

	<b>Fair Practice Code</b>  <b>Hero FinCorp Limited</b>	Version: 2.00  Review Date: 05 February 2024	Approved by:  Board of Directors
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# Hero FinCorp Limited (“HFCL”)

## Fair Practices Code Policy

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Reviewed by	Shilpi Varshney	Lead – Compliance
Recommended by	Subhransu Mandal	Chief Compliance Officer
Review Frequency	Annually	

### *Versions history*

Version	Date	Comments
V1.01	29.05.2016	<b>Approval of Fair Practice Code as per RBI’s Master Direction</b>
V1.02	21.10.2019	<b>Review of Fair Practice Code</b>
	21.10.2020	<b>Annual Renewal</b>
V1.03	21.10.2021	<b>Annual Renewal</b>
V1.04	29.01.2022	<b>Updating name of Grievance Redressal Officer</b>
V1.05	01.05.2023	<b>Updating Loan appraisal and terms/conditions</b>
V2.00	27.10.2023	Updation with following RBI Circulars applicable with effect from April 1, 2024 and December 31, 2023 respectively: - Fair Lending Practice - Penal Charges in Loan Accounts dated August 18, 2023 - Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans’ dated August 18, 2023
V2.01	05.02.2024	- Updating name of Grievance Redressal Officer - Updation of RBI circular on Responsible Lending Conduct – Release of movable/immovable property documents on repayment/ settlement of personal loans dated September 13, 2023 applicable with effect from December 1, 2023

	<b>Fair Practice Code</b>  <b>Hero FinCorp Limited</b>	Version: 2.00  Review Date: 05 February 2024	Approved by:  Board of Directors
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This Fair Practice Code is aimed to provide to all the stakeholders, especially customers effective overview of practices followed by the Company in respect of the financial facilities and services offered by the Company to its customers. This fair practice code includes the provisions of Fair Lending Practice and has been amended to incorporate guidelines on same by RBI in its master directions- NBFC-NDI, 2016, as updated from time to time.

**The objectives of the Code are:**

- To promote good practices and ensure transparency in dealing with customers;
- To promote a fair relationship between the customer and Company;
- To ensure reasonableness and transparency in disclosure of penal charges;
- To ensure compliance with legal norms in matters relating to recovery of advances;
- To strengthen mechanisms for redressal of customer grievances;

**Applications for loans and their processing:**

- All communications to the borrower will be in the vernacular language or a language as understood by the borrower.
- Loan application forms would 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 would indicate the documents required to be submitted with the application form.
- The Company will have a system of giving acknowledgement for receipt of all loan applications.

**Loan appraisal and terms/conditions:**

- The Company will ensure that there is proper assessment of credit application made by borrowers. The assessment would be in line with Company's credit policies and procedures.
- The Company will convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter, 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. The Company will mention the penal charges for late repayment in bold in the loan agreement.
- The Company will furnish a copy of the loan agreement preferably in the vernacular language or a language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement to the borrowers at the time of sanction/disbursement of loans.

**Penal Charges in Loan Accounts:**

- Penalty for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. The Company shall not capitalise penal charges
- The Company shall not introduce any additional component to the rate of interest.
- The Company will keep the quantum of penal charges commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan / product category.
- The penal charges 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.

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- e. The quantum and reason for penal charges shall be clearly disclosed by the Company in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, and on its website under Interest rates and Service Charges.
- f. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- g. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date or six months from January 1, 2024, whichever is earlier.

#### **Disbursement of loans including changes in terms and conditions:**

- a. The Company will ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction. The Company will give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in terms and conditions, including disbursement schedule, interest rates, service charges, prepayment charges etc.
- b. The Company will ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- c. Decision to recall / accelerate payment or performance under the agreement will be in consonance with the loan agreement.
- d. The Company will 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 will 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.

#### **Release of movable/immovable property documents on repayment/ settlement of personal loans**

- a. The Company will 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.
- b. The borrower will be given the option of collecting the original movable/ immovable property documents either from the Company's office where the loan account was serviced or any other office of the Company where the documents are available, as per her/his preference.
- c. Timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after December 1, 2023.
- d. In case of contingent event of demise, the original movable/immovable property documents of the sole borrower or joint borrower shall be returned to the legal heir(s) as per the procedure provided in the Annexure-1.

#### **Compensation for delay in release of movable/immovable property documents**

- a. In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, reasons for such delay shall be communicated to the borrower.
- b. In case where the delay is attributable to the Company, compensation at the rate of Rs. 5,000 for each day of delay shall be provided to the borrower.

