

Arman Financial Services Ltd.
Ahmedabad

Fair Practices Code

Pursuant to the notification issued by Reserve Bank of India by its circular DNBS.CC.PD.NO.266/03.10.01/2011-12 DATED 26-3-2012, Arman Financial Services Ltd. (referred to as "Company") has formulated this Fair Practices Code to lay down the following procedures/practices in dealing with the business transactions.

A. General Guidelines

- (i) Applications for loans and their processing
 - a. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
 - b. Loan application forms will include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered can be made and informed decision can be taken by the borrower. The loan Application will include the general particulars of the borrower like name, address, birth date, photograph, phone no. etc. and the rate of interest, repayment schedule, comparative terms and conditions and the required documents to be submitted along with the application like photo identity proof, residence proof, income proof etc
 - c. The company will give an acknowledgement for receipt of all loan applications. We shall dispose of all the loan applications within reasonable period but no later than three weeks from the date of loan application.
 - d. All necessary documentation shall be collected from the borrower to comply with KYC norms of RBI.

(ii) Loan appraisal and terms/conditions

The company will convey in writing to the borrower in the vernacular language as understood by the borrower (Gujarati and/or English) by means of sanction letter or similar, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof. The acceptance of these terms and conditions by the borrower will be kept on record for at least two years after the loan is totally completed.

A copy of the loan agreement, sanction letter, or similar document with all the terms and conditions of the agreement will be given to the client via mail within a reasonable amount of time after disbursement of the loan.

We shall mention the penal interest charged for late repayment in bold in the loan agreement.

(iii) Disbursement of loans including changes in terms and conditions

- a. After the disbursement of the loan, any change in terms and conditions of the agreement will be communicated to the borrower in the language as understood by the borrower (Gujarati and/or English), including disbursement schedule, interest rates, service charges, prepayment charges etc. Changes in interest rates and charges are effected prospectively.
- b. Company 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 claim the company may have against borrower. In such cases, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which company is entitled to retain the securities till the relevant claim is settled/paid.

(iv) General

- a. The company will not interfere in the affairs of the borrower except for the purposes provided 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 and has a material impact on the terms of the loan agreement, or otherwise warranted for the recovery of dues or misleading information provided by the borrower).
- b. In the matter of recovery of loans, the company will not resort to undue harassment. Harassment can include persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc, and will adhere to the recovery process in an amicable way in accordance with the guidelines provided by the RBI. The company will ensure that recovery staff are adequately trained to deal with the customers in an appropriate manner.

(v) The company will setup a grievance redressal cell comprising of the Executive Director and two other agents of the company to redress the complaints received by the borrowers, as per the guidelines laid down by the Board of Directors.

(vi) Fair Practices Code will be put in place by the company on its web-site, as approved by the Board of Directors, for the information of various stakeholders.

(vii) Interest charged by Company

The Board of directors of the company will advise and discuss appropriate internal principles and procedures in determining interest rates and processing and other charges.

(viii) Repossession of vehicles financed

The company 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 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.

B. Microfinance Operations Specific Fair Practices

In addition to the general principles as above, the company shall adopt the following fair practices that are specific to microfinance lending business .

i. General:

- a. The FPC in vernacular language shall be displayed by the company in its office and branch premises,
- b. A statement shall be made in vernacular language and displayed by the company in their premises and in loan cards articulating our commitment to transparency and fair lending practices,
- c. Field staff are trained to make necessary enquiries with regard to existing debt of the borrowers to prevent over lending,
- d. Group training offered to the borrowers is free of cost. Field staff will be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan or any other products like life insurance,
- e. The effective rate of interest charged and the grievance redressal system set up by the company will be prominently displayed in all the branches and offices.
- f. The KYC Guidelines of RBI will be complied with. Due diligence will be carried out to ensure the repayment capacity of the borrowers,
- g. As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, all sanctioning and disbursement of loans is done only at the office/branch premises and at least the Branch Manager and the field officer will be involved in this function. In addition, there will be close supervision of the disbursement function, including managerial support and audit function,
- h. The company will take adequate steps to ensure that the procedure for application of loan is not cumbersome and loan disbursements are done as per pre-determined time structure.

ii. Disclosures in loan agreement / loan card

- a. Company shall have a Board approved, standard form of loan agreement. The loan agreement shall be in vernacular language or a language the borrower can understand.
- b. In the loan agreement the following shall be disclosed.
 - i. All the terms and conditions of the loan,
 - ii. that the pricing of the loan involves only three components viz; the interest charge, the processing charge and the insurance premium,
 - iii. that the borrower cannot be a member of more than one SHG / JLG,
 - iv. the moratorium between the grant of the loan and the due date of the repayment of the first installment,

- v. an assurance that the privacy of borrower data will be respected except for sharing the data with agencies such as MFIN, Credit Bureau, Govt Agencies, and other such organizations working in the sector.
 - vi. We shall give options of choosing repayment frequency to all customers to choose between weekly, biweekly, or monthly repayments depending on their cash flows.
- c. The loan card will reflect the following details as specified in the Non-Banking Financial Company - Micro Finance Institutions (Reserve Bank) Directions, 2011.
- i. the effective rate of interest charged
 - ii. all other terms and conditions attached to the loan
 - iii. information which adequately identifies the borrower and
 - iv. acknowledgements by the company of all repayments including installments received and the final discharge.
 - v. The loan card will prominently mention the grievance redressal system set up by the company and also the name and contact number of the nodal officer

iii. Non-Coercive Methods of Recovery

As specified in the NBFC-MFIs (Reserve Bank) Directions, 2011, recovery would normally be made only at a central designated place, which will be the predestinated center meeting location. Field staff will be allowed to make recovery at the place of residence or work of the borrower only if borrower fails to appear at central designated place on 2 or more successive occasions and the account is overdue.

The company will ensure that the Board approved policy is in place with regard to Code of Conduct by field staff and systems for their recruitment, training and supervision. The training to field staff will include programs to inculcate appropriate behavior towards borrowers without adopting any abusive or coercive debt collection / recovery practices. Compensation and/or bonus methods for staff will be appropriately structured also put emphasis on areas of service and borrower satisfaction besides other qualitative factors such as disbursements and recovery. Further, we shall initiate necessary disciplinary action against staff who abuses the items listed in the code of conduct.

We shall not outsource the recovery function or engage any third-party recovery agents.

iv. Internal control system:

We shall constitute a Fair Practice Code Compliance Committee to review the implementation of code of conduct at Quarterly intervals and furnish feedback on findings to the Board of Directors at their review at half-yearly intervals.