

**NKC FINANCE PRIVATE LIMITED
CHENNAI
FAIR PRACTICES CODE**

A. Introduction

Pursuant to RBI Circular RBI/DoR/2023-24/10 DoR.FIN.REC.No.45/03.10.119/2023-24 dated October, 19, 2023 on "Master Direction- Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions 2023 issued to Non-Banking Financial Companies (NBFCs), Board of Directors have formulated and adopted Fair Practices Code for NK Finance Private Limited ("Company").

This Fair Practices Code has been formulated in compliance with the "Guidelines on Fair Practices Code for NBFCs" issued by the Reserve Bank of India and aims to provide its borrowers and customers an effective overview of the practices followed by the company and to enable them to take informed decisions in respect of the financial facilities and other allied services offered by the company.

The Code covers the general principles on adequate disclosures on the terms and conditions of the loan and the procedures to be followed when dealing with the borrowers and customers. Company will adhere to the Fair Practices Code in its functioning, in all categories of its products and services offered. The Key elements of the Fair Practices Code are as follows:

B. Objectives of the Code

The following are the primary objectives of this Code:

- Promote fair and transparent practices by setting minimum standards in dealings with borrowers;
- Foster fair and cordial relationship between the borrowers and company;
- To ensure compliance with regulatory requirements with regard to customer interface;
- To strengthen mechanism for redressal of customer grievances.

C. Applications for Loans and their Processing

a) All communications will be in the vernacular language or a language understood by the Applicant/Borrower.

b) All necessary information that may be required by the borrowers, with regard to the financial facility that is being applied for, are available in the relevant loan application forms. The information would include matters which may affect the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs/Financial Institutions can be made and informed decisions can be taken by the borrowers. Loan Application forms also indicate the documents required to be submitted with the Application forms.



c) Company would give an acknowledgement for receipt of all loan applications. Company would verify the loan applications and if additional details / documents are required, it would intimate the borrowers immediately. The applications will be disposed of within a period of 15 days.

d) The company will furnish a copy of the loan agreement with enclosures if any to all the borrowers at the time of sanction/disbursement of the loans.

D. Loan Appraisal and Terms & Conditions

Company would ensure that there is proper assessment of credit application made by borrowers. The assessment would be in line with company's credit policies and procedures.

a) Company would convey in writing to the borrower by means of Key Facts Statement containing the key facts in the loan agreement followed by sanction letter or otherwise, 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. Company mentions the penal charges payable for late repayment in bold in the loan agreement.

b) Company furnishes a copy of the loan agreement as understood by the borrower along with copy each of all enclosures quoted in the loan agreement to all borrowers at the time of sanction/disbursement of the Loan.

E. Penal charges in loan accounts:

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.

Company shall not introduce any additional component to the rate of interest and this will be as per the company's Board approved Policy.

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.

The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.

The quantum and reason for penal charges shall be clearly disclosed by the company to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS)



as, in addition to being displayed on websites of the company under Interest rates and Service Charges.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to the borrowers, the penal charges shall be communicated.

Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

E. Disbursement of Loans including change in terms and conditions:

a) Company shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including interest rates, service charges, fees etc. Changes in Interest rates and charges shall be effected 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) 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 Company may have against the 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.

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

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.

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



- 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 shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the company, the company 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 company 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.

G.Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans

At the time of sanction of EMI based floating rate personal loans, company will take int account the repayment capacity of borrowers to ensure that 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.

- (i) At the time of sanction, company 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 reset of interest rates, company shall provide the option to the borrowers to switch over to a fixed rate.
- (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/ prepayment penalty.
- (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) Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.



(vi) 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.

H.General:

a) Company would not cause interference in the affairs of the borrowers except for what is 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, which may affect the obligations of the borrowers/ customers).

b) In case of receipt of request received in writing for transfer of borrowal account, from the borrower, the consent or otherwise i.e., objection of the company, if any, would be conveyed within 21 working days from the date of receipt of request. Such transfer will be as per transparent contractual terms in consonance with law.

c) In the matter of recovery of loans, company would adopt legally valid processes and not resort to undue harassment or use of force viz., persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc., Company shall adequately train the collection executives and other staff to deal with the borrowers in an appropriate manner.

d) Company will not levy foreclosure charges/Prepayment penalties on all floating rate term loan sanctioned to individual borrowers.

I. Responsibility of Board of Directors:

a) Grievances Redressal Mechanism has been laid down by the Board of Directors to ensure that all disputes arising out of the decisions of the functionaries are heard and disposed of atleast at the next higher level.

b) Periodical review of the compliance of Fair Practices Code and functioning of the Grievances Redressal Mechanism has also been provided for at various levels of management and a consolidated report of such reviews will be submitted to the Board of Directors.

INTEREST RATES:

Company shall adopt an interest rate model taking into account the relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. This will be annualised rate of interest. Rate of interest and the approach for gradation of risks and rationale for charging different rate of interest for different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.



Rate of interest and the approach for gradation of risks shall be made available on the website of the company and the same shall be updated whenever there is change in the rate of interest.

The rate of interest shall be annualised. Laid down appropriate internal principles and procedure in determining interest rates and processing and other charges are available.

There shall be a legally enforceable built in re-possession clause in the contract/loan agreement with the borrower. All provisions regarding re-possession i.e. notice period, waiver of notice period, procedure for taking possession of security, provision for giving final notice to the borrower for repayment of loan before the sale/auction of the property, procedure for giving re-possession, procedure for sale/auction of property etc. shall be made available in the loan agreement and a copy of the loan agreement along with enclosures will be furnished to the borrowers at the time of sanction/disbursement of loans.

While lending to individuals against the collateral security of Gold jewellery, the company shall put in place Board approved policy for lending against gold that inter alia cover all necessary points.

Grievance Redressal Officer:

Company has designated a Nodal Officer for receiving and resolving complaints from customers. The contact details of the Grievance Redressal Officer (GRO) are given below:

Mr.S.Chidambaram

NKC Finance Private Limited

No.25, Egmore High Road, Egmore,

Chennai – 600008.

e-mail ID: chidambaram_rob@yahoo.co.in

www.nkcfinance.com

If the grievances / complaints are not redressed with in a period of one month, the customer may appeal to the Officer-in-Charge at the Regional Office of DNBS of RBI.

Regional Director

Reserve Bank of India

Chennai Regional office,

Fort Glacis,

Rajaji Salai, Chennai 600 001.

Fair Practice Code in a language as understood by the borrower is put up on the company's website for information of various stake holders.

