

## **HEDGE FINANCE LIMITED**

### **FAIR PRACTICES CODE (FPC)**

Reserve Bank of India has prescribed broad guidelines on the fair practices that are to be framed and adopted by Non Banking Financial Companies (NBFCs). Adumbrating the broad guidelines prescribed by Reserve Bank of India, Hedge Finance Ltd (HFL) sets out here in the Fair Practices Code (FPC) of the Company.

Hedge Finance Limited has always held the rights and aspiration of customers paramount. It strives to be guided strictly by the regulatory norms and more particularly that of the RBI codified as the “Fair Practices Code” (FPC). This FPC is aimed at providing to all the stake holders, especially customers/borrowers effective overview of practices followed by the Company providing transparency in all its dealings with respect to financial facilities and services offered by the Company to its customers. This FPC has been prepared and updated so as to enable the customers to take informed decisions in respect of the facilities and services offered by the Company.

#### **1. Objective of the FPC.**

This FPC has been drawn up to

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

**2. Applications for loans and their processing**

- (a) All communications to the borrower shall also be in vernacular language or a language as understood by the borrower.
- (b) With a view to enabling the customers to take informed decisions, the loan application form shall contain all the required information relevant to availing the loan for meaningful comparison of the terms and conditions offered by the other NBFCs which may affect his/her interests. The list of documents to be submitted with the application form shall be specified and the applications submitted along with the prescribed documents shall be duly processed.
- (c) If any additional documents/information is required from the borrower, the same shall be communicated to the customer immediately.
- (d) Each customer should be allotted a UCIC integrated to the system for proper customer identification.
- (e) The Company shall have an established loan policy to ensure that loan services shall be fair, equitable and in the best interest of all customers. The Company shall review and monitor the entire lending process periodically and make any changes to policy as deemed necessary.

**3. Loan Appraisal and terms & conditions**

- (i) The loan applications received will be duly acknowledged by the Branches. Sanction or otherwise in any case will in normal case be conveyed within 7 days of receipt of the application.
- (ii) The borrower shall be given a Loan Sanction Letter in English as well as vernacular language, which shall include the details of the loan such as amount sanctioned, annualized interest rate, method of calculation thereof, penal interest if any that will be charged for late payment (in bold letters) and any other terms and conditions.
- (iii) An acknowledged copy of the Loan Sanction Letter shall be kept as part of the loan documents.
- (iv) 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 7 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 7 days, due to reasons like delay in field verification, deficiency in documents, etc., customer shall be kept informed of the same immediately.

- (v) The Company shall furnish to the borrower(s) copy of the Scheme details together with details of other charges as understood and consented to by the borrower at the time of sanction / disbursement of loans.

**4. Disbursement of Loans / Changes in Terms & Conditions**

- (a) Scheme details adumbrating all the details of loan disbursed shall be given to each borrower and will form part of the loan agreement.
- (b) The loan shall be disbursed on executing the necessary documents and completion of the formalities, including creating a charge over the security offered by the borrower. Any change in the terms and conditions communicated including interest rates, service charges, pre-payment terms, etc shall be informed to the borrower in the vernacular or English language. Any changes in interest rates shall be only prospective. A suitable condition in this regard shall be incorporated in the loan agreement.
- (c) Decision to recall/accelerate payment shall be as per the covenants in the loan agreement.
- (d) In addition to the NACH mandate, 6 EMI cheques shall be obtained from the borrower to be used in the event of any delay in getting the NACH mandate registered before the six installments falling due.
- (e) On repayment of all dues or on realization of the outstanding amount of the loan subject to any legitimate right or lien or 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 of the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled / paid.

