

PURSHOTTAM INVESTOFIN LIMITED

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FAIR PRACTICE CODE

Objectives of Fair Practices Code

This code has been developed:

- o To promote good, fair and trust-worthy practices by setting standards in dealing with customers;
- o To ensure transparency in the Company's dealings with its customers;
- o To ensure compliance with legal norms in matters relating to recovery of advances;
- o To enable customers to have better understanding of what they can reasonably expect of the services offered by the Company;
- o To reckon with market forces, through competition and strive to achieve higher operating standards;
- o To strengthen mechanisms for redressal of customer grievances.

Guidelines on Fair Practices Code for NBFCs

A (i) Applications for loans and their processing

- a. All communications to the customer/borrower shall be in the vernacular language or a language as understood by the borrower.
- b. Loan application forms should include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs/Banks can be made and informed decision can be taken by the borrower. The loan application form indicate the documents required to be submitted with the application form.
- c. PIL shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of should also be indicated in the acknowledgement.
- d. Customers who have evinced interest in availing the facilities from Company should fill up the facilities application form, complete in all aspects and should submit the same to the Company;

(ii) Loan appraisal and terms/conditions

(a) The application so received will be acknowledged by the Company immediately on submission and will be processed for sanction of the facility. The Company will consider all the documents submitted and the information provided, verify the credit worthiness of the customer and evaluate the proposal at its sole discretion and will grant facility by issuing a sanction letter within 1 month days from the date of receipt of the all requisite papers/information during the processing of application of financial assistance. If the Company does not find the proposal viable, it will convey the rejection of the proposal to the applicant.

(b) The Company shall convey in writing to the customers whose facilities have been sanctioned after due-diligence by means of Letter of Intent/Sanction letter in vernacular language or a language as understood by him the following:

- o Amount financed;

- o Documents to be submitted for disbursement of the facility;
- o Rate of interest including annualized rate of interest;
- o Details of security to be offered;
- o Repayment schedule;
- o Penal interest on delayed payment
- o Pre-payment premia/charges
- o Documents to be executed by the guarantor and co- applicant for disbursement.
- o Others terms& conditions

c) Copy of the offer /sanction letter will have to be accepted. The customer will have to return to the Company a copy of the offer/sanction letter duly acknowledged by him as a token of acceptance.

d) In case the agreement/other document is written in a language other than vernacular language, the customer before signing such agreement/document will be explained the terms and condition of the agreement in vernacular language or a language as understood by him by a translator. The translator will also sign that he has explained all the terms and conditions of the agreement to the customer.

e) The Company shall mention the penal interest charged for late repayment in bold in the facilities agreement.

f) The Company shall furnish a copy of the loan agreement 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.

(g) PIL shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter, Letter of Intent 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. Further, PIL shall mention the penal interest charged for late payment/repayment in bold in the loan agreement.

(h) PIL 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 in order to avoid any disputes with the borrowers with regards to the terms and conditions on which the loan is granted.

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

(a) PIL 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 disbursement schedule, interest rates, service charges, prepayment charges etc. and ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.

(b) Decision to recall/accelerate payment or performance under the agreement should be in consonance with the loan agreement.

(c) PIL 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 it 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 PIL is entitled to retain the securities till the relevant claim is settled or paid.

(iv) Penal charges in loan accounts: As per policy on Penal Charges

(v) Loan facilities to the physically/visually challenged by the Company

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.

(vi) Responsible Lending Conduct – Release of movable/immovable property documents on repayment/settlement of personal loans

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 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 demise of the sole borrower or joint borrowers, the Company have a procedure for return of original movable/immovable property documents to the legal heirs. The procedure is displayed on the website of the Company.

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 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, 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 (i) 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.

(vii) Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans

a) At the time of sanction of EMI based floating rate personal loans, the company is required to take into 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 interest rates during the tenor of the loan NBFCs are advised to put in place an appropriate policy framework meeting 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 its Board approved policy. The policy, inter alia, specifies 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 amortisation.
- 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.

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

(viii) Repossession of vehicles financed

The Company shall include 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, and (f) the procedure for sale / auction of the property. A copy of such terms and conditions shall be made available to the borrowers.

(ix) Lending against collateral of gold jewellery

While lending to individuals against collateral of gold jewellery, Company shall adopt the following in addition to the general guidelines. Company shall put in place Board approved policy for lending against gold that shall inter alia, cover the following:

- i. 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.
- ii. Proper assessing procedure for the jewellery received.
- iii. Internal systems to satisfy ownership of the gold jewellery.
- iv. 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. Loans against the collateral of gold shall not be extended by branches that do not have appropriate facility for storage of the jewellery.
- v. The jewellery accepted as collateral shall be appropriately insured.
- vi. The 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 will be followed. There shall be no conflict of interest and the auction process will ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities.
- vii. 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.
- viii. The Company shall not participate in the auctions held.
- ix. Gold pledged will be auctioned only through auctioneers approved by the Board.
- x. 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.
- xi. The loan agreement for lending against gold shall also disclose details regarding auction procedure.

(x) General

(a) PIL 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 PIL, 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, PIL shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. As complaints from borrowers also include rude behavior from the staff of the company, PIL shall ensure that their staffs are adequately trained to deal with the borrowers/customers in an appropriate manner.

(xi) The Company shall lay down the grievance redressal mechanism within the organization to resolve disputes arising in this regard ensuring that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level. The Board of Directors shall review the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at regular intervals. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it. PIL has appointed the Chief Financial Officer of the company as nodal officer for redressal of their grievances. In case a borrower/customer likes to escalate the matter within the organization, the matter may be referred to the Managing Director of the Company. In case the complaints/dispute is not redressed within a period of one month from the date reference to Nodal Officer/Managing Director of the Company, as the case may be, the customer/borrower may appeal to the Officer-in-Charge of Delhi Regional Office of Department of Banking Supervision of the Reserve Bank of India.

(xii) PIL shall display the following information prominently, for the benefit of their customers, at their Head office/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.

In short, the public notice should 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.

(xiii) Fair Practices Code (which should preferably in the vernacular language or a language as understood by the borrower) based on the RBI guidelines. PIL will have the freedom of drafting the Fair Practices Code, enhancing the scope of the guidelines but in no way sacrificing the spirit underlying in the RBI's guidelines. The same should be put up on their web-site, if any, for the information of various stakeholders.

(xiv) Regulation of excessive interest charged

(a) The Board of Directors of PIL 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/ Letter of Intent.

(b) The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the company 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 also be informed in annualized form so that the borrower is aware of the exact rates that would be charged to the account.

(xv) Complaints about excessive interest charged

The Board of PIL shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view.

Nodal Officer

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Appellate Authority

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