

FAIR PRACTICE CODE

Introduction

Pursuant to Reserve Bank of India (RBI) 's Circular **DNBR (PD) CC.No.054/03.10.119/2015-16 dated 01st July, 2015** issued to all Non-Banking Financial Companies (NBFCs), the Fair Practices Code, as adopted herein below, is in conformity with the Guidelines on Fair Practices Code for NBFCs as prescribed by the Reserve Bank of India and as contained in the aforesaid RBI Circular.

Fair Practices Code

The Company would adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

Application for Loans and their Processing

- All communications with the borrower shall be in the vernacular language or a language as understood by the borrower.
- Loan application forms shall include necessary information such as key financiers which affects the interest of the borrower that will enable the borrower to make a meaningful decision. The loan application form may also indicate the documents required to be submitted with the application form.
- The Company shall devise a system of giving acknowledgement for receipt of all loan applications. Further, generally, the time frame within which the loan application will be disposed of would also be indicated in the acknowledgement.

Approval - Loan appraisal and terms/conditions

- The Company shall convey in writing to the borrower by means of approval letter/sanction letter or otherwise, the amount of loan approved/sanctioned - along with the terms and conditions, including annualized rate of interest and method of application thereof. It would keep the acceptance of these terms and conditions by the borrower on the Company's files.
- The Company shall furnish a copy of the loan agreement along with a copy each of enclosures, as applicable, to the borrowers at the time of disbursement of loans.
- Loan Agreement shall also mention in bold about the penal interest charged for late repayment.

Disbursement of Loans including Changes in Terms and Conditions

- The Company shall give notice to all its borrowers (in vernacular language) 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 effected 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.

Complaints about excessive interest charged by the Company

- The Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

General Provisions

- The Company shall refrain from interference in the affairs of the borrower except for the purposes provided for 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 borrowal account, the consent or otherwise - i.e., objection of the Company, if any - shall be conveyed to the borrower within 21 days from the date of receipt of any request. Such transfer shall be as per transparent contractual terms in consonance with law.
- In the matter of recovery of loans, the Company shall not resort to undue harassment – such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

Grievance Redressal Mechanism

- The Board of Directors of company has laid 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 company's 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.

- The Company shall display the following information prominently, for the benefit of its customers, at the branches / places where business is transacted:
- The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company. The Sales Head shall act as the Regional Grievance Redressal Officer who shall be responsible to address the Complaints of the Customers.
- If the complaint / dispute is not redressed within a period of 1 month from the date of receipt of Complaint by the Grievance Redressal Officer, the Customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of Reserve Bank of India, Department of Non- Banking Supervision, Delhi Regional Office, 6, Sansad Marg, RBI Building, P.B. No.123, New Delhi - 110001 , under whose jurisdiction the registered office of the NBFC falls. Customer can also contact the Company at the details mentioned below:

Sonal Mercantile Limited

Regd.Office: 105/33, Vardhman Golden Plaza,
Road No. 44, Pitampura, Delhi – 110034
Tel: +91-11-65656577

Regulation of excessive interest charged by NBFCs

- 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 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.
- 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 should be updated whenever there is a change in the rates of interest.
- The rate of interest should be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

Repossession Guidelines

- Repossession clause shall be incorporated in the contract/loan agreement with the borrower which shall be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall also 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 loan before the sale/auction of the property;
- Procedure for giving repossession to the borrower and
- For sale/auction of the property.
- A copy of such terms and conditions shall be made available to the borrowers.

Wide Dissemination and Periodic Review

- The Company shall put the above Fair Practices Code outlined hereinabove on its web site, for the information of various stakeholders. The Company shall also review and refine the Code, as may be required periodically - based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard.