

FAIR PRACTICES CODE

The Reserve Bank of India has prescribed broad guidelines on fair practices that are to be framed and adopted by NBFCs vide Circular No. DNBR (PD) CC.No.054/ 03/10/119/2015-16 dated July 01, 2015 as mentioned below. The Company had on its part incorporated the modifications wherever required and brought to affect a revised Fair Practices Code for strict compliance.

Muthoot Vehicle & Asset Finance Ltd. upholds the basic values in life and has always held the rights and aspirations of customers in high esteem. It strives to be guided by regulatory instructions in spirit and actual delivery and in fact attempt to voluntarily excel the regulatory instructions of RBI codified as the "Fair Practices Code". This Fair Practices Code is aimed to provide to all the stake holders, especially customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the Company to its Customers. This Fair Practices Code has been prepared and updated after taking in to account the "Guidelines on Fair Practices Code for NBFCs" issued by the Reserve Bank of India and aims to enable customers to take informed decisions in respect of the facilities and services offered by the Company.

I. Objectives of the Code

This Code has been drawn up to:

- a) Provide to the customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the Company to its Customers;*
- b) Enable customers to take informed decision about the financial facilities and services offered by the Company;*
- c) Promote good, fair, transparent and trustworthy practices by setting minimum standards in dealings with customers;*
- d) Enable customers to have better understanding of what they can reasonably expect of the services offered by the Company;*
- e) Reckon with market forces, through competition and strive to achieve higher operating standards;*

f) Foster fair and cordial relationship between the customers and the Company.

II. 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 should 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 may indicate the documents required to be submitted with the application form.

c) If any additional documents/information is required from the Customer, same shall be communicated to the Customer immediately.

III. Loan Appraisal and terms/conditions

a) The loan applications received will be duly acknowledged by branches and the probable date of sanction will be communicated in the acknowledgement. Sanction or otherwise in any case, will in normal case be conveyed within 10 days of receipt of application.

b) The borrower shall be given a loan sanction letter in vernacular language or a language as understood by the borrower which shall include the details of the loan such as amount sanctioned, annualized interest rate, method of application thereof, penal interest that will be charged for late payment (in bold letters) and any other terms and conditions.

c) An acknowledged copy of the sanction letter shall be kept as part of the document.

d) Subject to receipt of all the requisite documentation and information and creation of charge over the security, loan applications shall be disposed of in the normal course within 10 days of receipt of the application form complete in all respects. However, if there is any delay in sanctioning the loan beyond the period of 10 days due to reasons like field verification etc, customer shall be kept informed of the status of his application.

e) The 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.

IV. Disbursement of loans/ Changes in terms and conditions

- a) *The loan shall be disbursed on executing the necessary documents and completion of the formalities regarding creating a charge over the security offered by the borrower. Any change in the terms and conditions including interest rates, service charges, prepayment charges etc. shall be informed to the borrower in the vernacular language or a language known to the borrower. Any changes in interest rates shall be only prospective. A suitable condition in this regard shall be incorporated in the letter of undertaking obtained from the borrower.*
- b) *Decision to recall/accelerate payment shall be as per the covenants in the letter of undertaking/loan agreement.*
- c) *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, all securities shall be released to the 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.*

V. Rate of Interest

- a. *The Company shall frame appropriate internal principles and procedures for determining the interest rates and processing and other charges, if any and also to ensure that they are not excessive. The Company shall, at the time of disbursement, ensure that the interest rate and other charges, if any, on loan and advances are in strict adherence to above referred internal principles and procedures.*
- b. *The rate of interest as annualized rates should be communicated to the Borrowers so that the borrower is aware of the exact rates that would be charged on the loan*
- c. *The information published in the website shall be updated whenever there is change in the rates.*
- d. *Interest will be charged on the daily balance outstanding at monthly rest on the basis of the actual number of days from the date of availing the loan to the date of closure of the loan.*
- e. *The rate of interest shall be communicated explicitly in the sanction letter issued to the*

borrower.