	<b>Fair Practice Code</b>  <b>Hero FinCorp Limited</b>	Version: 2.00  Review Date: 05 February 2024	Approved by:  Board of Directors
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c. In case of loss/damage to original movable/immovable property documents, either in part or in full, the Company shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (b) above. In such cases, an additional 30 days timeline will be available to the Company to complete the procedure and delayed period penalty will be calculated after 60 days.

#### **Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based \*Personal Loans**

- a. In case of EMI based floating rate personal loans, the Company, at time of sanction will ensure that adequate headroom/ margin is available for elongation of tenor and/ or increase in EMI, in the scenario of possible increase in the interest rates during the tenor of the loan.
- b. The Company will ensure that the elongation of tenor in case of floating rate loan does not result in negative amortization.
- c. The Company shall clearly communicate to the borrowers about the possible impact of change in benchmark rate of HFCL PLR on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above will be communicated to the borrower immediately through appropriate channels.
- d. At the time of reset of interest rates, the Company shall provide the option to the borrowers to switch over to a fixed rate.
- e. The borrowers will have a choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to prepay, either in part or in full, at any point during the tenor of the loan.
- f. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options to be disclosed in the sanction letter and also at the time of revision of such charges/ costs by the Company from time to time.
- g. The Company will share / make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which will, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. The Company will ensure that the statements are simple and easily understood by the borrower.

#### **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.)
- b. In case of receipt of request from the borrower for transfer of borrower's account, the consent or otherwise i.e. objection of the Company, if any, will 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, consistent with its policy over the years, the Company will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.
- d. To avoid rude behavior from the staff of the Company, the Company will ensure that the staff is adequately trained to deal with customers in an appropriate manner.

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### Responsibility of Board of Directors:

- a. A grievance redressal mechanism with the organization comprising Business Heads, Head – Compliance & Company Secretary and Head - Operations has been set up to resolve disputes arising in this regard. This Forum will ensure that all the disputes arising out of the decisions the Company's functionaries are heard and disposed of at least at the next higher level.
- b. There will be a periodical review of the compliance of the Fair Practice Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board at regular intervals, as may be prescribed by it.

### Grievance Redressal:

- a. Following information will be displayed prominently, for the benefit of the customers, at all branches / places of the Company where business is transacted:
  - (i) The name and contact details (Telephone / Mobile nos. and also email address) of the Nodal Officer who can be approached for resolution of complaints against the Company.  
**Nodal Officer,**  
**Ms. Monica Arora**  
**Hero FinCorp Limited,**  
**A-44, Mohan Co-Operative Industrial Estate, Mathura Road, New Delhi, 110044**  
**Email: [nodal.officer@HeroFinCorp.com](mailto:nodal.officer@HeroFinCorp.com)**  
**Tel. 0124-3633945 (10:00 am to 6:00 pm)**
  - (ii) If the complaint / dispute is not redressed within a period of 30 days, the customer appeal Reserve Bank of India's Ombudsman Channel through -  
**'Centralized Receipt and Processing Centre',**  
**Reserve Bank of India, 4th Floor, Sector 17, Chandigarh – 160017**  
**Website : <https://cms.rbi.org.in>**  
**Email : [CRPC@rbi.org.in](mailto:CRPC@rbi.org.in)**  
**Toll free : 14448 (9:30 am to 5:15 pm)**
- b. The public notice will serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the Company, together with details of the Nodal Officer and of the Regional Office of the RBI.
- c. Company is also covered under the Ombudsman Scheme. Mr. Rajib Sen has been appointed as Principal Nodal Officer / Nodal Officer under the scheme.

### Regulation of Rate of Interest:

- a. The Board of Directors has adopted an interest rate model, as defined in its Pricing Policy, 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 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 website of the companies. The information published on the website or otherwise published should be updated whenever there is a change in the rates of interest.

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- c. The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.
- d. As a measure of customer protection, NBFCs shall not charge foreclosure charges / pre-payment penalties on all floating rate term loan sanctioned for purposes other than business to individual borrowers.

### Repossession of vehicles financed

The Company should include a built-in re-possession clause in the loan agreement with the borrower which must be legally enforceable.

To ensure transparency, the terms and conditions of the loan agreement should 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.

A copy of such terms and conditions must be made available to the borrowers.

**\*Personal Loans-** Personal loans refers to loans given to individuals and consist of (a) \*\*consumer credit, (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.)

**\*\*Consumer Credit-** Consumer credit refers to the loans given to individuals, which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use), (d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.). **However, it excludes** (a) education loans, (b) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), (c) loans given for investment in financial assets (shares, debentures, etc.), and (d) consumption loans given to farmers under Kisan Credit Card ("KCC").

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