



# FAIR PRACTICE CODE

REVISED COPY APPROVED BY BOARD OF DIRECTORS ON 1<sup>ST</sup> JULY 2022



## **FAIR PRACTICE CODE**

- 1. As per the guidelines issued by RBI vide Master Direction RBI/DNBR/2016-17/44 DNBR.PD.007/03.10.119/2016-17 dated 01.09.2016 (As updated on 09th March, 2017)] and incorporated changes envisaged vide RBI Circular RBI/2019-20/258 DOR (NBFC) (PD) CC. No.112/03.10.001/2019-20 Dt. June 24, 2020**
- 2. As approved by the Board of Max Value Credits and Investments Ltd at the meeting held on [1] 10th April, 2017 and further changes incorporated [2] as per RBI Circular Dt June 24,2020 duly approved by MVCIL Board at its meeting held on 01/07/2022.**

The Reserve Bank of India has released the final guidelines of the Fair Practices Code (FPC) for NBFCs, asking them to implement the fair practices and to post the same on the websites to cater to shareholder's information requirements. The code prescribes fair practice standards while dealing with the customers and to serve in the best interests of the company. The Code is applicable to all aspects of operations of the company. It shall be our policy to make our services available to all qualified applicants without discrimination of any kind and to treat our customers fairly. We offer all sorts of assistance and encouragement in a fair, equitable and consistent manner.

We are committed to ensure that our charges are properly and timely informed to the existing and prospective borrowers. Disputes, if any; will be resolved by the Grievance Redressal Mechanism set up within the Company. We shall ensure employee accountability at all levels of our operations. The Board and senior management will be responsible to ensure our commitment to fair and reasonable practices as also to ensure high quality services to our clients.

We shall ensure the fair practices in all our operations. This will be applicable irrespective of the fact that the service is provided at our branches or head office or over phone or by email.

## **KEY AREAS**

### **(A). APPLICATIONS FOR LOANS AND THEIR PROCESSING**

- a) All communications to the borrower will be either in English or in Malayalam as opted by the borrower at the time of making application for a loan.
- b) The application for loan will include matters/information affecting the interests of the borrower so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form will indicate the documents required to be submitted with the application form.
- c) The rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrowers in the application form and communicated to him in the sanction letter. Further the information shall also be made available in the web site of the company.
- d) Acknowledgment will be issued to all loan applicants and the same will indicate the time within which the application will be disposed of by the company.
- e) The application form will clearly state the information to be provided by the customer to fulfil the KYC norms and to comply with legal and regulatory requirements.

**(B). LOAN APPRAISAL AND TERMS/CONDITIONS**

a) Company shall issue a copy of Pawn Ticket in vernacular language as understood to the borrower showing the amount sanctioned and the terms and conditions applicable including annualized rate of interest and method of application thereof. The company shall keep the acceptance of these terms and conditions by the borrower on its record.

b) Company shall mention the penal interest charged for late repayment in bold in the loan agreement.

c) A copy of the loan agreement preferably in the vernacular language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all the borrowers at the time of sanction / disbursement of loans. A copy of the sanction letter as acknowledged by the borrower shall be kept by the company.

d) If there is any delay in sanctioning the loan beyond one day, the customer shall be informed of the same and when it is possible to sanction the loan.

**(C). DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS**

a) The terms and conditions of the loan shall be accepted by the borrower before disbursement of the loan amount. The company shall disburse the loan on executing necessary documents and on completion all formalities. Any change in the terms and conditions of the loan, including disbursement schedule, interest rates, service charges, prepayment charges etc. will be brought to the notice of the customer by sending notice in vernacular language as understood by the borrower. Change in interest rates and other charges will be made only prospectively and not retrospectively. A suitable condition in this regard will be incorporated in the loan agreement.

b) Any decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement.

c) The company shall release all securities on repayment of all 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 the borrower. If such right to 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.

**(D). RATE OF INTEREST**

The company shall frame appropriate internal principles and procedures to determine the interest rates and processing and other charges to ensure that they are not excessive. Fixation of such interest rates and other charges are in strict conformity with the above said internal principles and procedures. The interest rates of all types of loans always be expressed in simple rates. The application form shall contain the detailed rationale for charging a particular rate of interest. The sanction letter will detail the rates of interest charged for a particular loan scheme. The rate of interest and approach for gradation of risk shall also be posted on the web site of the company. The rate of interest shall be annualized rate so that the borrower is aware of the exact rates that would be charged to the account. Penal interest if any charged will be shown in bold letters.

