

# **FORTUNE INTEGRATED ASSETS FINANCE LIMITED**

**Registered Office : Naman Midtown, "A" Wing, 21<sup>st</sup> Floor, Unit No. 2101**

**Senapati Bapat Marg, Elphinstone Road, Mumbai 400 013**

**CIN : U65923MH2012PLC235450**

**RBI NBFC Registration No. : N - 13.02057 dated 07/11/2013**

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## **Fair Practices Code**

**This Code is effective from March 08, 2013**

### **Introduction:**

The Reserve Bank of India (RBI) has issued model guidelines for adoption of Fair Practices Code by the Non Banking Finance Companies (FIAFLs) thereby setting standards for fair business and corporate practices while dealing with their customers. **Fortune Integrated Assets Finance Limited** (hereinafter referred as **FIAFL**) shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications, if any, issued by the RBI in order to this Code to conform to the guidelines standards prescribed.

FIAFL has a policy to treat all the clients fairly. The employees of FIAFL will offer assistance, encouragement and services in a fair, equitable and consistent manner. FIAFL will also communicate its Fair Practices Code (FPC) to its customers by uploading the same on its website.

FIAFL will ensure that the implementation of the FPC is the responsibility of the entire organization. FIAFL fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, 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.

FIAFL'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.

### **A. (I) Applications for loans and their processing:**

(a) All communications to the borrower shall be in a vernacular language or a language that is understood by the borrower.

(b) Loan application forms shall 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 forms to indicate the documents required to be submitted with the application form.

(c) FIAFL 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 shall also be indicated in the acknowledgement.

### **(II) Loan appraisal and terms/conditions:**

(a) FIAFL shall convey in writing to the borrower in the vernacular language or a language that is understood by the borrower by means of sanction letter or otherwise, 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. FIAFL shall mention the penal interest charged for late repayment in bold in the loan agreement.

(b) It is understood that in a few cases, borrowers at the time of sanction of loans are not fully aware of the terms and conditions of the loans including rate of interest, either because NBFC's does not provide details of the same or the borrower has no time to look into detailed agreement.

(c) Not furnishing a copy of the loan agreement or enclosures quoted in the loan agreement is an unfair practice and this could lead to disputes between the NBFC's and the borrower with regard to the terms and conditions on which the loan is granted.

(d) FIAFL shall furnish a copy of the loan agreement preferably in the vernacular language or a language that is 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.

### **(III) Disbursement of loans including changes in terms and conditions:**

(a) FIAFL shall give notice to the borrower in the vernacular language or a language that is understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. FIAFL shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard shall also 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) FIAFL 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 FIAFL 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 FIAFL is entitled to retain the securities till the relevant claim is settled/paid.

### **(IV) Complaints about excessive interest charged by FIAFL:**

The Reserve Bank has been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFC's. Though interest rates are not regulated by the Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. Boards of FIAFLs are, therefore, advised to 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.

### **(V) Regulation of excessive interest charged by FIAFL:**

(a) The Board of FIAFL shall adopt an interest rate model taking into account all 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 website 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 annualized rates so that the borrower is aware of the exact rates that would be charged to the account

#### **(VI) Disclosures in loan agreement / loan card:**

- a. FIAFL shall have a Board approved, standard form of loan agreement. The loan agreement shall preferably be in vernacular language.
- b. In the loan agreement the following shall be disclosed.
  - i. All the terms and conditions of the loan,
  - ii. that the pricing of the loan involves only three components viz; the interest charge, the processing charge and the insurance premium (which includes the administrative charges in respect thereof),
  - iii. that there will be no penalty charged on delayed payment,
  - iv. that no Security Deposit / Margin is being collected from the borrower,
  - v. that the borrower cannot be a member of more than one SHG / JLG,
  - vi. the moratorium between the grant of the loan and the due date of the repayment of the first installment (as guided by the FIAFL-MFIs (Reserve Bank) Directions, 2011),
  - vii. an assurance that the privacy of borrower data will be respected.
- c. The loan card should reflect the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011.
  - (i) the effective rate of interest charged
  - (ii) all other terms and conditions attached to the loan
  - (iii) Information which adequately identifies the borrower and
  - (iv) Acknowledgements by FIAFL of all repayments including installments received and the final discharge.
  - (v) The loan card should prominently mention the grievance redressal system set up by FIAFL and also the name and contact number of the nodal officer
  - (vi) Non-credit products issued shall be with full consent of the borrowers and fee structure shall be communicated in the loan card itself.
  - (vii) All entries in the Loan Card should be in the vernacular language.

#### **(VII) Non-Coercive Methods of Recovery**

Recovery should normally be made only at a central designated place. Field staff shall be allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at central designated place on 2 or more successive occasions.

FIAFL shall ensure that a Board approved policy is in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. The Code should lay down minimum qualifications necessary for the field staff and shall have necessary training tools identified for them to deal with the customers. Training to field staff shall include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices. Compensation methods for staff should have more emphasis on areas of service and borrower satisfaction than merely the number of loans mobilized and the rate of recovery. Penalties may also be imposed on cases of non-compliance of field staff with the Code of conduct. Generally only employees and not out sourced recovery agents be used for recovery in sensitive areas.

#### **(VIII) Internal control system:**

FIAFL shall make necessary organizational arrangements to assign responsibility for compliance to designated individuals within the company and establish systems of internal control including audit and periodic inspection to ensure the same.

#### **(IX) General**

(a) FIAFL should 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 the FIAFL, if any, should 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, FIAFL should 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 customers also include rude behavior from the staff of the companies. FIAFLs shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

(d) The Board of Directors of FIAFL should also lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism should ensure 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 should 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 may be submitted to the Board at regular intervals, as may be prescribed by it.

