

Policy Guidelines on Fair Practices Code

Preamble

The Company endeavors to review policy guidelines on 'Fair Practices Code' (FPC). 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 while dealing with their customers (Circular No. RBI/2006-07/138 DNBS (PD) CC No. 80 / 03.10.042/ 2005-06 dt. Sept. 28, 2006), paragraph 2 (A) (iii) of Master Circular DNBS.(PD.) CC. No. 388/03.10.042/2014-15 dt. July 1, 2014 RBI has reviewed the guidelines in May 2015 view of rapid growth in NBFCs lending against gold jewellery. The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to this Code to conform to the standards so prescribed.

It is, and shall be, the policy of Reliance Capital Limited (RCL) to make available to all eligible qualified applicants, without discrimination on the basis of race, caste, colour, religion, sex, marital status, age or handicap all financial products, either directly or through subsidiaries and / or associates.

The Company's policy is to treat all the clients consistently and fairly. The employees of the Company will offer assistance, encouragement and service in a fair, equitable and consistent manner. The Company will also communicate its Fair Practices Code (FPC) to its customers by uploading the FPC it on its website.

The Company will 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, and servicing and collection activities. Its commitment to FPC will be demonstrated in terms of employee accountability, training, counseling, and monitoring, auditing programs and internal controls, and optimal use of technology.

The Company's Board of Directors and the management team are responsible for implementing the fair practices hereinafter detailed, and also to ensure that its operations reflect its strong commitment to all the stakeholders for offering in a fair and equitable manner, the various financial services and products including lending and that all employees are aware of this commitment.

This Fair Practices Code applies to the following categories of products and services offered by us (currently offered or which will be introduced at a future date).

1. Loans, guarantees and other products in the nature of financial assets.
2. Products offered through a network consisting of the branches of the Company, its subsidiaries and associates.

The FPC is applicable to the above irrespective of whether the same is provided physically, over the phone, on the internet or by any other method whatsoever, existing or futuristic.

Key Commitments

The key commitments which the Company promises to follow in its dealings with its customers are:

- a. To act fairly and reasonably in all dealings with its customers by ensuring that:
- Its products, services, procedures and practices will meet the commitments and standards in this FPC.
 - Its products and services will meet relevant laws and regulations in letter and spirit as applicable.
 - Its dealings with its customers will rest on ethical principles of honesty, integrity and transparency.
- b. The Company will assist customers in understanding how its financial products and services work by:
- Providing information about them in simple Hindi and/or English and/or the local language.
 - Explaining their financial implications and
 - Helping the customer choose the one that meets his / her needs.
- c. The Company will make every attempt to ensure that its customers have a trouble-free experience in dealing with it; but in the case of errors or commissions and omissions, the Company will deal with the same quickly and sympathetically.
- Mistakes will be corrected quickly.
 - Complaints will be handled quickly.
 - In case a customer is not satisfied with the way a complaint is handled, the Company will guide the customer on how to take the complaint forward.
 - The Company will reverse any charges including interest applied to a customer's account due to an error or oversight on its part.

Sales Origination

The Company will guide its customers in choosing products and services which meets his / her requirements.

- a. Before the customer relationship is established, the Company will:
- Give the customer information explaining the key features of the services and products the customer has shown interest in.
 - Give information on accounts, products and services which will suit the customer's needs.
 - Clearly state the information that the Company requires to collect from the customer to fulfill its 'Know Your Customer' norms and to comply with legal and regulatory requirements in force from time to time.
 - Request for additional information about the customer and his / her family to build a database; but this information will be furnished by the customer only if she / he wish to do so.
- b. The Company will provide information on the various channels that can be used to access its products and services. The customer will also be informed on where further information on this is available.
- c. Once a customer has chosen a product, the Company will tell the customer how it works.
- d. The Company will guide its customer on rights and responsibilities specific to the mode of operation under which the product is taken.

Loans and Advances

Before offering any kind of fund based or non fund based non-banking facility the Company will assess the ability of the customer (prospective borrower) to repay.