**(E) KYC, INSURANCE, STORAGE OF SECURITIES, AUCTION**

The company shall take necessary steps to ensure that KYC guidelines are complied with before extending loan to a customer. The appraisal of collateral security will be made properly. Verification of ownership of the jewelry shall be ascertained by all possible means including declaration from the borrower. All branches have proper storage facilities for keeping the pledged ornaments. There are sufficient internal control and checkering mechanism for operation of the strong room keys. Gold packets are subject to periodical inspection by the internal audit team. Sufficient insurance shall be taken on the value of the jewelry. The company has framed a well-defined auction procedure taking all the instructions issued by RBI in this regard.

### **New provisions incorporated in FPC as per RBI guidelines.**

It has been observed that many digital platforms have emerged in the financial sector claiming to offer hassle free loans to retail individuals, small traders, and other borrowers.

NBFCs are observed to lend either directly through their own digital platforms or through a digital lending platform under an outsourcing arrangement.

It is, therefore, reiterated that banks and NBFCs, irrespective of whether they lend through their own digital lending platform or through an outsourced lending platform, must adhere to the Fair Practices Code guidelines in letter and spirit. They must also meticulously follow regulatory instructions on outsourcing of financial services and IT services.

Outsourcing of any activity by NBFCs does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with them. Wherever NBFCs engage digital lending platforms as their agents to source borrowers and/ or to recover dues, they must follow the following instructions:

- a) Names of digital lending platforms engaged as agents of Max Value Credits and Investments Ltd: *NIL*
- b) Digital lending platforms engaged as agents of MVCIL shall be directed to disclose upfront to the customer: *NOT APPLICABLE*
- 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 the NBFC:  
*BEING FOLLOWED*
- 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:  
*BEING FOLLOWED*
- e) Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the NBFC: *NOT APPLICABLE*
- f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism: *BEING FOLLOWED. GRIEVANCE REDRESSAL OFFICER IN CHARGE DETAILS ARE DISPLAYED AT ALL BRANCHES.*

### **(F). GRIEVANCE REDRESSAL MECHANISM**

a) The Company has framed a suitable mechanism for redressal of customer grievances/ complaints. All disputes arising out of the decisions of the company are heard and disposed of at least at the next higher level. The Senior Management shall review the compliance of the fair practice code and the functioning of the grievance redressal mechanism on a quarterly basis. A consolidated report of such reviews shall also be submitted to the Board of Directors on a half yearly basis.

b) The company shall designate a Senior Officer of the Company as Grievance Redressal Officer for resolving customer complaints. He shall also act as the compliance officer to ensure compliance of Fair Practice Code. Name, Phone Number and email id of the grievance redressal officer shall be displayed in all branches.

c) In case a customer complaint/dispute is not redressed within a period of one month, the customer may appeal to the Asst. General Manager, Reserve Bank of India, Department of Non-Banking Supervision, Bakery Junction, Thiruvananthapuram (Ph.0471 2329676).

### **(G). GENERAL**

i. 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 lender).

ii. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise of the company 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.

iii. In the matter of recovery, the company will not resort to any type of undue harassment viz; persistently bothering the borrowers at odd hours, use of muscular power for recovery of loans etc. Company shall train all staff to deal with customers in a proper manner.

iv. The company shall state the repossession clause in the loan agreement with the borrower which shall contain provisions regarding notice period before taking possession, circumstances under which the notice period can be waived, procedure for taking possession of the security , provision regarding final chance to be given to the borrower for repayment of the loan before auction/sale of security, procedure for giving repossession to the borrower and the procedure for sale/auction of the property. A copy of such terms and conditions shall be made available to the borrowers. As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers, the Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

v. All loans are sanctioned at the sole discretion of the company.

### **CONFIDENTIALITY**

The company shall treat all personal information of its borrowers as private and confidential and will not reveal any information to any other entity other than for regulatory/statutory matter