

POLICY ON FAIR PRACTICE CODE

VERSION 1.2



KHIMJI
FINSERVE

Introduction

Khimji Finserve Private Limited, an NBFC specializing in providing Gold Loans through a retail business model, is committed to upholding fair business practices in line with RBI policy guidelines for customer interactions. As such, the Fair Practice Code (FPC) has been revised in accordance with the Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023. The company's dedication to excellence will be reflected in its continuous adoption of best practices, adherence to fair lending principles across all business functions, and unwavering commitment to safeguarding customer privacy and confidentiality.

Purpose

- 1) Implement industry-leading practices when interacting with customers to maintain exceptional operational standards and guarantee customer delight.
- 2) Uphold transparent and ethical business practices to foster trust and integrity in all transactions.
- 3) Offer complete and pertinent information to customers, fostering a mutually advantageous long-term association.
- 4) Commit to maintaining a fair and friendly relationship with customers, always prioritizing their needs and satisfaction.

Applicability

The FPC will be applicable to every office and branches of the Company, and it will be mandatory for all employees and officers to adhere to its guidelines.

1.1 Loan Application and its Processing

The Company shall ensure the following with respect to the receipt and processing of loan applications:

- 1.1.1 All communications to the borrower shall be in the vernacular language or in a language that he/she can comprehend.
- 1.1.2 The Loan application shall indicate the list of documents to be submitted by the borrower.
- 1.1.3 The Loan application shall contain the necessary information that enables the borrower to make a meaningful comparison with the terms and conditions offered by other companies and thus make an informed decision.

- 1.1.4 The Company shall issue an acknowledgement (Customer copy of pledge form) against receipt of the loan application, including an indicative timeframe within which the loan application will be processed.
- 1.1.5 The Company shall verify the loan application, and where additional details/documents are required, the applicant will be informed to submit the same.
- 1.1.6 Borrower will be required to produce necessary documents to comply with the KYC guidelines of RBI.

1.2 Loan Appraisal, Terms and Conditions

- 1.2.1 The Company shall communicate the following in writing/other modes by means of a sanction letter or otherwise in the vernacular language or in a language the customer can understand:
 - 1.2.1.1 The amount of loan sanctioned,
 - 1.2.1.2 Terms and conditions of the loan,
 - 1.2.1.3 The annualised rate of interest, mode of application thereof,
 - 1.2.1.4 Penal rate of interest in case of late repayment (in bold).
- 1.2.2 The Company shall provide a copy of the loan agreement to the borrower along with a copy of each, of all the enclosures quoted in the loan agreement at the time of sanction/disbursement of loans.
- 1.2.3 The Company shall convey to the borrower the credit limit and the terms and conditions thereof and obtain the borrower's acceptance of these terms and conditions as given with his/her full knowledge on record.
- 1.2.4 The loan agreement shall clearly state that the credit facilities will be extended solely at the discretion of the Company.
- 1.2.5 The loan agreement shall also disclose the details regarding the auction procedure.
- 1.2.6 In case the application is rejected, the Company shall convey in writing to the applicant the reasons for rejection on the same day.

1.3 Disbursement of Loans, including changes in terms and conditions

- 1.3.1 The Company shall notify the following aspects to the borrower in a vernacular language or in a language the customer can understand:
 - 1.3.1.1 Any change in the terms and conditions,
 - 1.3.1.2 Change in disbursement schedule,
 - 1.3.1.3 Change in interest rates,
 - 1.3.1.4 Change in service charges, prepayment charges etc.
- 1.3.2 The Company would ensure timely disbursement of loans sanctioned according to the terms and conditions governing such sanctions.
- 1.3.3 The Company shall ensure that changes in interest rates (if any) and charges (if any) are effected only prospectively.
- 1.3.4 The loan agreement includes a suitable clause in this regard.
- 1.3.5 The Company shall ensure that any decision to recall/accelerate payment or performance under the agreement is as per the loan agreement.
- 1.3.6 All securities/collateral shall be released on repayment of all dues or on the realisation of the

outstanding amount of loan, provided there is no other legitimate right or lien for any other claim the Company may have against the borrower.

- 1.3.7 To exercise the right of set-off, the Company shall give notice to the borrower 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.
- 1.3.8 In order to address the contingent event of demise of the sole borrower or joint borrowers, The company shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the Company along with other similar policies and procedures for customer information.
- 1.3.9 In case of delay in releasing of original movable/immovable property documents, the company shall communicate to the borrower reasons for such delay, in case where the delay is attributable to the Company, it shall compensate the borrower at the rate of ₹5,000 for each day of delay.
- 1.3.10 In the event of loss or damage to the pledged items, whether in part or in full, the Company shall bear the associated costs, except in cases of force majeure.
- 1.3.11 The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

1.4 Penal charges in Loan Accounts

- 1.4.1 Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as '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.
- 1.4.2 The company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- 1.4.3 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.
- 1.4.4 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 nonindividual borrowers for similar non-compliance of material terms and conditions.
- 1.4.5 The quantum and reason for penal charges shall be clearly disclosed by the Company 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 the Company under Interest rates and Service Charges.
- 1.4.6 Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

1.5 Responsibility of the Board of Directors

The Fair Practices Code, duly approved by the Board, shall be published on the RE's website, and made available at the branches for the information of various stakeholders.

