



**Sugmya Finance Private Limited**

# **Fair Practice Code (FPC)**

**Issuing Department:** Internal Process & Policy

**Approved By:** The Board of the Company

**Date of Approval:** April 09, 2022

**Version No.** V2.0

**Registered Office: 602, 6<sup>th</sup> Floor, Plot No. 16, Rishabh Corporate Tower, Community Centre,  
Karkardooma, Delhi-110092**

## FAIR PRACTICE CODE

### **SUGMYA FINANCE PRIVATE LIMITED**

#### FAIR PRACTICE CODE

#### **A) PREAMBLE / INTRODUCTION**

The Fair Practice Code ("FPC") has been formulated by Sugmya Finance Private Limited (the Company) in accordance with Reserve Bank of India Guidelines issued by the Department of Non-Banking Financial Companies vide Circular No. RBI/2015-16/16 DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015 on Fair Practices Code for NBFCs.

The FPC will be applicable to all the offices of the Company including the Registered Office and Branches, if any, located across India. The FPC shall be binding on all the employees and officers of the Company.

#### **B) OBJECTIVES**

The objectives of the FPC are as under:

- i. Adopt the best practices in dealings with customers.
- ii. Set challenging benchmarks and strive to achieve high operating standards for ensuring customer satisfaction.
- iii. Follow transparent, fair, ethical and legally tenable practices while conducting business.
- iv. Provide all necessary information and inputs to customers / prospective customers and promote a mutually beneficial long-term relationship.
- v. Facilitate a continuously growing base of satisfied customers while scrupulously avoiding acquisition of customers having doubtful credentials or criminal background.

#### **C) DECLARATIONS & COMMITMENTS**

- i. The Company undertakes to abide by all applicable laws, regulations and guidelines passed / issued by the Regulators (Reserve Bank of India, MCA etc.) and other competent authorities such as Government, Local Authority etc.
- ii. The Company commits itself to full customer satisfaction through efficient, professional and courteous services across all its offices.
- iii. The Company shall consistently strive to meet with and improve upon the internally set benchmarks and practices and be ahead of the standards prevalent in the industry.
- iv. The Company undertakes not to discriminate customers on grounds of religion, caste, gender or language.
- v. The Company will provide clear and full information about its products and services to its customers / prospective customers and will not resort to any misleading or potentially misguiding advertisement or publicity.
- vi. The Company undertakes to desist from introducing any products / services having elements of hidden charges or lack of transparency.

- vii. The Company will communicate in the local language with the customer and in English at the request of the customer. customer for any accidental, inadvertent or fraudulent loss of the security whilst in the custody of the Company.
- viii. The Company undertakes not to take advantage of any unintentional or clerical error made by the customer while transacting business.
- ix. The Company is committed to put in place a system for promptly addressing complaints and suggestions of the customers supplemented with a structured Grievance Redressal Mechanism having an escalation matrix.
- x. The Company shall display the FPC on its website and also make available to the Customer, on request, a copy of the FPC on demand.

**D) Application for Loans and their processing:**

- i. All communication to the borrower will be in vernacular language or a language as understood by the borrower.
- ii. All Loan Application Forms shall contain detailed information relating to the terms and conditions governing the Loan and other relevant information affecting the interest of our valuable customers. These forms shall also contain the particulars of standard documents to be submitted with the Application Form. However, the Company may, depending on the credit underwriting requirements require other documents from the customers, as it may deem fit.
- iii. The Company explains to the customers the contents of various loan documents in the vernacular language and further ensures that the customer understands the terms and conditions governing the Loan.
- iv. Loan application forms shall 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.
- v. Wherever applicable, the Company shall follow the system of issuing acknowledgements for receipt of all loan applications. The Company will consider all the documents submitted and the information provided, verify the credit worthiness of the customer and evaluate the proposal at its sole discretion. The Company shall further endeavour to intimate the status of all loan applications regarding its acceptance or rejection within 7 working days of receiving the application along with all necessary documents.
- vi. The completed loan application form shall indicate the loan amount to be disbursed, information which affects the interest of the borrower, the annualised rate of interest applicable, processing fee (if any), dates of interest payments due, loan tenure etc. Company shall provide the acknowledgement receipt of the loan application form with the time frame within which loan applications will be disposed of.
- vii. 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 shall keep the acceptance of these terms and conditions by the borrower on its record.

**E) Loan Appraisal and Terms and Conditions:**

- i. Sugmya shall convey in writing to the borrower in the English or 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 the record.
- ii. Sugmya shall furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers after the disbursement of loans.
- iii. Sugmya shall mention the penal interest charged for late repayment in bold in the loan agreement.
- iv. Acceptance of the Sanction Letter by the customer shall be kept on record.

**F) Disbursement of Loans and changes in Terms and Conditions:**

- a) **Sugmya** shall value openness and transparency in the system. The Company shall keep the customers informed in the vernacular language or a language as understood by the borrower, in the event of any modification in terms and conditions, repayment schedule, interest rates, security, and other changes material to customer's relation with the Company. Any changes in interest rates and charges shall be affected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- b) **Recall of Loan:** Any decision pertaining to Recall of Loan or Acceleration of repayment or seeking of any additional securities shall be taken strictly in accordance with the relevant provisions in the respective agreement with the customer and amendments made thereto.
- c) **Release of Securities:** Sugmya 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 claims, the Company may have against the borrowers. 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.