(e) At the operational level, FIAFL have to display the following information prominently, for the benefit of their 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 FIAFL 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.

(f) Fair Practices Code (which should preferably in the vernacular language as understood by the borrower) based on the guidelines outlined hereinabove should be put in place by FIAFL with the approval of their Boards within one month from the date of issue of this circular. FIAFLs will have the

freedom of drafting the Fair Practices Code, enhancing the scope of the guidelines but in no way sacrificing the spirit underlying the above guidelines. The same should be put up on their web-site, if any, for the information of various stakeholders.

### **(X) Others Terms and Conditions**

- a. The FPC in vernacular language shall be displayed by FIAFL in its office and branch premises,
- b. A statement shall be made in vernacular language and displayed by FIAFL in their premises and in loan cards articulating their commitment to transparency and fair lending practices,
- c. Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers,
- d. Training if any, offered to the borrowers shall be free of cost. Field staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan / other products,
- e. The effective rate of interest charged and the grievance redressal system set up by the FIAFL should be prominently displayed in all its offices and in the literature issued by it (in vernacular language) and on its website,
- f. A declaration that FIAFL will be accountable for preventing inappropriate staff behavior and timely grievance redressal shall be made in the loan agreement and also in the FPC displayed in its office/branch premises,
- g. The KYC Guidelines of RBI shall be complied with. Due diligence shall be carried out to ensure the repayment capacity of the borrowers,
- h. As specified in the (Reserve Bank) Directions, 2011, all sanctioning and disbursement of loans should be done only at a central location and more than one individual should be involved in this function. In addition, there should be close supervision of the disbursement function,
- i. Adequate steps may be taken to ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.

### **Key Commitments**

The key commitments which FIAFL promises to follow in its dealings with its customers are: 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 as applicable. Its dealings with its customers will rest on ethical principles of honesty, integrity and transparency. FIAFL will assist customers in understanding its financial products and various services offered. Providing information about them in simple vernacular language or a language that is understood by the borrower.

Explaining their financial implications: and

Helping the customers choose a product /services which meets his/her needs.

FIAFL will guide and help the customers in choosing products and services which meets his / her requirements.

Before the customer relationship is established, FIAFL 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 may suit the customers needs

Clearly state the information that FIAFL require 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 may be furnished by the customer only if he / she/it wishes to do so.

FIAFL will provide information on the various channels that can be used to access its products and services. The customer will also be informed about the availability of further information.

Once a customer has chosen a product, FIAFL will tell the customer how it works.

FIAFL will guide its customer on rights and responsibilities specific to the mode of operation under which the product is taken.

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

Loan application form of FIAFL 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 Finance Companies can be made and an informed decision taken by the prospective borrower.

The loan application form shall indicate the documents required to be submitted along with the application form.

FIAFL 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.

FIAFL shall convey in writing to the prospective borrower the fate of the loan application by means of sanction letter or otherwise. In the case of sanction of loan, the sanction letter shall contain the terms and conditions including annualized rate of interest and method of application thereof. The acceptance of the terms and conditions communicated by the borrower shall be preserved by FIAFL in its records.

FIAFL shall give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. FIAFL 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.

When a customer accepts a product or service for the first time, FIAFL will provide the customer with the Rules and Regulations that are relevant to the product / service.

All Terms and Conditions will be fair and will set the customer's rights and responsibilities clearly and in plain language. FIAFL will use legal or technical language only wherever necessary.

FIAFL will make available any charges applicable to products and services applicable at the time a customer signs up for the same.

If FIAFL increases any charges or introduces a new charge, FIAFL will notify the same to the customers.

FIAFL will provide the terms and conditions in respect of any product or service whenever a customer requests for the same.

Change in interest rate and other commercial terms shall be made with prospective effect other than circumstances arising from regulatory instructions. Retrospective changes shall as far as possible be avoided and may be implemented only within the framework defined in the Master Financing Agreement.

Any decision to recall / accelerate payment or performance under the agreement should be in consonance with the Master Financing Agreement.

Any set-off of dues against the security may be made only after due notice of the same is provided to the client along with the particulars of the claims and the terms and conditions under which FIAFL is entitled to such set-off. The same will be in consonance with the terms of the Master Financing Agreement.

FIAFL will ensure that all advertising and promotional material is clear, fair reasonable and not misleading.

FIAFL 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 may be the products of the group or associate companies and also companies with which FIAFL may have arrangements with.

It will be the endeavour of FIAFL to bring synergy between the various financial services, financial products, by cross selling these products to its clientele.

Unless authorized by the customer, FIAFL will treat all personal information as private and confidential.

FIAFL will not reveal transaction details to any other entity including within the group other than the following exceptional cases:

If FIAFL 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).

FIAFL will not use this reason for giving information about customers to anyone else (including group companies) for marketing purposes.

If FIAFL have taken the customers permission (for instance at the time of loan sanctioning) to provide 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.

FIAFL 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.

After examining the matter, FIAFL will send a response as soon as possible; FIAFL will also guide a customer on how to take the complaint further if the customer is not satisfied.

A nodal officer has been 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 are as follows and its also be displayed in the website of FIAFL:

**Compliance officer :**

Mr. Ashish Soni

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The various commitments outlined and made by FIAFL are applicable under the normal operating environment. In the event of Force Majeure, FIAFL will not be able to fulfill the commitments under the FPC to the entire satisfaction of the customer/s, the other stake holders and the public in general.