

## FAIR PRACTICES CODE

### (Relating to Responsible Financial Products & Services and Marketing)

#### INTRODUCTION

Northern Arc Capital Limited operates with the mission to enable access to finance for the underbanked in an efficient, scalable and reliable manner. Northern Arc Group (Northern Arc Capital Limited and its subsidiaries) provides financial products and services through online and offline channels directly and through third parties. We, at Northern Arc Group, are committed to conduct our business responsibly.

#### SCOPE

The Client protection principles outlined in the appendix hereto will be applied by Northern Arc Group as appropriate while offering financial products and services to its Customers (as defined below) and other clients including third party financial products and services through offline or online channels directly or through third parties as well as the marketing and sales of such financial products and services.

The Fair Practices Code given below will govern the lending operations of Northern Arc Capital Limited.

#### APPLICABILITY

This Policy is applicable for all financial products and services offered by Northern Arc, including credit facilities offered directly or through online / offline channels.

#### FAIR PRACTICES CODE

For the purposes of this Fair Practices Code section, the following expressions shall have the meanings set forth below.

- **Annualised Percentage Rate (APR)** means the effective all-inclusive annualised total cost of borrowing to the borrower, measured as on the date of sanction of the credit facility
- **Company** refers to Northern Arc Capital Limited.
- **Consumer Credit** refers to the credit facilities 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), (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.), and (g) line of credit. 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 KCC. And any other credit topics which may be regulatorily recognised as such , from time to time.

- Credit Facilities includes loans, lines of credit, working capital and other similar facilities, whether funded and unfunded.
- **Customers** refers to borrowers and includes applicants for credit facilities and the term Customer shall be construed accordingly.
- **Personal Loans** refers to Credit Facilities 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.).

### **Applications for Credit Facilities and their processing**

All communications to the customer shall be in the vernacular language or in a language understood by the customer.

Loan application forms shall include necessary information which affects the interest of the customer, 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 customer.

The loan application form shall indicate the documents required to be submitted with the application form.

A system of giving acknowledgement for receipt of all loan applications shall be devised and preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement.

### **Loan terms and conditions**

The amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof shall be conveyed in writing to the customer in the vernacular language or in a language understood by the customer by means of sanction letter or otherwise, and the record of acceptance of these terms and conditions by the customer on shall be kept on record. The total cost of borrowing in the form of APR, the calculation of which includes not only the interest rate but also other fees the borrower will be charged, shall be disclosed upfront in case of loans to individuals for purposes other than business.

Penalties charged for late repayment shall be mentioned in bold in the loan agreement.

A copy of the loan agreement in the vernacular language or in a language understood by the customer along with a copy each of all enclosures quoted in the loan agreement shall be provided to all the customers at the time of sanction / disbursement of loans.

### **Credit facility pricing model**

The pricing of credit facilities, which shall be measured in terms of effective APR, shall be approved by the credit approving authority from time to time which shall be determined on the basis, inter alia, of the following:

- Interest;
- Cost of insurance linked to the credit facility charged to the borrower whether mandatory or voluntary (on an “opt-out” basis); and
- Any fees charged to the borrower by whatever name called.

The following components shall not be included in calculating APR:

- Foreclosure / prepayment charges
- Penal charges
- Cost of any optional services / products that are charged to the borrower along with the credit facility
- Taxes on any component of APR

APR Calculation:

- APR shall be calculated on net disbursed amount using IRR approach and reducing balance method.

The interest rate model of the Company shall be based on factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances and the credit approving authority of the Company is delegated with such powers.

Interest rates charged by the Company depends on a variety of factors affecting the Company including cost of borrowed funds, matching tenor cost, market liquidity, RBI policies on credit flow, offerings by competition, market reputation, cost of operations, disbursements, cost of capital required, inherent credit and default risk in the counterparty and products, industry trends, expected return on equity etc. Identical products with identical tenor and availed during the same period may attract different interest rates for different customers. Interest rates could vary depending upon consideration of all or combination of multiple factors including but not limited to the following:

- Credit and default risk in the related business segment;
- Historical performance of similar homogeneous customers;
- Profile of the applicant;
- Industry segment;
- Repayment track record of the applicant;
- Nature and value of collateral security;
- Secured vs unsecured loan;
- Seniority of the loan;
- Loan ticket size;
- Credit rating of the applicant and corporate guarantor, if any;
- Loan tenor;
- Location delinquency and collection performance (applicable for retail);
- Other indebtedness of the applicant.

