

## **COMPREHENSIVE FAIR TRADE PRACTICES CODE**

Pursuant to the Guidelines on Fair Trade Practices Code as adopted by the Board of Directors at its meeting held on various dates, the following shall be the comprehensive Fair Trade Practice as adopted by the Board of Directors at its meeting held on 29<sup>th</sup> May 2014 as per the revised guidelines of Reserve Bank of India on the above subject.

### **A. (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 shall include necessary information which affects the interest 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 may indicate the documents required to be submitted with the application form.
- c. Galada Finance Limited (hereinafter referred to as “Company”) shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.

### **(ii) Loan appraisal and terms/conditions**

The Company shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. As complaints received against NBFC's generally pertain to charging of high interest / penal interest, the Company shall mention the penal interest charged for late repayment in bold in the loan agreement.

It is understood that in a few cases, borrowers at the time of sanction of loans are not fully aware of the terms and conditions of the loans including rate of interest, either because the Company does not provide details of the same or the borrowers has no time to look into detailed agreement. Additional care to be taken by the Company to ensure that there are no flaws in its part in providing the details to the borrowers at the time of sanctioning of the loans

Not furnishing a copy of the loan agreement or enclosures quoted in the loan agreement is an unfair practice and this could lead to disputes between the Company and the borrower with regard to the terms and conditions on which the loan is granted.

Hence, the Company shall furnish 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 to all the borrowers at the time of sanction / disbursement of loans.

**(iii) Disbursement of loans including changes in terms and 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. Company shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.

(b) 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 borrower. If such right of 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.

**(iv) General**

(a) The Company shall refrain from interference 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).

(b) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the Company 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.

(c) 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 for recovery of loans etc. As complaints from customers also include rude behavior from the staff of the NBFCs., the Company shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

(v) The Board of Directors of the Company shall also lay down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism shall ensure that all disputes arising out of the decisions of lending institutions' functionaries are heard and disposed of at least at the next higher level. The Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.

(vi) Fair Practices Code (which should preferably in the vernacular language or a language as understood by the borrower) based on the guidelines outlined hereinabove shall be put in place

by the Company with the approval of the Board within one month from the date of issue of this circular. The Company has noted that it shall have the freedom of drafting the Fair Practices Code, enhancing the scope of the guidelines but in no way sacrificing the spirit underlying the above guidelines. The same shall be put up on the web-site of the Company for the information of various stakeholders.

**(vii)** Complaints about excessive interest charged by NBFCs (issued vide CC. No. 95 dated May 24, 2007)

As the Reserve Bank has been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFCs, though interest rates are not regulated by the Bank, rates of interest beyond a certain level may be construed to be excessive and hence neither sustainable nor conforming to normal financial practice.

The Board of Directors are therefore advised to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges in line with the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans.

**(viii)** Regulation of excessive interest charged by the Company (Notificatin No. DNBS.204/CGM(ASR)-2009 dated January 2, 2009

(a) The Board of the Company shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter.

(b) The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the company or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.

(c) The rate of interest shall be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

**(ix)** Clarification regarding repossession of vehicles financed by the Company(Issued vide C.C.No.139 dated April 24, 2009

The Company shall have a built in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall contain provisions regarding: (a) **notice period before taking possession**-A notice of 7 days is to be given to enable the borrower to ratify his act of default; (b) **circumstances under which the notice period can be waived** – However the notice period will be waived of if the borrower had purposefully indulged in an act that is prejudicial to the

rights of the financier; (c) **the procedure for taking possession of the security** – Even after the lapse of the notice period if the borrower had not arranged for any payment or contacted the financier requesting for rescheduling of the loans, the company will initiate steps to repossess its asset ensuring least interference in the affairs of the borrower; (d) **a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property**-After repossession of the asset, post repossession notice will be issued to the borrower listing out the amount of the outstanding balance of the loan, including all fees and charges, the deadline to redeem the loan, the method by which the borrower can redeem or payoff the loan to get the vehicle back, and the amount necessary to bring the loan current and the steps the borrower need to take to reinstate that loan. ; (e) **the procedure for giving repossession to the borrower** – Instances where the borrower either settles the total dues or reinstates the loan by paying the overdues the asset will be returned to the borrower as per the procedure laid down for each of the above and if the borrower fails to respond to the notice (f) **the procedure for sale / auction of the property(vehicle)** will be initiated after the lapse of the notice period and the quotes/ offers received will be communicated in writing to the borrower. In case the borrower fails to respond to this final notice the asset will be sold at the most competitive offer price and the proceeds will be adjusted against the dues keeping the borrower responsible for the balance dues if any. A copy of such terms and conditions shall be made available to the borrowers in terms of circular wherein it was stated that the Company may invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans, which may form a key component of such contracts/loan agreements.

## **B. NBFC-MFIs**

As the Company is not into Micro Financing the Company has noted the requirements of FPC for NBFC-MFIs and assure that the same as modified from time to time will be incorporated as and when the need arises

## **C. Lending against collateral of gold jewellery:**

As currently the Company is not into lending against collateral of gold jewellery the Company has noted the requirements in this regard and assure that the same as modified from time to time will be incorporated as and when the need arises