



FRONTIER  
CAPITAL  
LIMITED

## FAIR PRACTICE CODE

FCL-SEC-POL-08\_28.12.2015

Rev No: 00

Rev Date: NA

Version: FCL-SEC-POL-08.00

## “FAIR PRACTICE CODE”

### Introduction

Pursuant to Reserve Bank of India (RBI) 's Circular DNBR (PD) CC. NO.054/03.10.119/2015- 16, Dated 01-07-2015, issued to Non-Banking Financial Companies (NBFCs), the Committee of Directors have adopted a Fair Practices Code at its meeting held on 22<sup>nd</sup> February, 2016 in Mumbai .

The Fair Practices Code, as adopted herein below, is in conformity with the Guidelines on Fair Practices Code for NBFCs as contained in the aforesaid RBI Circular.

### FAIR PRACTICES CODE

The Company's business would be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles. In addition, the Company would adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

#### A. Applications for loan and their processing:

1. 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 the borrower can take an informed decision.
2. The loan application form shall indicate the documents required to be submitted with the application form.
3. The Company shall provide acknowledgement for receipt of all loan applications.
4. Time frame within which loan application will be disposed shall be indicated in the acknowledgement.
5. Language of loan application shall be in English and if possible, in vernacular language or language understood by Borrower.

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Approved By:	Usha Iyengar - Director





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**B. Loan Appraisal and Terms/Conditions**

1. The Company shall convey in writing to the borrower by means of approval letter or Sanction Letter;
2. Such Letter shall provide information such as the amount of loan approved, terms and conditions, including the annualized rate of interest and method of application thereof, Penal Interest, Tenure of Loan and maturity date for repayment of Loan and interest thereupon, made of repayments availed to borrower;
3. Company shall keep the acceptance of these terms and conditions by the borrower on the Company's files.

**C. Disbursement of Loans including Changes in Terms and Conditions**

1. The Company shall give notice to all its borrowers of any change in the terms and conditions - including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable provision in this regard shall be incorporated in the loan agreement.
2. Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.
3. The Company shall release all securities on repayment of its full dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the Company may have against its borrowers. 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 the Company is entitled to retain the securities till the relevant claim is settled/paid.

**D. General**

1. The Company shall refrain from interference in the affairs of the borrower except for the purposes provided for in the terms and conditions of the loan agreement (unless

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new information, not earlier disclosed by the borrower, has come to the notice of the Company).

2. In case of receipt of request from the borrower for transfer of borrower's account, the consent or otherwise - i.e., objection of the Company, if any - shall be conveyed to the borrower within 21 days from the date of receipt of any request. Such transfer shall be as per transparent contractual terms in consonance with law.
3. In the matter of recovery of loans, the Company shall not resort to any harassment - such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.
4. Company shall not charge foreclosure charges/pre-payment penalties on floating rate term loans sanctioned to individual borrowers.

**E. Grievance Redressal Mechanism**

1. The Company has formed Grievance Redressal Forum comprising senior management team comprising of any two directors - to resolve disputes arising, if any, in this regard.
2. The said forum will meet within a period of 3 weeks from the date of receiving any grievance intimation. (It shall ensure that all disputes arising out of the decisions of lending by the Company's functionaries are suitably heard and disposed of at least at the next higher level.)
3. The said forum shall provide the highlights of the issues and redressal if any to the Board of Directors for their review and compliance at each subsequent meeting.
4. Compliant/dispute shall be resolved within one month of the receipt of the same.
5. Chief Financial Officer of the Company shall act as Grievance Redressal Officer for resolving the Complaints & Disputes.

**F. Wide Dissemination and Periodic Review**

The Company shall put the above Fair Practices Code outlined hereinabove on its web site, whenever made, for the information of various stakeholders. The Company would also review and refine the Code, as may be required periodically - based on its own experience and fresh guidelines, if, any, to be issued by the RBI in this regard.

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**G. Complaints & Regulations about excessive interest charged by the Company**

1. The Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.
2. The Company 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.
3. 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.
4. The rates of interest and the approach for gradation of risks shall also be made available to the borrowers. The information should be updated whenever there is a change in the rates of interest.
5. 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.

**H. Clarification regarding repossession of vehicles financed by the Company**

The Company shall have a built in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement should 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

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(f) the procedure for sale / auction of the property. A copy of such terms and conditions must be made available to the borrowers in terms of circular wherein it was stated that NBFCs may 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, which may form a key component of such contracts/loan agreements.

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