

HEDGE FINANCE LIMITED**FAIR PRACTICES CODE (FPC)**

Hedge Finance Limited, in compliance with the Reserve Bank of India's (RBI) directives and circulars, hereby adopts this Fair Practices Code (FPC). This code outlines the principles and practices that the Company shall adhere to while dealing with customers. The objective is to promote transparency, fairness and accountability in the Company's lending practices and to protect the rights of its customers.

Hedge Finance Limited has always held the rights and aspirations 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, an 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 best practices in customer dealings.
- (b) Provide 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 including having a robust Grievance Redressal Mechanism.
- (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.
- (h) The Company shall ensure that all customer data, including sensitive financial information, is kept confidential.

2. Applicability

The FPC will be applicable to all the offices of the Company including the Head Office and all the branches of the company. The FPC shall be binding on all the employees and officers of the Company.

3. 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 borrower immediately.
- (d) Each borrower should be allotted a UCIC integrated to the system for proper borrower 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.

4. Loan Appraisal and terms & conditions

- (i) The loan applications received will be duly acknowledged by the Branches. Within 7 days of receipt of the application, sanction or otherwise will be conveyed to the applicant.
- (ii) The borrower shall be given a Loan Sanction Letter in vernacular language, which shall include the details of the loan such as amount sanctioned, annualized interest rate, method of calculation thereof, penal charges if any that will be charged for late payment (in bold letters) and any other terms and conditions.
- (iii) A 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 off 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., borrower 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.
- (vi) The Company shall furnish a copy of the loan agreement as understood by the borrower along with a copy of all enclosures quoted in the loan agreement.

5. Disbursement of Loans / Changes in Terms & Conditions

- (a) The Company shall give notice to the borrower in the vernacular 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 NBFC shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard must be incorporated in the loan agreement.
- (b) Scheme details adumbrating all the details of loan disbursed shall be given to each borrower and will form part of the loan agreement.
- (c) The loan shall be disbursed on executing the necessary documents and completion of all the formalities, including creating a charge over the security offered by the borrower.
- (d) Decision to recall/accelerate payment shall be as per the covenants in the loan agreement.

- (e) 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.
- (f) 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.
- (g) In the matter of recovery of loans, an NBFC shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc.

6. 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 Company shall give a statement of Key Facts of Loan Agreements in simple and easy understandable language to the borrowers in a standardized format. The Company shall also provide Annual Percentage Rate (APR) to the borrower separately, and receipts shall be provided to the borrower within a reasonable time.
- (iv) The rate of interest chargeable in individual cases will be linked to the credit rating of the borrower
- (v) The information published in the website shall be updated periodically and more especially when revision in rate is effected.
- (vi) The range of interest rates prevailing in the Company shall be made available on the website.
- (vii) The rate of interest shall be communicated explicitly in the sanction letter issued to the borrower.
- (viii) The quantum of penal charges shall be reasonable and commensurate with the noncompliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- (ix) The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to nonindividual borrowers for similar non-compliance of material terms and conditions.
- (x) The quantum and reason for penal charges shall be clearly disclosed by Regulated Entities to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on REs website under Interest rates and Service Charges.
- (xi) Service charges as detailed in the appendix to the loan agreement shall be payable by the borrower which shall be properly explained to the borrower in a language known to him/her.
- (xii) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefore shall also be communicated to the borrower in a language known to him.

7. 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 with the KYC guidelines stipulated by RBI, including CKY guidelines 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 shall be adopted for assets accepted for hypothecation and other collateral security if any.
- (d) The hypothecated assets shall be periodically inspected to ensure its quality.

ii) Digital Lending Platforms

If the Company engages in digital platform for lending and for all digital lending platforms that it may use, the following instructions as laid down by RBI are 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.

iii) 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 charge for the amount and period for which the loan has been defaulted as indicated in the Loan Agreement. 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 all collection practices shall be fair and reasonable. 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.

iv) 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.

8. Customer Grievance Redressal Mechanism

The Company has a well-defined and dedicated Grievance Redressal Policy for addressing the customer complaints at various stages and for handling customer complaints promptly and fairly. Any deviation from the loan policy guidelines and transactions or irregularities shall be taken up by the customer, first with Branch Manager 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 48 hours 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 Head Office in case Branch fails to resolve their complaints and finally to the RBI as detailed in the Grievance Redressal Policy.

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 regular intervals.

9. 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 customers/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 08.00 AM and 7.00 PM. unless special circumstances of the borrowers' business require calling them otherwise, outside the hours mentioned above.

