

Fair Practices Code of VLS Finance Ltd.

The Reserve Bank of India vide its Circular No. DNBS. CC .PD.No. 266/03.10.01/2011-12 dated 26th March, 2012 had modified the guidelines on fair practices that are to be followed by all Non-Banking Financial Companies, superseding the earlier circular No. DNBS(PD)CC No. 80/03.10.042/2005-06 dated 20th September, 2006. The fair practices code was earlier approved by the Board of Directors of the Company on 18/7/2007.

The following 'Fair Practices Code of the Company' after amendment in consonance with aforesaid circular was approved by the Board of Directors of the Company in its meeting held on 29/05/2012. Accordingly, the Company shall henceforth adhere to the following Fair Practices Code in its dealings with the Public.

(i) Applications for loans and their processing

- (a) The loan application forms of the Company will 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. The application form, agreement and all documents/ communications with borrower shall be in a language understood by borrower.
- (b) The Company shall devise a system of giving acknowledgement for receipt of all loan applications. Further, the time frame within which loan applications is likely to 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 language understood by 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 the Company's record. The rate of interest and after charges shall be explicitly disclosed in application form and sanction letter. Where different interest rates are charged for different categories, same shall be disclosed in application form/ other means as permitted. Rejection of loan applications with reasons thereof, shall also be communicated to the applicants. The penal interest charged on late payment shall be mentioned in bold in loan agreement and copy of loan agreement with enclosures will be furnished with sanction/disbursement of loan.

(iii) Disbursement of loans including changes in terms and conditions

- (a) The Company shall give notice to its borrowers of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. in the language understood by borrower. The Company shall also ensure that the changes in interest rates and charges are effected only prospectively. A suitable condition in this regard shall 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/s. 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. There shall be specific repossession clause in agreement/contract laying out circumstances and procedure for repossession of security including notice period/waiver thereof detailing circumstances therefor, giving final chance to borrower for settlement of dues before auction / sale of security/property, procedure for auction etc.

(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 Company.
- (b) In case of receipt of request from the borrower for transfer of borrower 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 such 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. and the staff shall be adequately trained to deal with customer in appropriate manner.
- (v) The Company shall have a grievance redressal cell consisting of Vice President (Credit-Operations), Company Secretary and One Director from the Board to resolve disputes arising in this regard. The said cell shall meet as and when any grievance is received. The said cell shall periodically apprise the Board of Directors of grievances received by it and their disposal to enable the Board to review the compliance of the Fair Practices Code and functioning of the grievances redressal mechanism.
- (vi) The Company is committed to follow best corporate practices promoting transparency, customer's well being, fair competition and overall growth of all those associated with the Company.”