Application for loans and their processing

- a. Loan application forms of the Company will include necessary information which are likely to affect the interests of the prospective borrower, so that a meaningful comparison with the terms and conditions offered by other Non- Banking Financial Companies can be made and an informed decision taken by the prospective borrower.
- b. The loan application form shall indicate the documents required to be submitted along with the application form.
- c. The Company shall provide to the prospective borrower an acknowledgement for receipt of all loan applications. An indicative time frame within which loan applications will be disposed of will be mentioned in such acknowledgement.
- d. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

Loan Appraisal & terms/ conditions

RCL 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 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. As complaints received against NBFCs generally pertain to charging of high interest / penal interest, RCL shall mention the penal interest charged for late repayment in bold in the loan agreement.

Appropriate internal principles and procedures for determining interest and other charges shall be laid down and be subjected to review keeping in view the business exigencies, regulatory and customer sentiments, market practices etc. The acceptance of the terms and conditions communicated by the borrower shall be preserved by the Company in its records.

RCL shall furnish a copy of the loan agreement preferably in the vernacular language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

Disbursement of loans including changes in terms & 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 shall ensure that changes in interest rates and other charges are effected only prospectively. The loan agreement shall contain a specific clause to this effect.
- b. The decision of the Company to recall / accelerate payment or performance shall be in consonance with the terms of the loan agreement.
- c. The Company shall release all securities upon repayment of all dues or on realisation of the outstanding amount of loan subject to any Legitimate right or Lien for any other claim it will have against borrower. In case such right of set off is to be exercised, the borrower shall be given due notice with full particulars about the outstanding claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled/paid.

General

- a. RCL shall refrain from interfering 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 deliberately or otherwise by the borrower, has come to its notice.
- b. In case of receipt of request from the borrower for transfer of a borrower account to other NBFC, bank of financial institution, the consent or otherwise shall be conveyed within 21 days from the date of receipt of such request. Such transfer shall be in accordance with the contractual terms entered into with the borrower and in consonance with the statutes, rules, regulations and guidelines as will be applicable from time to time.
- c. In the matter of recovery of loans, the Company shall resort only to remedies which are legally and legitimately available to it and will avoid using recovery measures during odd hours of the day, undue harassment, use of muscle power for recovery of loans. As complaints from customers also include rude behavior from the staff of the companies. RCL shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- d. There shall be no discrimination in extending products and facilities including loan facilities to the physically / visually challenged applicants on grounds of disability (Ref: RBI Circular No. DNBS.CC.PD.No. 191/03.10.01/2010-11 dated July 27, 2010).

Terms and Conditions

- a. When a customer accepts a product or service for the first time, the Company will provide the customer with the Rules and Regulations that are relevant to the product / service.
- b. All Terms and Conditions will be fair and will set the customers rights and responsibilities clearly and in plain language, the Company will use legal or technical language only where necessary.
- c. The Company will make available any charges applicable to products and services applicable
- d. If the Company increases any charges or introduces a new charge. The Company will notify the same to the customers.
- e. The Company will provide the terms and conditions in respect of any product or service whenever a customer requests for the same.

Marketing and Product Synergy

- a. The Company will ensure that all advertising and promotional material is clear, fair reasonable and not misleading.
- b. The Company will provide the customers with a full range of financial products the customer is eligible for. Some of these products / services will be its own; some others will be the products of the group or associate companies and also companies with which the Company will have arrangements with.
- c. It will be the endeavor of the Company to bring synergy between the various financial services, financial products, by cross selling these products to its clientele.

Confidentiality

- a. Unless authorized by the customer the Company will treat all personal information as private and confidential.
- b. The Company will not reveal transaction details to any other entity including within the group other than the following exceptional cases.
 - If the Company have to provide the information by statutory or regulatory laws,
 - If there is a duty to the public to reveal this information.
 - If its interest requires us to provide this information (e.g. fraud prevention).
The Company will not use this reason for giving information about customers to anyone else (including group companies) for marketing purposes.
 - If customer has given consent / concurrence to provide/ share such information to its group / associate / entities or companies for providing other products or services.
 - Where the customer asks us to reveal such information to its group / associate / entities or companies for providing other services or products

Grievance Redressal Mechanism

The Company shall also lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism shall ensure that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level. The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it. To start with Company may provide the same on quarterly basis.

