

Karvy Financial Services Limited

Fair Practices Code

Version 1.8- August 2018

Fair Practices Code

Preamble

Karvy Financial Services Limited (“KFSL”/ “Karvy Finance”/ “the company”) endeavors to review policy guidelines on “Fair Practices Code’ (FPC). The Reserve Bank of India (RBI) has issued directives on Fair Practices Code for Non-Banking Financial Companies (NBFCs) thereby setting standards for fair business and corporate practices while dealing with their customers vide Circular DNBS (PD) CC No.80/03.10.042 /2005-06 of 28 September 2006, RBI/2010-11/25DNBS (PD) CC No.185/03.10.042 /2010-11 dated July 1, 2010, RBI/2011-12/470 dated March 26, 2012 and RBI /2012-13/416 dated February 18, 2013 and Chapter VI of the RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 September 01, 2016 (as modified, amended and updated from time to time, the "FPC").

It is, and shall be, our policy to make credit products available to all qualified applicants without discrimination on the basis of race, caste, colour, religion, sex, marital status, age or handicap.

Our policy is to treat all the clients consistently and fairly. Our employees will offer assistance, encouragement and service in a fair, equitable and consistent manner. We will also communicate our Fair Practices Code to our customers by placing it on the company’s website.

We will ensure that the implementation of the Fair Practices Code is the responsibility of the entire organization. The Company’s Fair lending practices shall apply across all aspects of our operations including marketing, loan origination, processing, servicing and collection activities. Our commitment to Fair Practice Code would be demonstrated in terms of employee accountability, monitoring and auditing programs, training and technology.

The Company’s Board of Directors and the management Team is responsible for establishing practices designed to ensure that our operations reflect our strong commitment to fair lending and that all employees are aware of that commitment.

The Fair Practices Code applies to the following areas:

- Applications for loans and their processing
- Loan appraisal and terms/conditions
- Disbursement of loans including changes in terms and conditions
- Advertising and Marketing
- General Provisions
- Interest Rate Policy
- Responsibility of Board of Directors
- Grievance Redressal Mechanism
- Repossession of vehicle financed
- Lending against collateral of gold jewelry

1. **Application for Loans and their processing**

- All communications to the borrower shall be in English or vernacular language or a language as understood by the borrower.
- Loan application forms of the Company will include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other Non- Banking Financial Companies (NBFCs) can be made and informed decision can be taken by the prospective borrower.
- The loan application form shall indicate the documents required to be submitted with the application form. Indicative list of KYC documents such as address proof, id proof, income proof etc. will be submitted together with the duly completed application form.
- We shall give acknowledgement for receipt of all loan applications. An indicative time frame within which loan applications will be disposed of will be indicated in the acknowledgment.

All loans sanctions are subject to completion of credit appraisal and verification procedures. The applications that do not meet the requisite criteria are declined. The loan status whether a sanction or a decline is promptly communicated to the customer in writing or verbally.

2. **Loan appraisal and terms / conditions**

- Loan applications are subject to the credit appraisal process followed at Karvy Financial Services Limited (KFSL).
- At the time of loan sanction, a sanction letter indicating the loan amount sanctioned, method of application, the annualized rate of interest applicable, processing fee, loan tenor, EMI payable, all other applicable fees and charges and other loan details as applicable shall be conveyed to the loan applicant in writing in the vernacular language as understood by the borrower.
- KFSL shall mention the penal interest / liquidated damages to be charged for default or late payment of dues '**in bold**' in the loan/facility agreement, besides mentioning prepayment penalty
- The loan disbursement process would be initiated on receiving the written acceptance of such terms and conditions. This written consent of the applicant shall be retained by KFSL and maintained in its records. A copy of the loan agreement shall be furnished to all borrowers at the time of disbursement of loans or shall be sent along with the welcome kit.

