual challenges. The company will assist such applicants in accessing business facilities. Training programs will be given to company's employees at all levels must include a module on the rights of persons with disabilities as per law and procedures. The company will also address grievances from individuals with disabilities through their existing Grievance Redressal Mechanism.

10. REGULATION FOR INTEREST CHARGED:

- a) The Board of Directors has adopted an interest rate model for determining the rate of interest to be charged on loans and advances, processing and other charges considering relevant factors such as, cost of funds, margin and risk premium, etc. 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 borrower or customer 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 be made available on the web-site of the company. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- c) The rate of interest shall be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.
- d) Board of company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

11. RESPONSIBILITY OF BOARD OF DIRECTORS:

The Board of Directors of the Company has adopted the appropriate grievance redressal mechanism through a distinct Grievance Redressal Policy within the organization. Such a mechanism shall ensure that all disputes arising out of the decisions of lending institutions' functionaries, complaints relating to updating/alteration of credit information and complaints pertaining to outsource services are heard and disposed of at least at the next higher level. The Board of Directors shall be provided with consolidated periodical review of the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management.

12. HOSTING ON WEBSITE:

Fair Practices Code, in vernacular languages shall be put up on the website of the Company for the information of various stakeholders.

13. GRIEVANCE REDRESSAL:

The following information shall be displayed prominently, for the benefit of the customers, at all branches/ places of the Company, where business is transacted:

- i. the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached for resolution of complaints against the Company.
- ii. In case the complaint is not redressed within a period of one month or if you are dissatisfied with the response given, then customer can write to below: -

Centralised Receipt and Processing Centre, Reserve Bank of India,
4th Floor, Central Vista, Sector 17, Chandigarh - 160017
Email id: crpc@rbi.org.in
Toll Free Number: #14448 (9:30 am to 5:15 pm)
Can also raise the complaint on link: <https://cms.rbi.org.in>

14. OMBUDSMAN SCHEME

The company is subject to the regulations outlined in the [RESERVE BANK – INTEGRATED OMBUDSMAN SCHEME, 2026](#) (RB- IOS, 2026) shall comply with the directions provided under the said Scheme.

The company will appoint a Nodal Officers (NOs) who shall be responsible for representing the Company and furnishing information to the Ombudsman in respect of complaints filed against the Company. Any changes in appointment or contact details of Principal Nodal Officer shall be reported to Consumer Education and Protection Department, Central Office, Reserve Bank of India prior to or in case of exigency, immediately post any such change.

The Principal Nodal Officer (PNO) shall be responsible, inter alia, for representing the covered the Company before the Ombudsman and the Appellate Authority under the Scheme. The Principal Nodal Officer shall be responsible for coordinating and liaising with the Customer Education and Protection Department (CEPD), RBI, Central Office.

For the benefit of the customers, at the branches/ places where business is transacted, the name and contact details (Telephone/ Mobile numbers as also email addresses) of the Principal Nodal officer and contact details of the Ombudsman, who can be approached by the customer.

The salient features of the Scheme (in English, Hindi and Vernacular language) at all their offices and branches shall be prominently displayed in such a manner that a person visiting the office or branch has easy access to the information.

15. REPOSESSION OF VEHICLES FINANCED:

The Company shall include a built-in re-possession clause in the loan agreement with the borrower which will be legally enforceable.

To ensure transparency, the terms and conditions of the loan agreement shall also contain 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,
- f) The procedure for sale / auction of the property.

A copy of such terms and conditions shall be made available to the borrowers.

16. REVIEW:

The Company would review and refine the Fair Practice Code, as may be required periodically, based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard.

If at any point a conflict of interpretation / information between this code and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities ("Regulatory Provisions") arises, then interpretation of the Regulatory Provisions shall prevail. In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, this code shall stand amended accordingly from the effective date specified as per the Regulatory Provisions.