

**FAIR PRACTICE CODE**

**FOR**

**JFC FINANCE (INDIA) LIMITED**

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## **1. Introduction**

The Reserve Bank vide its circular dated September 28, 2006, issued guidelines on Fair Practices Code (FPC) for all NBFCs to be adopted by them while doing lending business. The guidelines inter alia, covered general principles on adequate disclosures on the terms and conditions of a loan and also adopting a non-coercive recovery method.

RBI vide its master circular No. DNBR (PD) CC.No.054/03.10.119/2015-16 dated July, 01, 2015 has amended the guidelines for Fair Practice Code for NBFCs.

## **2. Background of the Company**

JFC Finance (India) Limited (“JFC”) *“hereinafter called the Company”* is a public company incorporated on 27<sup>th</sup> September, 1995 is a Non- Banking Financial Company- Non Deposit taking involved in the business of lend or advance money either with or without security and to carry on the business of money lenders and the company in no way carrying on any business of banking or deposit taking.

## **3. Guidelines on Fair Practice Code**

### **A- (i) Application 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 should include necessary information which affects the interest of the borrower. Loan application form may indicate the documents required to be submitted with the application form.

(c) Issue acknowledgement for receipt of all loan applications and also mentioned the time frame within which loan applications will be disposed off.

## **(ii) Loan appraisal and terms/conditions**

The Company shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record.

Company shall mention the penal interest charged for late repayment in **bold** in the loan agreement.

Company shall furnish a copy of the loan agreement as 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) The Company shall give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
- b) Company shall ensure that changes in interest rates and charges are effected only prospectively.
- c) Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- d) Company 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 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 Company are entitled to retain the securities till the relevant claim is settled / paid.

## **(iv) General**

- (a) Company 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 information, not earlier disclosed by the borrower, has been noticed).

(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, 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, the Company shall not resort to undue harassment viz; persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc.

(d) Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to *individual borrowers*.

**(v) Responsibility of Board of Directors**

The Board of Directors of Company should also lay down the appropriate grievance redressal mechanism within the organization. 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.

**(vi) Grievance Redressal Officer**

(a) Company have to display 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.

(b) 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 NBFC falls.

**(vii) Language and mode of communicating Fair Practice Code**

Fair Practices Code (which should preferably in the vernacular language or a language as understood by the borrower) based on the guidelines outlined hereinabove should be put in place by company with the approval of their Boards.

**(viii) Regulation of excessive interest charged by NBFCs**

- (a) The Board of the Company shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium 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 web-site 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 annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

**(ix) Complaints about excessive interest charged by NBFCs**

Board of the Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

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