

## **HB LEASING AND FINANCE COMPANY LIMITED**

### **FAIR PRACTICES CODE (FPC)**

Although the Company is not engaged in the activity of granting loans, however pursuant to the notification issued by the Reserve Bank of India by its circular No. RBI/2006-07/138 DNBS (PD) CC No. 80/03.10.042/2005-06 dated 28th September 2006, the Company formulated this Fair Practices Code on 30th October, 2006. Further, as per the Circular No: DNBS.CC.PD.No.266/03.10.01/2011-12 dated March 26, 2012, the revised Fair Practice Code adopted by the Company on 4th August, 2012 so as to comply with the requirements of the circular is read as under :-

The Company (HB Leasing and Finance Co. Ltd) shall observe the following Guidelines

#### **A. Application for Loans and their Processing**

- All communication shall be issued by the Company to the borrower in the vernacular Language or in the Language understood by the borrower.
- Loan application form shall include necessary information which affects the decision of the borrower and enable the borrower to compare the terms with the other Lenders. A List of documents sought by Lender enabling it to sanction the Loan. Necessary information shall be displayed in the Loan Form in order to have an informed decision to the parties.
- The application form received for sanction shall be acknowledged by the Lender with a time frame of disposal by sanction / decline or the terms of the facility.

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

- The Company shall communicate Sanction or decline or status of application if any to the borrower in writing in the vernacular Language. Sanction shall inter alia include amount of loan, other terms of sanction, rate of interest, annualised rate of interest, any other cost or charges. Acceptance of these terms and conditions shall be kept on record by the borrower. A Copy of the Loan Agreement with annexure duly signed by the parties shall be exchanged and binding on the parties.

#### **C. Disbursement of Loans including Changes in the terms and conditions**

- Any change in the terms and conditions of the Loan shall be communicated to the lender by a Letter in the vernacular language or in the Language understood by the borrower and any changes in the terms shall only be from a prospective date, a mention of these shall be made in the Loan agreement signed by the parties.
- Any decision of recalling of loan and / or accelerated payment or performance under the agreement shall be as per the Loan Agreement.
- The Company shall release all securities held on repayment of dues or on realisation of all outstanding amount. If the Company has exercised its right to set off, the borrower shall be given notice about the same with full particulars about remaining claims and the conditions under which the company is entitled to retain securities till the relevant claim is settled /paid.

#### **D. General Covenant**

- The Company shall refrain from interfering in to the affairs of the borrowers except for the purpose provided in the Loan Agreement(unless new information has come to the notice of the lender which was not earlier disclosed by the borrower)
- A borrower may request for transfer of his borrowal account to another lender subject to approval of NOC from Lenders within 21 days of receipt of request. Transfer shall be as per the transparent contractual terms in consonance with Law.
  
- The Company shall not resort to undue harassment in the recovery of Loan and shall not bother the borrower at odd hours, not use muscle power for recovery of Loan. The company shall use train staff only for recovery and shall ensure that no rude behavior from recovery staff shall be tolerated.
  
- The Company shall lay down an appropriate grievances redressal mechanism within the organisation to resolve disputes arising in this regard. Such a mechanism should ensure that all dispute of misconduct and mis behavior shall be heard and redressed at least at a next higher level. The Board of Directors shall periodically review the compliance of the Fair Practices code and the functioning of the grievances redressal mechanism at various levels of the management. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.
  
- FPC code should be reviewed from time to time and such short comings noticed on review shall be rectified and updated by the Company after obtaining sanction of its Board and disseminate the Code for the benefit of the stake holders on its website.
  
- Though the charging of interest rate is not regulated by the Reserve Bank however interest rate beyond a certain limit may be seen to be excessive and is not sustainable nor be confirming to normal financial practices. FPC shall be transparent in respect of terms and conditions of loan and rate to be charge to the Customer.
  
- The Company shall ensure that the rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customers in the application form and be communicated in the Letter of sanction. The rate of interest and the approach for gradation of risks should be available on the website of the company or in the newspapers and shall be regularly updated whenever changes take place. Interest rate shall be quoted on annualised basis to facilitate comparison by the borrower.
  
- Loan Agreement signed by the Company shall have an inbuilt clause towards repossession of asset which should be legally enforceable. In order to be transparent and customer friendly, the loan agreement shall contain the following:-
  - (i) Notice period before taking repossession
  - (ii) Circumstances when Notice period can be waived.
  - (iii) Procedure for taking possession of the Security
  - (iv) A provision towards 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) Procedure for sale/auction of the property
  
- A Copy of the Loan Agreement containing such terms and conditions should be made available to the all the borrowers while sanctioning / disbursement of the Loan which shall be a key document of such contract.

### **Lending Against Collateral of Gold Jewellery**

While at present the Company is not engaged in this activity but as and when it does so, while lending to individuals against gold jeweler, the Company shall adopt the following in addition to the general guidelines as above.

- i. 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 jeweler received.
  - c. Internal systems to satisfy ownership of the gold jeweler.
  - 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 should be given before the auction date. It should also lay down the auction procedure that would be followed. There should 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 should 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.
- ii. The loan agreement shall also disclose details regarding auction procedure.