

FAIR PRACTICES CODE- UPDATED AS ON 29.12.2023

(Pursuant Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023)

1. Objective

CSL Finance Limited (formerly known as Consolidated Securities Limited) was incorporated on 28th December 1992. We are a Non-Banking Finance Company registered with the Reserve Bank of India and listed on NSE and BSE. The objective of the code is primarily to ensure fair and transparent transactions with all our customers. This will also facilitate the customers to have a better understanding about the products and the various charges levied by the Company.

The below mentioned Fair Practices Code shall be followed by the Company. The main objectives of the code are:

- Promotion of Fair Practices by setting minimum standards for customer relationships;
- Increased transparency so that the customer fully comprehends what he/she can reasonably expect of the Company's services;
- Encouragement of Market forces, through competition, to achieve higher operating standards;
- Promotion of a Fair and Cordial Relationship between customer and the Company;
- Fostering confidence in the customer

2. Key Considerations

The Fair Practices Code, as adopted herein below, is in conformity with the Guidelines on Fair Practices Code for NBFCs as contained in the aforementioned RBI Circular.

3. Fair Practices Code

The Company's business will be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer orientation and corporate governance principles. In addition, the Company will adhere to the Fair Practices Code in its functioning.

The key elements are as follows:

➤ Application for loan and their processing

- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

- 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 the borrower can make an informed decision. The loan application form may also indicate the documents required to be submitted with the application form.
- The Company shall provide the acknowledgement for receipt of completed loan applications.
- The Company would verify the loan applications within a reasonable period of time.
- The Company shall inform the borrower about its decision within a reasonable period of time from the time of all required information in full.

➤ **Loan appraisal and terms/conditions**

- The Company shall conduct a due diligence to assess the need and repayment capacity of client before providing loans, which will be an important parameter for taking decisions on processing of the application to avoid over-indebtedness of the client. The Company will make loans commensurate with the client's ability to repay. The assessment would be in line with the company's credit policies, norms and procedures in respect thereof.
- The Company shall convey in writing to the borrower in the vernacular language or other 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 annualised rate of interest and method of application thereof.
- The company shall keep the acceptance of the terms and conditions by the borrower and all other concerned documents on its record.
- The Company shall furnish a copy of the loan agreement containing all the terms and conditions attached to the loan in the vernacular language as understood by the borrower along with the copies of all enclosures quoted in the loan agreement to all the borrower at the time of sanction/disbursement of loans.
- Any penal charges to be charged for late repayment will be clearly highlighted in writing in the loan agreement itself to the borrower.

➤ **Penal charges in loan account**

Penal Charges: Penal charges are the type of charges levied by the lender on the borrower in case for non-compliance of material terms and conditions of loan agreement by the borrower.

- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penalties'. These penalties shall also cover charges levied on the customer for delay in payment of their overdue EMI.

- There shall be no capitalisation of penalties i.e., no further interest computed on such charges.
- The Company shall not introduce any additional component to the rate of interest.
- The quantum of penalties shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- The penalties in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- The quantum and reason for penalties shall be clearly disclosed by Company to the customers in the loan agreement and most important terms & conditions as applicable, in addition to being displayed on Company's website.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penalties shall be communicated. Further, any instance of levy of penalties and the reason thereof shall also be communicated.
- Requirements mentioned in this clause shall be applicable in respect of all the fresh loans availed / renewed from January 01, 2024. In the case of existing loans, the switchover to new penalties shall be ensured on next review or renewal date or six months from the effective date, whichever is earlier.

➤ **Disbursement of Loans including Changes in Terms and Conditions**

- The Company shall give notice to all its borrowers in the vernacular language or a language understood by the borrower of any change in the terms and conditions - including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall also ensure that changes in interest rates and charges are affected only prospectively. A suitable provision in this regard shall be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.
- The Company shall release all securities on repayment of its full 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 its borrowers. 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.

➤ **Responsible Lending Conduct - Release of movable/immovable property documents**

- The company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.
- The borrower shall be given the option of collecting the original movable/ immovable property documents either from the banking outlet/branch where the loan account was serviced or any other office of the company where the documents are available, as per their preference.
- The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.
- In order to address the contingent event of demise of the sole borrower or joint borrowers, the company shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the company along with other similar policies and procedures for customer information.

➤ **Privacy And Confidentiality**

All personal information of customers shall be treated as private and confidential [even when the customers are no longer customers], and shall be guided by the following principles and policies. We shall not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies / entities in our group, other than in the following exceptional cases:

- i If the information is to be given bylaw;
- ii If there is a duty towards the public to reveal the information;
- iii If our interests require them to give the information (for example, to prevent fraud) but the same will not be used as a reason for giving information about customer or customer accounts [including customer name and address] to anyone else, including other companies in the group, for marketing purposes;
- iv If the customer asks us to reveal the information, or with the customer's permission;
- v If we were asked to give a reference about customers, we shall obtain his / her written permission before giving it;
- vi The customer shall be informed the extent of his / her rights under the existing legal framework for accessing the personal records that we holds about him/her; and
- vii We shall not use customer's personal information for marketing purposes by anyone including us unless the customer specifically authorizes us to do so.

➤ **Regulation of Determining Interest Rate**

- i. The Board of Directors has adopted an interest rate model for determining the rate of interest to be charged on loans and advances, processing and other charges taking into account relevant factors such as, cost of funds, margin and risk premium, etc. 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 agreed interest shall be communicated explicitly in the sanction letter.
- ii. The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the company. The information published in the website or otherwise published will be updated, whenever there is a change in the rates of interest.
- iii. The rate of interest would be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.
- iv. Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal.

➤ **General**

- The Company will not discriminate loan applications on grounds of gender, caste or religion.
- 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).
- In case of receipt of request from the borrower for transfer of borrowed account, the consent or otherwise i.e. objection of the NBFC, if any, should 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, CSL is committed not to resort to undue harassment viz. persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. The staff will continue to be adequately trained to deal with the customers in an appropriate manner. Any rude behaviour from staff will be dealt with under the disciplinary proceedings of staff rules.
- The Company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers, with immediate effect.
- All information for the benefit of the clients', shall be displayed on the Website and in its all office and branch premises in vernacular language.

- CSL is committed to transparency and fair lending practices. Our commitment shall be displayed in vernacular language in all branches/office Premises and Head Office and in loan cards.
- Field staff shall be trained to make necessary enquiries with regard to existing debt of the borrowers. They will also be trained to use the credit bureau software to additionally verify the same.
- Trainings to the borrowers shall be free of cost through group meetings. Field staff shall be trained to offer such training and also make the borrowers fully aware of the procedure and systems related to loan/other products.
- The effective rate of interest charged and the grievance redressal system set up by the Company should be prominently displayed in all its offices in vernacular language as a catalogue and on its website.
- The Company will be accountable for preventing inappropriate staff behaviour and timely grievance redressal shall be made. And as previously stated, the same will be disclosed in the loan agreement and also in the Fair Practice Code displayed in its office/branch premises.
- The Company shall ensure compliance to KYC Guidelines of RBI. Proper due diligence shall be carried out to ensure the repayment capacity of the borrowers.
- All sanctions and disbursement of loans should be done only at the respective Branches and as specified in the loan manual all Loan Officers and Managers should be involved in this function. In addition, there should be close supervision of the disbursement function.

➤ **Periodic Review**

The Company will also review and refine the Code, as may be required periodically based on its own experience, fresh guidelines can be issued.

➤ **Loan facilities to the physically/visually challenged by NBFCs**

Company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of company shall render all possible assistance to such persons for availing of the various business facilities. The company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, company shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

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