

:: FAIR PRACTICE CODE::

PREAMBLE:

VCPL has adopted a Fair Practices Code (FPC) in terms of the master direction RBI/DOR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24, dated 19 October, 2023 (updated as on March 21, 2024). It is, and shall be, the policy of **VALLABHI CAPITAL PVT LTD (VCPL)** (the “Company”) to treat all its clients consistently and fairly. The Company will offer assistance and service to their client in a fair, equitable and consistent manner. It shall also communicate its Fair Practices Code (“FPC”) to its clients by uploading the FPC on its website. The Company will ensure that the implementation of the FPC is the responsibility of the entire organization. The Company’s fair lending practices shall apply across all aspects of its operations including origination of the loan proposal, collection of information, appraisal and due diligence, approval, disbursement and collection.

Accordingly, following Fair Practices Code has been approved and adopted by Board of the VCPL.

A. LOANS APPLICATIONS AND THEIR PROCESSING:

- a) All communications by VCPL to the prospective borrower shall be made in vernacular language or a language understood by the borrower.
- b) The Loan application form of VCPL shall contain necessary information to facilitate the borrower in making a meaningful comparison with the terms and conditions offered by other NBFCs and taking an informed decision based on the comparison. The form shall contain a list of documents required to be submitted by the borrower along with the duly filled up form for processing the application.
- c) VCPL shall have a mechanism of issuing acknowledgement (off line/online mode) for receipt of the duly filled up loan application along with necessary documents to the borrower. The decision of VCPL regarding acceptance or rejection of application will be conveyed to the borrower within a reasonable period of time from the date of receipt of the required information from the borrower in full.

B. LOAN APPRAISAL AND TERMS & CONDITIONS:

- a) VCPL shall process the loan application in accordance with the Board approved Lending Policy that provides for internal credit scoring of the borrower based on risk profile and loan pricing. On sanction of loan VCPL shall convey to the borrower in writing (online/Offline), the terms & conditions of loan sanctioned including amount, annualized

rate of interest and the method of its application, penal charges applicable in case of default etc. by means of sanction letter in vernacular language or a language understood by the borrower. A copy of the sanction letter bearing acceptance of the borrower of the terms thereof will be put on record by VCPL.

- b) The loan agreement shall specify the penal charges applicable in case of late payment or default by the borrower.
- c) VCPL shall at the time of sanction / disbursement furnish a copy of the loan agreement and each of the other loan documents executed to the borrower for ready reference.

C. PENAL CHARGES IN LOAN ACCOUNTS

- (a) For non-compliance of material terms and conditions of loan contract by the borrower VCPL shall charge the 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) VCPL shall not introduce any additional component to the rate of interest.
- (c) 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.
- (d) 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.
- (e) The quantum and reason for penal charges shall be clearly disclosed by VCPL 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 VCPL under Interest rates and Service Charges.
- (f) VCPL shall communicate the penal charges whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers.

D. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS:

VCPL shall communicate any change in the terms and conditions of loan including disbursement schedule, interest rates, service charges, prepayment charges etc. through its published website/public notice or by issuing appropriate notice if specific to a borrower, in vernacular language or a language understood by the borrower.

- a) Changes in interest rates and service charges/levies will be effected prospectively. A suitable provision in this regard shall be incorporated in the loan agreement.
- b) Decision of VCPL, if any, to recall/accelerate payment or performance under the loan agreement shall be in consonance with the agreement.

- c) VCPL shall release all securities created for the loan upon repayment of all dues by the borrower or on realisation by VCPL of the outstanding amount of loan in full, subject to any legitimate right or lien for any other claim that VCPL may have against the borrower. If such right of set off is to be exercised, the borrower shall be given due notice with particulars of the claim of VCPL and the conditions under which VCPL will be entitled to retain the securities till the relevant claim is settled/paid.

E. RESPONSIBLE LENDING CONDUCT – RELEASE OF MOVABLE/IMMOVABLE PROPERTY DOCUMENTS

- a) VCPL 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.
- b) The borrower shall be given the option of collecting the original movable/ immovable property documents either from the office.
- c) 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.
- d) In the event of demise of the sole borrower or joint borrowers, VCPL shall return of original movable/immovable property documents to the legal heirs. -

F. RESET OF FLOATING INTEREST RATE ON EQUATED MONTHLY INSTALMENTS (EMI) BASED PERSONAL LOANS

1. At the time of sanction of EMI based floating rate personal loans, VCPL 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 external benchmark rate during the tenor of the loan. However, in respect of EMI based floating rate personal loans, in the wake of rising interest rates, several consumer grievances related to elongation of loan tenor and/or increase in EMI amount, without proper communication with and/or consent of the borrowers have been received. In order to address these concerns, VCPLs are put in place the policy framework meeting the following requirements for implementation and compliance:

Vide circular DOR.MCS.REC.32/01.01.003/2023-24 dated August 18, 2023

- (i) At the time of sanction, VCPL is 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 reset of interest rates, VCPL is providing the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, *inter alia*,

may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.