## **G) General Clauses:**

### **I. Non-Interference:**

- i. The Company or any of the employee of the Company shall not interfere in the affairs of the borrower except as provided under the circumstances mentioned in the agreement.
- ii. If any new information or findings not previously disclosed by the borrower comes to the notice of the Company, the above restriction shall not apply.

### **II. Transfer of Account**

Whenever a request for transfer of loan account is received from a customer, the Company shall respond to the same within 21 days of receipt of request. Acceptance or refusal thereof shall be in accordance with terms of the agreement. Such transfer shall be as per transparent contractual terms in consonance with law.

### **III. Recovery Process**

If any recovery proceedings need to be initiated, these shall be conducted in accordance with the rights provided under the Agreement and in accordance with legally accepted norms. The Company trains its staff adequately to deal with the customers in an appropriate manner. The Company does not resort to coercive measures (like persistently bothering at odd hours, use of muscle power, rude behaviour or harassment from any of the staff of the Company) for recovery of loan.

### **IV. Foreclosure charges/ Pre-payment penalties on floating rate term loans**

As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of the Company, the Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

## **K) Responsibility of the Board of Directors:**

The Board of Directors or the Committee thereof of Company shall lay down appropriate grievance redressal mechanism within the organization. Such a mechanism should ensure that all disputes arising out of the decisions of Company's functionaries are heard and disposed of at least at the next higher level. The Board of Directors either through itself or by through any Committee thereof shall 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 appropriate.

## **L) Grievance Redressal and Customer Relationship Management:**

It shall be the Endeavour of the Company to improve the quality of service and redress complaints and grievances, if any, of the customers as part of Customer Relationship Management.

Customer complaints, shall in the first instance, be logged in at the nearest Office/Branch. The designated Customer Satisfaction Executive shall be the first point of contact.

In the event of non-disposal of complaint by the designated executive, the same shall be escalated using the escalation matrix intimated to customers so that the customer grievance is resolved speedily.

Sugmya shall disclose the following at all its branches/ places where business is transacted and on its website:

- i) 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.
- ii) 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, RBI, Delhi.

## **M) Regulation of excessive interest charged by NBFCs**

### **I. Interest Rate:**

Appropriate internal principles and procedures in determining interest rates and processing and other charges shall be followed in line with the approved company policies from time to time.

The rate of interest arrived shall be based on the weighted average cost of funds, administrative costs, risk premium and profit margin.

### **II. Gradation of Risk:**

The decision to give a loan and the interest rate applicable to each loan account shall be assessed on a case-to-case basis, based on multiple parameters such as the type of asset being financed, borrower profile and repayment capacity, borrower's other financial commitments, past repayment track record, if any, the security for the loan as represented by the underlying assets, loan to value ratio, mode of payment, tenure of the loan, geography (location) of the borrower, end use of the asset etc.

The rates of interest are subject to change as the situation warrants and are subject to the discretion of the management on a case-to-case basis.

The rate of interest informed are annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

## **N) Disclosures in loan agreement / loan card**

Sugmya shall have a Board approved, standard loan agreement preferably in vernacular language. In the loan agreement following shall be disclosed:

- i. All the terms and conditions of the loan
- ii. Pricing of loan involving only three components viz. Interest Charge, processing charge and insurance premium (including administrative charges in respect thereof)
- iii. No Security Deposit / Margin is being collected from the borrower by itself or by third parties as a condition to avail the loan

- iv. Moratorium between the grant of the loan and the due date of repayment of the first installment
- v. The privacy of borrower data will be respected and that no data will be shared with the third party without taking customer consent unless required by regulation.
- vi. Grant of loan is not linked to any other product/services offered by the company or third party
- vii. Grievance redressal mechanism
- viii. Commitment to transparency and fair lending practices as prescribed by RBI
- ix. Company will be accountable for preventing inappropriate employee behavior and timely grievance redressal.

#### **O) Non-Coercive Methods of Recovery**

- i. Sugmya shall ensure KYC guidelines stipulated by RBI is complied with and adequate due diligence is carried out on the customer before extending the loan.
- ii. Sugmya shall collect all its recoveries at the central designated place namely Centre Meetings. Only in the case borrower fails to attend the Centre Meeting on two or more occasions and also fails to repay, its field staff shall visit to the place of residence or place work of the borrower for recovery.
- iii. Sugmya shall ensure that a uniform systems and procedure approved by Board as a policy in the matter of staff recruitment, training and supervision. policy shall be to train field staff through training programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices.
- iv. Sugmya shall have a policy of appraisal of field staff, where the compliance of code of conduct and customer satisfaction shall be the parameters for appropriate compensation.
- v. Sugmya shall initiate necessary disciplinary action against staff who abuses any of the items under Code of conduct.
- vi. Sugmya shall not engage/outsourced any recovery agents for recovery/collection.

#### **Important Notes: -**

*Review of this policy would be undertaken half yearly and will be subject to approval by the Board/Any change in document by way of additions and amendments due to changes in laws, regulations, accounting standards, etc. would follow change management process and adequate version control.*



**Director**



**Head-Internal Process & Policy**