## **5. Rate of Interest**

- (i) The Company shall frame appropriate internal policies based on principles for determining the interest rates, processing and other charges, if any, and also to ensure that they are not excessive. The Company shall, at the time of disbursal, ensure that the interest rate and other charges, if any, on loans and advances are in strict adherence to the above referred internal principles and policies.
- (ii) The rate of interest as annualized rates shall be communicated to the borrowers so that they are aware of the exact rates that would be charged on the loan.
- (iii) The rate of interest chargeable in individual cases will be linked to the credit rating of the customer and risk classification detailed in the Sanction Letter issued to the customer.
- (iv) The information published in the website shall be up dated periodically and more especially when revision in rate is effected.
- (v) The range of interest rates prevailing in the Company shall be made available in the website.
- (vi) The rate of interest shall be communicated explicitly in the sanction letter issued to the borrower.
- (vii) Where penal rate is to be levied, it shall be mentioned as a separate paragraph in the loan agreement.
- (viii) Service charges as detailed in the appendix to the loan agreement shall be payable by the customer which shall be properly explained to the customer in a language known to him/her.

## **6. Policy on KYC, Appraisal, Recovery, Transfer, Repossession etc of Vehicles**

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

- i) KYC Policy**
  - (a) Adequate steps will be taken to ensure strict compliance of the KYC guidelines stipulated by RBI and adequate due diligence will be carried out on the borrower before extending any loan.
  - (b) Each loan application shall contain a checklist of KYC documents to be furnished by the borrower and their submission will be verified and ensured.
  - (c) Proper valuation procedure for assets accepted for hypothecation and other collateral security if any.
  - (d) The hypothecated assets shall be periodically inspected to ensure its quality.

ii) **CKYC**

The company shall ensure CKYC compliance.

iii) **Digital Lending Platforms**

***The Company is presently using digital platform of Zest Money (Camden) for lending through digital plat form, and for all digital lending platforms the following instructions are laid down to be strictly followed:***

***a) Names of digital lending platforms engaged as agents shall be disclosed on the website of Hedge Finance Ltd.***

***b) Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the Hedge Finance Ltd.***

***c) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of Hedge Finance Ltd.***

***d) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.***

***e) Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the Company.***

***f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.***

iv) **Recovery / Collection of Dues**

Loans are normally given for definite periods with repayment schedule stipulated on a monthly basis, equated or on a staggered or deferred basis. Any defaults in payments will attract penal interest for the amount and period for which the loan has been 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. The collection policy will be based on courtesy, fair treatment, entreaties, and persuasions. The staff engaged in the recovery process will be carrying with them duly issued photo identity card of the Company.

v) **Repossession & Sale**

a) **Repossession**

Repossession of the vehicle/s, equipment/s, machinery, stocks, receivables etc. under hypothecation to the Company of the repayment defaulted borrowers will be as per the conditions agreed upon by the borrower. The Company encourages voluntary surrender of the vehicle/s as a matter of policy and refrains from use of any force or muscle power or intimidatory tactics for recovery/repossession. The Company shall return to the borrower securities repossessed for non-payment of loan by the borrower, on settlement of the loan. The Company and its employees will stay away from unnecessary interference in the affairs

of the borrower except for the purposes provided in the loan agreement. The securities repossessed for non-payment of loan by the borrower, shall be returned to the borrower on settlement of the loan, and that an approved valuer shall be entrusted to give the valuation of the repossessed security.

**b) Sale/Auction**

The auction procedure in case of repossessed vehicles, equipment's, machinery, stocks, receivables etc shall be transparent. Any sale/auction of repossessed item/s shall be only after giving a final chance to the borrower for re-payment of the loan and return of the item/s. The Company shall appoint an approved valuer for valuing the securities being sold/auctioned on repossession of the security by the Company.

Notice shall be given to the borrower prior to the auction and there shall not be any conflict of interest in this regard. The sale price shall be determined on the basis of public auction or otherwise as to get maximum possible price. If sale is by auction the same shall be announced to the public by releasing advertisements in newspapers in vernacular language. The balance in the loan remaining unpaid after sale shall be recoverable from the borrower as per law and vice versa.