(iii) The borrowers are 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 are to be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the VCPL from time to time.

(v) VCPL ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

(vi) VCPL 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. VCPL ensure that the statements are simple and easily understood by the borrower.

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

3. VCPL shall ensure that the instructions given above 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.

G. OTHER GENERAL PROVISIONS

- a) VCPL is refrains from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information not earlier disclosed by the borrower, has come to the notice of VCPL). However, this does not imply that the commitment will encroach the right of VCPL to recovery and enforcement of security under law, whatsoever.
- b) In case of receipt of request from the borrower for transfer of his account, the consent or otherwise, i.e., objection of VCPL, if any, shall be conveyed to the borrower within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
- c) VCPL shall not resort to any harassment, such as persistently bothering the borrower at odd hours, use of muscle power for recovery of loan, etc. To ensure this, the staff will be adequately trained to deal with the customers in an appropriate manner.

- d) As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers, VCPL shall not charge foreclosure charges/prepayment penalties on floating rate term loans sanctioned to individual borrowers for the loans sanctioned for other than business purpose.

H. GRIEVANCE REDRESSAL MECHANISM:

The Board of Directors of VCPL's has laid down the appropriate grievance redressal mechanism within the organization. Such a mechanism also ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level.

The management 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.

1. Level 1: The first point for immediate redressal of grievance

Any customer having a grievance / complaint with respect to the product and service offered by VCPL may write/call/visit to the Company' Customer Service Department in the following manner:

Customer Service Department

Email: compliance@vallabhicapital.com

Tel: 011-40521865

Address: SF-4C, Second Floor, Rishabh Ipex Mall,
Patparganj, IP Extension, Delhi 110092

2. Level 2: Nodal Officer

If the customer is not satisfied with the resolution received through the above channels, within 10 working days of receipt of his/her complaint at the VCPL, the customer may write to the VCPL Nodal Officer on Email **office@vallabhicapital.com** with loan account number and complete complaint details provided in the earlier interaction.

3. Level 3: Grievance Redressal Officer

If the customer is not satisfied with the resolution received or if the customer does not hear from the VCPL in 7 working days of receipt of his/her complaint made at

level 2, the customer can write to Grievance Redressal Officer at vallabhicapital.co@gmail.com with loan account number and complete complaint details provided in earlier interaction.

4. Level 4: Appeal to RBI

Incase if the customer is not satisfied with the resolution received or if the customer does not hear from the NBFC in 30 working days of receipt of his/her complaint at the NBFC, he/she may lodge their complaint on RBI CMS portal <https://cms.rbi.org.in> or write them on e-mail id - crpc@rbi.org.in or send complaint form to the below mentioned address:

The Officer In-Charge
Consumer Education and Protection Cell
Reserve Bank of India
6, Sansad Marg
New Delhi - 110 001

I. INTEREST RATE MODEL/ REGULATION OF EXCESSIVE INTEREST CHARGED BY VCPLS

In compliance of guidelines of the RBI VCPL has adopted an Interest Policy duly approved by its Board. Rate of Interest has been charged on various factor such as cost of fund, margin, risk associated, other cost and factors.

Proper transparency in respect of terms and condition of loan, rate of interest, repayment has been adopted.

J. REPOSSESSION OF VEHICLES FINANCED BY VCPLS

VCPLs have a re-possession clause in the contract/loan agreement with the borrower. To ensure transparency, the terms and conditions of the contract/loan agreement also contains provisions regarding:

- (i) Notice period before taking possession;
- (ii) Circumstances under which the notice period can be waived;
- (iii) The procedure for taking possession of the security;
- (iv) A provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;
- (v) The procedure for giving repossession to the borrower; and
- (vi) The procedure for sale/auction of the property.

A copy of such terms and conditions also made available to the borrower. VCPLs is invariably 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.

K. LOAN FACILITIES TO THE PHYSICALLY/VISUALLY CHALLENGED BY VALLABHI CAPITAL PRIVATE LIMITED

At VCPL, we are committed to fostering an inclusive and accessible environment for all our customers. In line with our dedication to serving individuals with diverse needs, we render all possible assistance to our customers (including physically/visually challenged) for availing of the various business facilities.

L. REVIEW OF COMPLIANCE OF THE FAIR PRACTICE CODE AND GRIEVANCE REDRESSAL MECHANISM:

A review of compliance of Fair Practice Code and Grievance Redressal Mechanism shall be submitted by the management to the Board in its annual meetings every year.