- a. The Company will guide customers who wish to lodge a complaint and also provide guidance on what to do in case the customer is unhappy with the outcome.
- b. After examining the matter, the Company will send a response as soon as possible; the Company will also guide a customer on how to take the complaint further if the customer is not satisfied.
- c. A nodal officer shall be appointed for the redressal of grievances of the customers including the borrowers, in connection with any matter pertaining to business practices, lending decisions, credit management and recovery. The name and contact details of the nodal officer shall be displayed in the website of the Company.
- d. Internally constituted Customer Grievance Redressal Council comprising senior management officials, to review with the Nodal Officer and oversee the Grievance Redressal Mechanism.
- e. As per RBI Circular No. RBI/2012-13/416 DNBS.CC.PD.No.320/03.10.01/2012-13, dt. February 18, 2013 the Company shall display the following information prominently, for the benefit of the customers, at their branches / places where business is transacted:
 - the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
 - If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI (complete contact details), under whose jurisdiction the registered office of the Company falls i.e. Mumbai Regional Office.

In short, the public notice shall serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the company, together with details of the grievance redressal officer and of the Regional Office of the RBI.

Repossession of vehicles

The Company 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:

- (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.

Regulation of Excessive Interest Rate

- a) RCL shall 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 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 companies or published in the relevant newspapers. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest.
- c) The rate of interest should be annualised rates so that the borrower is aware of the exact rates that would be charged to the account.

As per circular issued on RBI/ 2014-15/12/DNBS (PD).CC.No. 399/03.10.42/2014-15 dt. July 14, 2014, the Company shall not charge foreclosure charges / Pre payment penalties on all floating rate term loans sanction to Individual Borrower.

Lending against collateral of gold jewellery

While lending to individuals against gold jewellery, RCL shall adopt the following in addition to the general guidelines as above.

- i. RCL shall put in place Board approved policy for lending against gold that should inter alia, cover the following:
 - 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 jewellery received,
 - c. Internal systems to satisfy ownership of the gold jewellery,
 - d. The policy shall also cover putting in place adequate systems for storing the jewellery 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. As a policy, loans against the collateral of gold should not be extended by branches that do not have appropriate facility for storage of the jewellery,
 - e. The jewellery accepted as collateral should be appropriately insured,

- f. The Board approved policy with regard to auction of jewellery in case of non-repayment shall be transparent and adequate prior notice to the borrower shall be given before the auction date. It shall also lay down the auction procedure that would be followed. 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 2 newspapers, one in vernacular language and another in national daily newspaper.
 - h. As a policy the NBFCs themselves shall not participate in the auctions held,
 - i. Gold pledged will be auctioned only through auctioneers approved by the Board.
 - j. The 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.
 - k. The Company would put in necessary framework and processes for ensuring compliance with the recommendations of the Working Group on NBFC lending against collateral of gold jewellery as enumerated under Circular No. DNBS.CC.PD.No.356 /03.10.01/2013-14 dated September 16, 2013.Regarding the valuation of the gold jewellery, company to follow the guideline as per the circular DNBR.CC.PD.036/03.10.01/2014-15 dated May 21, 2015.
- ii. The loan agreement shall also disclose details regarding auction procedure.
- iii. As per Circular No. DNBR.CC.PD.036/03.10.01/2014-15 dated May 21, 2015, the valuation of gold jewellery for arriving at loan to value shall be done at the average cost of closing price of 22 carat for proceeding 30 days as quoted by Bombay Bullion Association (BBA) or the historical spot gold price data publically disseminated by a commodity exchange regulated by Forward Market Commission (FMC)

The Company will abide by all guidelines, directives, instructions and advices of Reserve Bank of India as will be in force from time to time. The contents in this document shall be read in conjunction with these guidelines, directives, instructions and advices. The Company will apply better practice so long as such practice does not conflict with or violate Reserve Bank of India regulations.