

Fair Practice Code

This Fair Practices Code has been prepared in compliance with the “Guidelines on Fair Practices Code for NBFCs” issued by the Reserve Bank of India vide its circular dated July 1, 2015 and subsequent amendments, on Fair Practices Code (FPC) for all NBFCs to be adopted by them while doing lending business and aims to provide its borrowers an effective overview of the practices followed by the Company and to enable borrowers to take informed decisions in respect of the financial facilities and services offered by the Company. The Code covers the general principles on adequate disclosures on the terms and conditions of the loan and the procedures to be followed when dealing with the borrowers. The Fair Practices Code (FPC), as adopted herein **Kisan Rural Finance Ltd**, is in conformity with the guidelines on Fair Practices Code for non-banking finance companies (NBFCs) as prescribed by the Reserve Bank of India.

Objectives of the FPC-

The following are the primary objectives of this Code:

- i. Promote fair and transparent practices by setting minimum standards in dealings with borrowers;
- ii. The Company’s Fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities;
- ii. Kisan Finance’s commitment to the FPC would be demonstrated in terms of employee accountability, monitoring and auditing programs, training and technology.

The Company’s Board of Directors and the management are responsible for establishing practices designed to ensure that its operations reflect a strong commitment to fair lending and that all employees are aware of that commitment.

Applications for loans and their processing:

- (a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- (b) Loan application forms would 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 form would indicate the documents required to be submitted with the application form.

- (c) The Company would give acknowledgment for receipt of all loan applications. The time frame within which loan application shall be disposed of shall also be indicated in the acknowledgment. The company would verify the loan applications within a reasonable period of time. If additional details/documents are required, it would intimate the customers immediately.

Loan appraisal and terms/conditions:

- (a) The Company would ensure that there is proper assessment of credit application made by borrowers. The assessment would be in line with the Company's credit policies and procedures.
- (b) The Company shall furnish a copy of the loan agreement preferably in the vernacular language or a language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to the borrowers at the time of sanction/disbursement of loans.

Disbursement of loans including changes in terms and conditions:

- (a) The Company would ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction. The Company shall give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms, including disbursement schedule, interest rates, service charges, prepayment charges etc.
- (b) The Company shall 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.
- (c) Decision to recall / accelerate payment or performance under the agreement should be in consonance with the loan agreement.
- (d) The Company shall release all securities on repayment of all 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 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 the Company is entitled to retain the securities till the relevant claim is settled/paid.

General:

- (a) The Company 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 Company).
- (b) In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e. objection of the Company, 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, consistent with its policy over the years, the Company shall not resort to undue harassment viz.. Persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. The Company's staff are adequately trained (including not to behave rudely with customers) to deal with customers in an appropriate manner. The contract/loan agreement with the borrower shall contain the repossession clauses in line with RBI circular no. RBI/2008-09/454 DNBS (PD) CC No. 139/03.10.001/2008-09 dated 24th April 2009.

Grievances:

- (a) The Board of Directors have laid down the appropriate grievance redressal mechanism to ensure that the disputes arising out of the decisions of the Company's functionaries would be disposed of at the next higher level.

There will be a 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.

- (b) Grievance Redressal Officer

Posting on Website:

Fair Practices Code, preferably in the vernacular language or a language as understood by the borrower should be put up on the web-site of the Company for the information of various stakeholders.

Regulation of Excessive Interest rate charged:

The Company shall follow the appropriate internal principles and procedures in determining interest rates and processing and other charges in line with the approved policies from time to time.

The Company shall follow the interest rate model adopted and approved by the Board and made available on the website. 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 in the application form and communicated explicitly in the loan agreement. The rate of interest shall be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

Repossession of Vehicles financed by the company:

The Company has included a built in re-possession clause in the loan agreement with the borrower which is legally enforceable. To ensure transparency, the terms and conditions of the loan agreement also contains 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 is made available to the borrowers.