

**L&T FINANCE LIMITED
[FORMERLY KNOWN AS FAMILY CREDIT LIMITED]**

Fair Practice Code

October, 2018

Version Control

Version	Date of adoption	Change reference	Owner	Approving authority
1.0	October, 2017	FPC reviewed and updated as per Master Directions of RBI	Regulatory compliance	Board of Directors
1.1	October, 2018	FPC reviewed and updated as per Master Directions of RBI	Regulatory Compliance	Board of Directors

Important Note:

If at any point a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by Reserve Bank of India arise then interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by Reserve Bank of India shall prevail.

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INTRODUCTION:

Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended from time to time, prescribed broad guidelines on fair practices that are to be framed and approved by the Board of Directors of all Non-Banking Financial Companies

The Fair Practices Code is aimed to provide to the customers effective overview of practices, which will be followed by the Company in respect of the financial facilities and services offered by the Company to its customers. The Code will facilitate the customers to take informed decisions in respect of the financial facilities and services to be availed by them and will apply to any loan that the Company may sanction and disburse.

Any subsequent revision in the RBI guidelines related to fair practice code, the revised RBI guidelines will supersede, the current Fair Practice Code to the extent it is not in compliance with the updated guidelines / instructions.

FAIR PRACTICES CODE:

The Company's business would be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles – all of which form part of the Company's Board approved Investment and Credit Policies.

In addition, the Company would adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

1. Application for loans and their processing:

- The company will devise a loan application form for products wherever applicable. Loan application forms would include necessary information regarding the documents required to be submitted with the application form.
- The Company would devise a system of giving acknowledgement for receipt of all loan applications.

2. Loan appraisal and terms/conditions:

- The Company shall conduct a due diligence on the credit worthiness of the borrower, which will be an important parameter for taking decision on the application. The assessment would be in line with the Company's Credit policy, norms and procedures in respect thereof.
- The Company shall convey in writing to the borrower by means of approval letter or otherwise, the amount of loan approved - along with the terms and conditions, including the annualized rate of interest and method of application thereof. It would keep the acceptance of these terms and conditions by the borrower on the Company's files.
- The Company shall mention the penal interest charged for late repayment in bold in the loan agreement.

- The Company 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 at the time of/post disbursement of loans.

3. Disbursement of loans including changes in terms and conditions:

- The Company shall give notice to all its borrowers in English 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. The Company shall also ensure that changes in interest rates and charges are effected only prospectively. It could be done retrospectively only when (i) they are accepted by the Borrower in writing (ii) they are favourable to the Borrower. A suitable provision in this regard shall be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.
- The Company shall release all securities on repayment of its full 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 its 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.

4. General:

- All communications to the borrower shall be in English language or a language as understood by the borrower.
- The Company shall refrain from interference in the affairs of the borrower except for the purposes provided for 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.
- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise - i.e., objection of the Company, if any - shall be conveyed to the borrower within 21 days from the date of receipt of any request. Such transfer shall be as per transparent contractual terms in consonance with law.
- In the matter of recovery of loans, the Company shall not resort to any harassment – such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- The Company shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc. and determine the rate of interest to be charged for loans and advances.

- Sanction letter shall indicate the annualised rate of interest and method of application thereof, so that the borrower is aware of the exact rates that would be charged to the account. Further change in the Company's Prime Lending Rate ('PLR') (or (or any other applicable benchmark, or if fixed rate, then such fixed rate) shall be notified on Company's web site.
- As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and NBFCs, applicable NBFCs shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers

5. Grievance Redressal Officer

- The Company has laid down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism ensures that all disputes arising out of the decisions of the functionaries are heard and disposed of at least at the next higher level.
- The Company shall display the following information prominently, for the benefit of its customers, at its branches / places where business is transacted
 - 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.
 - If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Regional Office of DNBS, Reserve Bank of India, at the following address:

The Officer-in-Charge
Department of Non-Banking Supervision
Kolkata Regional Office
15, Netaji Subhas
Road, Kolkata –
700001.

6. Wide Dissemination and Periodic Review

The Company shall put the above FPC outlined hereinabove on its website, for the information of various stakeholders. The Company would also review and refine the FPC, as may be required periodically - based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard:

Explanatory Note:

In wholesale lending business, the rate of interest is decided based on the complex risk profile matrix of each borrower. The Company would disclose the Prime Lending Rate (or

any other applicable benchmark, or if fixed rate, then such fixed rate), Applicable Spread and Reset Frequency by way of sanction letter and facility agreement. Any change w.r.t. these factors would be suitably disclosed and communicated to the borrower. Further these borrowers are generally mid-size/ large corporate groups which are well informed and hence in case of any up gradation of their risk profile, they are in a position to negotiate better terms. The interest rates in project loans are clearly spelt out in the sanction letter as well as the facility agreement.

7. Repossession of vehicles:

The Company shall have a built in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement would also contain 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 the 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 must be made available to the borrowers in terms of circular wherein it would be stated that the Company may invariably furnish a copy of the loan agreement 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, which may form a key component of such contracts/loan agreements.