- f. The range of interest rates prevailing in the company shall be made available on the website.*
- g. If penal interest is to be levied for late payment, it shall be mentioned in a separate paragraph in the loan agreement.*
- h. Rebate on interest rates meant to encourage timely periodical payment of interest under each scheme, levying of additional interest for discouraging loans from crossing the sanctioned period etc., shall be mentioned clearly in the loan agreement.*
- i. No pre-payment penalties/foreclosure charges will be levied on gold loans in the normal course. In case such charges are applicable for any scheme, it will be disclosed in the sanction letter.*
- j. Changes in Rate of Interest shall be effected prospectively.*

Method of Calculation of Interest:

The interest shall be calculated for the actual number of days the loan remains outstanding from the date of loan disbursement to the date of closure. However, if the borrower closes the loan within 7 days from the date of disbursement, then a minimum interest for 7 days shall be payable for gold loan schemes where the minimum effective interest rate is more than 11%. For gold loan schemes with minimum effective interest rate is 11% and below, a minimum interest for 15 days shall be payable, if the borrower closes the loan within 15 days from the date of disbursement. If the amount of interest so calculated is less than Rs.50/- then a minimum interest of Rs.50/- will be charged.

A rebate in interest rate may be provided for encouraging timely repayment of interest or closure of the loan on or before the specified tenor as per different slabs built into each scheme.

VI. Policy on KYC, Appraisal, Insurance, Storage of Securities, Auction, Recovery, Transfer, Repossession etc.

The Company shall put in place a policy duly approved by the Board covering the following aspects:

- 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 valuation procedure for assets accepted for hypothecation and other collateral security if any.*

- c. The hypothecated assets shall be periodically inspected to ensure its quality.*
- d. Proper appraisal procedure for assessing the value and purity of the jewellery accepted as collateral security.*
- e. Declaration shall be obtained from the borrower confirming ownership of gold jewellery.*
- f. All branches shall have proper storage facility of either Strong Rooms or Safes conforming to BIS Standards of reputed make to store the jewellery in safe custody. The sets of keys to the strong room/safe shall be held separately by two officials and the operations thereof shall be done jointly. The staff shall be imparted training on a continuous basis to ensure that the guidelines covering security issues are strictly adhered to. The gold items shall be periodically inspected by the internal auditors to ensure quality, quantity and proper storage*
- g. The jewellery accepted as collateral security shall be adequately and appropriately insured.*

The auction procedure in case of non – repayment shall be transparent. Prior notice to the borrower shall be given before the auction and there shall not be any conflict of interest. The auction process shall ensure that an arms length relationship in all transactions during the auction is maintained including with group companies and related entities. The details regarding procedure for auction shall be disclosed in the loan document for availing the loan. The auction will be only through auctioneers approved by the Board and the Company shall not participate in the auction. The auction shall be announced to the public by issuing advertisements in at least two newspapers, one in vernacular language and the other in a national daily newspaper.

- h. Any fraud in the functioning of the Company shall be enquired into by the appropriate authority and suitable punitive measure shall be taken by the appropriate disciplinary authority. Any review of the decision of the disciplinary authority shall be carried out by the Whole time Director*

VII. Recovery and Collection of Dues

Loans are normally given for definite periods with repayment stipulated on a monthly basis, equated or on staggered or deferred basis. Any defaults in payments will attract penal interest for delay for the amounts defaulted. Such defaults will be followed up for recovery in accordance with the laws of the land which may involve reminding over phone, by mail or by personal visits and or repossession of security. The collection policy will be based on courtesy, fair treatment and persuasion. The staff engaged in the recovery process will be carrying with them duly issued photo identity cards of the company.

VIII. Repossession

Repossession of vehicles of defaulted borrowers will be as per the conditions agreed upon. The company encourages voluntary surrender of vehicles as a matter of policy and refrains from use of force or muscle power for recovery of loans. The company and its employees will stay away from unnecessary interference in the affairs of borrower except for the purposes provided in the loan agreement.

The auction procedure in case of non – repayment shall be transparent. Any sale/ auction of repossessed vehicle shall be only after giving a final chance to borrower for repayment of loan and return of vehicle. Prior notice to the borrower shall be given before the auction and there shall not be any conflict of interest. The sale price will be determined on the basis of public auction or otherwise as to get maximum possible price for the vehicle. If by auction the same shall be announced to the public by issuing advertisements in newspapers in vernacular language. The balance in the loan remaining unpaid after sale will be recoverable from the borrower as per normal laws

IX. Transfer/ takeover of loans

Any request of borrower to transfer the borrowal account will be duly considered and the transfer proceedings shall be transparent and in terms of contractual terms. Any objection on transfers will be conveyed within a period of 21 days from the date of receipt of transfer request.

