

# LEAD FINANCIAL SERVICES LTD.

(Formerly Privy Financial Services Ltd.)

101, Sita Ram Mansion, 718/21, Joshi Road,  
Karol Bagh, New Delhi-110005  
23549822, 23, 24  
Fax : 23623829  
e-mail : pcbindal@rediffmail.com  
: lead\_financial@rediffmail.com  
(for grievance redressal division)

## Fair Practices Code

### (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 should 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) The NBFCs should devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of should 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 annualised 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 the Company 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 borrower has no time to look into detailed agreement.

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.

The Company therefore 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 notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company ensures that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- (b) Decision to recall / accelerate payment or performance under the agreement should be in consonance with the loan agreement.
- (c) The Company shall release all securities on repayment of all dues or on realisation 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 are 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, 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.
  - (c) In the matter of recovery of loans, the Company should 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 behaviour from the staff of the companies. The Company ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
  - (v) The Company lays down the appropriate grievance redressal mechanism within the organization to resolve disputes arising in this regard. Such a mechanism should 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 should 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) The Company shall display the following information prominently, for the benefit of their customers, at their branches / places where business is transacted:

- Name of Grievance Redressal Officer and contact details of the office where customers can direct their grievances.
- Contact details of 'the Officer-in-Charge of the Regional Office of DNBS of RBI' to whom customers can contact in case they are not satisfied with resolution provided by company or in case issue remains unresolved for 30 days

(vii) 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.

(viii) Regulation of excessive interest charged by the Company

- a). 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 website of the Company or published in the relevant newspapers. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest.
- c). The rate of interest should be annualised 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

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 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 in terms of circular wherein it was stated that NBFCs 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.