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

- KFSL shall give notice to the borrower in English or vernacular language or language as understood by the borrower of any changes to the terms and conditions, including disbursement schedule, interest rates, service charges, prepayment charges etc. Additionally, the same will be made available on the KFSL website (www.karvyfinance.com).
- For account specific charges, the changes will be communicated individually to the borrower in writing. other charges such as bounce cheque charges, late payment charges, cheque swap charges, statement of account, document retrieval charges, prepayment charges, re-booking charges, re-pricing charges, cancellation charges, PDC replenishment charges and other incidental charges are applicable depending on the product / scheme opted by the borrower.

These charges shall be standard across customers irrespective of their credit worthiness and /or credit history.

- Changes in the interest rates and charges/ levies will be effected prospectively. A suitable provision in this regard shall be incorporated in the loan agreement.
- The decision of the company to recall / accelerate payment or performance under the agreement shall be in accordance with the terms and conditions in accordance with the agreement and duly acknowledged by the borrower.
- All securities pertaining to the loan would be released on receipt of full and final payment of the loans, subject to any legitimate right or lien, and set-off for any other claim that KFSL may have against the borrowers. If such right of set-off is to be exercised, the borrower shall be given prompt notice about the same, with full particulars about the remaining claims and the conditions under which KFSL is entitled to retain the securities until the relevant claim is settled / paid.

Any changes to the above charges standardized across customers shall be made available on the website of KFSL (www.karvyfinance.com). The website address is also available on the application form.

4. Advertising and Marketing

- We will ensure that all advertising and promotional material is clear, fair reasonable and not misleading.
- We will provide the customers with a full range of financial products the customer is eligible for. Some of these products / services will be our own; some others may be the products of the group or companies with which we have tie-up arrangements. We will inform the customer of these group companies / companies with which we have entered into a business arrangement and if the customer so desires, we will direct the staff / agents of the company for marketing their products / services.

5. General Provisions

- KFSL shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions for of the loan agreement (unless new information, not earlier disclosed by the borrower, has come to the notice of KFSL).
- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the KFSL, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
- In the matter of recovery of loans, KFSL and its representatives shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. KFSL shall ensure there is no rude behavior from its staff towards customers for which staff will be adequately trained to deal with the customers in an appropriate manner.

- There shall be no discrimination in extending products and facilities including loan facilities to the physically/ visually challenged applicants on the grounds of disability (Ref: RBI Circular No. DNBS.CC.PD.No. 191/03.10.01/2010-11 dated July 27, 2010).
- The instructions issued vide RBI circular DNBS(PD).CC.No.399/03.10.42 /2014-15 dated July 14, 2014 on 'Levy of foreclosure charges/ pre-payment penalty on Floating Rate Term Loans' are applicable where the principal borrower is an individual. The status of co-borrower is not relevant in such case. Further, the floating rate term loan sanctioned to proprietorship/ partnership firm, even as the principal borrower, should not to be treated at par with individuals as far as extending the benefit of the said circular is concerned

6. Interest Rate Policy

- The borrower will be communicated the annualised rate percentage in the sanction document while communicating the approval of a loan.
- This rate of interest is arrived at through Karvy Finance's interest rate model which takes into account relevant factors such as cost of funds, margin and risk premium.
- We take a comprehensive approach to the gradation of risk that does not discriminate between classes of borrowers, but rather tailors the interest rate to each loan.
- The decision to give a loan and the rate of interest thereon are carefully assessed on a case by case basis based on multiple factors which may include the borrower's cash flows (past, current and projected), borrower's other financial commitments, the borrower's credit record, the security for the loan as represented by underlying assets or other financial guarantees etc.
- Such information is gathered based on information provided by the borrower, credit reports, market intelligence and information gathered by field inspection of the borrower's premises.
- The approved Interest Rate Policy shall be published on the website of the company.

7. Responsibility of Board of Directors

KFSL has laid down an appropriate grievance redressal mechanism within the organization. Such a mechanism ensures that all disputes arising out of the decisions of KFSL are heard and disposed of at least at the next higher level. The Board of Directors of KFSL also reviews the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management.

8. Grievance Redressal

KFSL's policy is to treat and service all the clients consistently and fairly. KFSL has laid down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. This mechanism shall ensure that all disputes arising in connection with any matter pertaining to business practices, lending decisions, credit management and recovery decisions shall be heard and the response would be sent for such complaint / grievance.