V. Confidentiality

- a) Unless authorized by the borrower, the Company will treat all personal information as private and confidential.*
- b) The Company may not reveal transaction details of the borrowers to any other persons except under following circumstances.*
 - i) If the Company is required to provide the information as per regulatory directives to any statutory or regulatory body or bodies.*
 - ii) If arising out of a duty to the public to reveal the information.*
 - iii) If it is in the interest of the borrowers to provide such information (eg. Fraud prevention)*

iv) If the borrower has authorized the Company to provide such information to its group/associate/entities or Companies or any such person/entity as specifically agreed upon.

X. Grievance Redressal Mechanism

The company has a well-defined grievances redressal system for addressing the customer complaints at various stages. Any deviations from the loan policy guidelines and

transactions or irregularities may be taken up with Branch-in-Charge, who will attend to the needs of customers. All Branches have been provided with complaint Registers wherein the customers can record their complaints. All complaints will be redressed within a maximum period of three days in the normal course. Wherever the Branches are unable to resolve the complaint, the customer will be suitably advised the reasons and course of action initiated.

Grievances against any of the outsourced agencies engaged by the Company for various activities like sourcing of applications/collections etc. will also come under the purview of the Grievance Redressal Mechanism.

For redressal of their grievances, customers can approach the Branches and Corporate Office as the case may be as under:

Level-1

Customers having grievances about any matters relating to their accounts, service deficiencies, dealings of employees etc. can lodge their complaint at the Branch directly to the Branch Manager. Branch - in - Charge will be the authority at Branch to resolve the complaints. The complaints received shall be acknowledged immediately and solution advised within three days of receipt.

Level-2

If the complaints are not resolved at Branches, the customers can approach Corporate Office and lodge their complaint to: - the Customer Redressal Officer (Grievances Redressal Cell) at

Corporate Office. Such complaints will be resolved within a maximum period of 15 days.

The Customer Redressal Officer at Corporate Office for grievance redressal shall be Ms.Geena Ajith, Chief Financial Officer, who will be responsible for the implementation and monitoring of customer grievances redressal in the Company. The Grievances Redressal Cell constitutes of the following additional members. The Customer Redressal Officer can be contacted at the address below:

*Ms Geena Ajith,
Chief Financial Officer
Muthoot Vehicle & Asset Finance Ltd.
Corporate Office, 5th Floor, Mithun Tower,
K P Vallon Road Kadavanthra, Kochi – 682 020.
Phone: 7593864403
E-mail: geenaajith@muthootgroup.com*

Level-3

If not satisfied with the results of the complaints referred to Customer Redressal Officer at Corporate office, the customer can approach the CEO at Corporate Office for redressal in the address given below:

*Mr P.T.Philip-CEO
Muthoot Vehicle & Asset Finance Ltd.
Corporate Office, 6th Floor, Mithun Tower,
K P Vallon Road Kadavanthra, Kochi – 682 020
Phone: 9288025395
E-mail: philip.pt@mvaf.com*

In the event of rejection of the complaint wholly or partly by the CEO, it will be subject to review by the Internal Ombudsman before communicating to the complainant.

Level -4

If the complaint/dispute is not redressed within a period of one month, the customer may appeal to the NBFC Ombudsman of the Regional Office of DNBS of RBI as per the contact details displayed in the branch.

The contact details of the Grievance Redressal Officer and also that of the RBI Ombudsman/Regional Office of the Reserve Bank of India shall be displayed in all the Branches for the benefit of customers.

A periodical review of the Fair Practices Code and functioning of the grievances redressal mechanism at various levels of management would be undertaken by the Company at regular intervals and a consolidated report of such reviews shall be submitted to the Board of Directors at regular intervals.

XI. General

(a) The Company shall display the normal business hours at the respective Branches, the list of holidays and notify the changes, if any, by way of a notice displayed in the premises of the branch or through press notification.

(b) Personal information of the customer will not be shared with unauthorized persons or agencies or third parties by the Company. However, the Company will be bound to honour and comply with legal or regulatory requirements, if any, in this matter obligating it to part with such information even without notice to the customer.

(c) The Company shall refrain from interfering in the affairs of the borrower except for the purposes provided in the terms and conditions of the letter of undertaking (unless new information, not earlier disclosed by the borrower, has come to the notice of the lender).

(d) In the matter of recovery of loans, 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 staff of the Company shall be adequately trained to deal with the customers in an appropriate manner so as to ensure proper behaviour.

(e) The Company will not entertain any request for transfer of borrowal accounts as this is not practical in the case of loans granted against collateral of gold jewellery pledged.

(f) The Company will normally call delinquent customers between 09:00 hrs to 18:00 hrs unless special circumstances of the borrower's business require to call them outside the hours mentioned.