**7. Customer Grievance Redressal Mechanism**

The Company has a well-defined grievance redressal system for addressing the customer complaints at various stages. Any deviation from the loan policy guidelines and transactions or irregularities shall be taken up first with Branch Head who shall attend to the various needs of the customers. All Branches have been provided with a Complaint Register wherein the customers can record their complaints. All complaints received will be remedied within a maximum period of three days in the normal course. As mentioned above, for redressal of the grievances, customers can approach the Branches as a first step and escalate to officials at Corporate Office in case Branch fails to resolve their complaints and finally to the RBI as indicated below.

**Level – I - (Branch Head)**

Customers having grievance about any matters relating to their accounts, service deficiencies, dealings of employees etc can lodge their complaint directly to the Branch Head/Manager who is the authority to resolve the complaints. The complaints received shall be acknowledged immediately, recorded in the Complaints Register and solution found and intimated to the customer within three days. The complaints received at the branches will be forwarded to HO within 48 hours, with their comments and HO shall endeavor to resolve the same in 15 days .”

**Level 2 – Customer Complaints Redressal Cell (Corporate Office)**

If the complaints are not resolved at Branch level, the customers can escalate their complaints to the Customer Grievance Redressal Cell at Corporate Office of the Company, within 48 hours, and HO officials shall endeavor to resolve the complaints received within a maximum period of 15 days.

The Customer Grievance Redressal Officer at Corporate Office shall be a senior official in the Operations Department who shall be responsible for the implementation and monitoring of all customer complaints. The Customer Grievance Redressal Cell is constituted as under and the official in the Cell can be contacted at the address given below.

Mr. Shajan K.S.  
Customer Grievance Redressal Officer (CGRO)  
Hedge Finance Limited  
“Hedge House” Mamanglam,  
Kochi 682 025  
Email : shajan.ks@hedgefinance.com  
Phone : 0484-6130400

The CGRO shall maintain a Register of Customer Complaints wherein all the details such as (1) Name & Address of the customer, (2) Date of receipt of the complaint, (3) Nature of complaint (4) Date of reply and (5) Gist of reply given shall be recorded. A record/file of complaints received shall also be maintained in the serial order as reflected in the Register for scrutiny by various authorities.

**Level 3 – (Corporate Office)**

If no satisfactory solution is found by the Level 2 Officer in the Cell, customers can approach the Chief Executive Officer (CEO) of the Company at Corporate Office for redressal of their grievances at the address given below.

Mr. Vinay Sasidharan  
Chief Executive Officer  
Hedge Finance Limited  
“Hedge House”, Mamangalam  
Kochi 682 025  
Email : vinay.s@hedgefinance.com  
Phone : 0484 6130400

If the complaint/grievance is not redressed within a reasonable time, say one month, the customer may appeal to the RBI at the following address.

The General Manager  
Department of Supervision (NBFC)  
Reserve Bank of India  
Bakery Junction  
Thiruvananthapuram – 33  
Phone 0471-2338818

A notice announcing existence of the customer grievance redressal policy in the Company and the procedure as to whom the customers should approach for getting their grievances resolved shall be exhibited at the Branches in vernacular/ English language.

A periodical review of the FPC and functioning of the grievance redressal mechanism at various levels of management shall be undertaken by the Company at regular intervals to ensure that no customer complaint is pending unattended/unresolved and a consolidated report of such reviews shall be prepared and submitted to the Board at its meetings, on a quarterly basis.

#### **8. General**

- a) The Company shall refrain from interfering in the affairs of the customers/borrowers 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 Company).
- b) 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/intimidatory tactics etc. for recovery of loans. The staff members of the Company shall be adequately trained to deal with the customers in an appropriate manner so as to ensure proper behavior.
- c) The Company staff shall normally call/contact the delinquent customers between 0700 hours and 2100m hours unless special circumstances of the borrowers' business require calling them otherwise, outside the hours mentioned above.