- 1.5.1 The Board of Directors shall lay down the Grievance Redressal mechanism and ensure that all disputes arising are heard and resolved at least at the next higher level.
- 1.5.2 The Fair Practices Code for Lenders shall be reviewed annually for compliance and presented to the Board.
- 1.5.3 The functioning of the Grievance Redressal Mechanism at all levels of management shall be reviewed and presented to the Board annually.
- 1.5.4 The Board shall review and approve the Policy covering the following:
 - 1.5.4.1 KYC guidelines stipulated by RBI are complied with to ensure that adequate due diligence is conducted on the customer before extending any loan.
 - 1.5.4.2 Proper assaying procedure for the jewellery received,
 - 1.5.4.3 Internal systems to satisfy ownership of the gold jewellery,
 - 1.5.4.4 The jewellery accepted as collateral shall be appropriately insured,
 - 1.5.4.5 Transparency of the auction procedure, in case of non-repayment with adequate prior notice to the borrower.
 - 1.5.4.6 Adequate systems for storing the jewellery in safe custody, reviewing the systems periodically, training the concerned staff and periodic audits by internal auditors.

1.6 Auctioning

The auction shall be announced to the public by issuing advertisements in at least two newspapers, one in vernacular and another in a national daily newspaper.

- 1.6.1 As a policy, the Company shall not participate in the auctions held.
- 1.6.2 The auctioning of the gold pledged with the Company shall be conducted only through the auctioneers, approved by the Board.
- 1.6.3 The auction shall be conducted in the same town or taluka in which the branch that has extended the loan is located.
- 1.6.4 The gold jewellery from different branches in a district, marked for auction may be pooled by the Company and may be auctioned at any location within the district, subject to failure of the first auction and meeting all other regulatory requirements regarding auction (prior notice, reserve price, arms-length relationship, disclosures, etc.).
- 1.6.5 While auctioning the gold the Company must declare a reserve price for the pledged ornaments. The reserve price for the pledged ornaments shall not be less than 85 percent of the previous 30 days average closing price of 22 carat gold as declared by the Bombay Bullion Association Ltd. (BBA) or the historical spot gold price data publicly disseminated by a commodity exchange regulated by the Forward Markets Commission and value of the jewellery of lower purity in terms of carats shall be proportionately reduced.
- 1.6.6 It shall be mandatory on the part of the Company to provide full details of the value fetched in the auction and the outstanding dues adjusted and any amount over and above the loan outstanding shall be payable to the borrower.
- 1.6.7 The company shall disclose in their annual reports the details of the auctions conducted during the financial year including the number of loan accounts, outstanding amounts, value fetched and whether any of its sister concerns participated in the auction.

1.7 Grievance Redressal Officer

The Company shall publish the following information at the branches and other prominent places of business for customer visibility:

- 1.7.1 The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who the public can approach for Resolution of complaints against the Company
- 1.7.2 In case the complaint/dispute is not redressed within one month, the customer may appeal to the Officer- in-Charge of the Regional Office of DNBS of RBI, under whose jurisdiction the registered office of the Company falls.

1.8 Language and Mode of Communicating the Fair Practices Code

- 1.8.1 The Fair Practices code shall be drafted in the vernacular, or a language understood by the borrowers.
- 1.8.2 The Board shall approve the code
- 1.8.3 The code shall be put up on the Company's website.

1.9 Regulation of Excessive Interest Charged

- 1.9.1 The interest rate adopted by the Board shall consider the following:
 - 1.9.1.1 Cost of funds
 - 1.9.1.2 Margin and risk premium
- 1.9.2 The Company shall explicitly communicate and disclose the following, to the borrower in the application form and loan sanction letter.
 - 1.9.2.1 Rate of interest
 - 1.9.2.2 The approach for gradations of risk
 - 1.9.2.3 The different rates of interest charged for various products/schemes and to various categories of borrowers.
- 1.9.3 The rates of interest and the approach for the gradation of risks shall be published by the Company, on the website.
- 1.9.4 Whenever there is a change in interest rates, the Company shall update the website and other channels.
- 1.9.5 The interest rate shall be annualised so that the borrower knows the exact rates charged to the account.

1.10 Complaints on Excessive Interest Charged

- 1.10.1 The Board of the Company shall draft appropriate internal principles and procedures in determining interest rates, processing charges and other charges

- 1.10.2 The interest rates so arrived shall not be excessive or unsustainable.
- 1.10.3 The Company shall maintain transparency in the interest rates.

1.11 General

- 1.11.1 The Company shall not interfere in the borrower's affairs except for the purposes provided in the terms and conditions of the loan agreement.
- 1.11.2 For recovery of loans, the Company shall not:
 - 1.11.2.1 Resort to undue coercive methods
 - 1.11.2.2 Harassment for recovery of loans
 - 1.11.2.3 Persistently bother the borrowers at odd hours,
 - 1.11.2.4 Use muscle power for recovery of loans etc.
- 1.11.3 The staff shall be trained appropriately to deal with customers in recovering loans.
- 1.11.4 If any information not disclosed earlier by the borrower has come to the notice of the Company, the Company will have the right to elicit the necessary information from the borrower and initiate action to protect its interest.
- 1.11.5 The customer's PAN card shall be mandated for transactions over Rs. Five (5) lakhs in value.
- 1.11.6 Documents across all branches shall be standardised.
- 1.11.7 The Company shall not advertise unrealistic shorter timelines for loan sanction and disbursement to attract customers.
- 1.11.8 The policy shall also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilisation, execution and approval.