Customer can forward the complaint through any of the five modes of communication namely

- The Toll Free Number shall be updated on the website of the company. Customers can call on this number between 10.00 am to 6.00 pm from Monday to Friday.
- E-mail us at karvyfinance@karvy.com
- Write to us at : Karvy Financial Services Limited, 705 and 706, 7th Floor, Hallmark Business Plaza, Sant Dnyaneshwar Marg, Opp. Guru Nanak Hospital, Bandra (East) Mumbai, Maharashtra -400051 Visit the nearest Branch of KFSL.

All the customer queries and complaints registered through the above channels shall be reviewed, monitored and resolved to the satisfaction of the customers. The focus shall be to ensure all grievances are resolved in a timely basis and to the full satisfaction of our customers.

KFSL has appointed a Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.

All KFSL branches / places where business is transacted a notice will display the following information prominently, for the benefit of their customers:

Mr. Siva Ramakrishna Rao Damaraju
Grievance Redressal Officer
Karvy Financial Services Limited,
705 and 706, 7th Floor, Hallmark Business Plaza,
Sant Dnyaneshwar Marg, Opp. Guru Nanak Hospital,
Bandra (East) Mumbai, Maharashtra -400051 Landline – 040-44507618,
Email ID: management.kfsl@karvy.com

If the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Mumbai Office of DNBS. The complete contact details of the Officer in Charge are as follows.

Reserve Bank Of India
Department of Non-Banking Supervision
Mumbai Regional Office
3rd Floor, Opp. Mumbai Central Railway Station,
Byculla, Mumbai-400008
Phone: (022) 23084121, Fax: (022) 23022011
Email Id: dnbsmro@rbi.org.in

Escalation Matrix:

Level 1: Customer Care Team

If the response received from the above access channels is not satisfactory or if there is no response in 10 working days, complaint can be escalated to the under mentioned:

The Manager, Customer Care,
Karvy Financial Services Limited
705 and 706, 7th Floor, Hallmark Business Plaza,
Sant Dnyaneshwar Marg, Opp. Guru Nanak Hospital,
Bandra (East) Mumbai, Maharashtra -400051
Email id: karvyfinance@karvy.com

The customer shall provide his loan account number to help us understand and address the concerns.

Level 2: Service Head

If there is no satisfactory response received within 7 working days of escalating the complaint to the Customer Care Team, the same can be escalated to the under mentioned:

Email id: servicehead.kfsl@karvy.com

Level 3: Grievance Redressal Officer

If the concerns have not been fully addressed or if there is no revert from the Service Head within 7 working days, final level of escalation would be to:

Email id: management.kfsl@karvy.com

The Board of Directors and the management team shall also periodically review the compliance of the KFSL's Fair Practices Code detailed above. They will also ensure that its functioning reflects its commitment to all the stakeholders for offering in a fair and equitable manner, the various financial services and products and the grievances redressal mechanism at various levels of management. KFSL shall modify, amend and update the above Code from time to time, in accordance with the guidelines prescribed by the RBI, from time to time.

9. Repossession of vehicles financed by KFSL

KFSL has a built in re-possession clause in the contract/loan agreement with the borrower which is legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement 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 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

10. Lending against collateral of gold jewelry

In line with the RBI guidelines on lending against collateral of gold jewelry, KFSL has a board approved Loan against gold policy. The said policy covers the following:

- KYC guidelines;
- Assaying procedure for the jewelry received,
- Internal system to satisfy ownership of gold;
- Adequate system for storing of jewelry in branches;
- Insurance coverage of the collateral;
- Transparent auction process;
- Auction shall be announced to the public by issue of advertisement in at least two newspaper, one in vernacular and another in national daily newspaper;
- KFSL or its employees are not eligible for participation of auction;
- Gold pledged shall be auctioned through auctioneers approved by Board;
- Auction procedure are defined in the loan agreement;
- KFSL shall obtain copy of the PAN card of the borrower for all transaction above 5 lakhs;
- Documentation across branches are standardized;
- KFSL shall not issue misleading advertisements like claiming the availability of loans in a matter of 2-3 minutes.