Interest rates will be intimated to the customers at the time of sanction of the loan and the interest and principal repayment schedule will be made available to the customer. Interest shall be charged only on the outstanding principal and only for such period such principal amount remains outstanding.

In case of loans disbursed by way of issuance of cheques, interest will be charged only from the date the cheque was handed over to the customer or to the nominee of the customer.

Besides interest, other financial charges like processing fees, late payments, RTGS / other remittance charges, etc. may be levied by the Company as contemplated in the loan documents.

Changes in interest rates and charges shall be given effect only prospectively and a suitable condition to that shall be incorporated in the loan agreement. Any increase in credit limits shall be with the explicit consent of the customer.

Company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual customers, with or without co-obligor(s).

### **Penal charges in credit facilities**

To inculcate a sense of credit discipline, as a deterrent against intentional delinquency, and to encourage prompt and timely repayment of the loan, the Company may charge penalty in the form of Penal Charges as determined by the credit approving authority in case of payment default(s) or non-compliance of material terms and conditions governing a loan by the customer

- It is expressly clarified that penal interest that is added to the rate of interest charged on the credit facility shall not be levied for any non-compliance of any terms or conditions governing a loan by the customer.
- Penal Charges may be levied for payment defaults and non-compliance of any other material terms and conditions, as may be specified in the relevant credit facility documentation.
  - In case of payment default, penal charges, if levied, may be charged upto an amount equivalent to 36% p.a. of the amount under default.
  - In case of non-compliance with other terms and conditions, an amount not exceeding 5% of the principal outstanding.
- Penal Charges shall not be capitalized and no interest shall be applied on such Penal Charges. However, it is clarified that compounding of interest is permissible.
- In deserving cases, such Penal Charges may be settled at lower amounts or waived by the Credit Committee or as may be delegated by the Credit Committee from time to time.
- Applicable Penal Charges shall be displayed on the website of the Company.

For the purpose of the foregoing, material terms and conditions in respect of a loan shall mean such terms and conditions governing a loan including timely payment of amounts due and payable the breach of which would render all outstanding amounts in relation to such loan due and payable immediately or at the discretion of the Company.

The principles based on which Penal Charges may be levied by the credit approving authority shall be as outlined below.

- The quantum of Penal Charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of the credit facility without being discriminatory within a particular loan / product category.

- The Penal Charges in case of loans sanctioned to 'individual customers, for purposes other than business', shall not be higher than the Penal Charges applicable to non-individual customers for similar non-compliance of material terms and conditions.
- Penal Charges can be charged only once for one period of default and therefore cannot be permitted to be capitalised.

The quantum and reason for Penal Charges shall be clearly disclosed to the customers in the loan agreement and most important terms & conditions / Key Fact Statement as applicable, in addition to being displayed on the website of the Company.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to customers, the applicable penal charges shall be communicated. Further, any instance of levy of Penal Charges and the reason therefor shall also be communicated.

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

Notice in simple terms shall be given to the customer in the vernacular language or a language as understood by the customer of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.

Loan recall or requiring accelerated payment or performance under the agreement shall be in accordance with the loan agreement.

#### **Lien and Setoff**

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 that it may have against customer. If such right of set off is to be exercised, the customer shall be given notice about the same with full particulars about the remaining claims and the conditions under which 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**

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 customer shall be given the option of collecting the original movable/ immovable property documents either from the branch where the loan account was serviced or any other office of the Company where the documents are available, as per her/his 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 customer or joint customers, a well laid out procedure for return of original movable/immovable property documents to the legal heirs shall be put in place and displayed on the website of the Company along with other similar policies and procedures, if any, for customer information.

Without prejudice to the rights of a customer to get any other compensation as per any applicable law (i) 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, Company shall communicate to the customer reasons for such delay and in cases where the delay is attributable to the Company, it shall compensate the customer at the rate of ₹5,000 for each day of delay and (ii) in case of loss/damage to original movable/immovable property documents, either in part or in full, Company shall assist the customer in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated in section (i) of this paragraph. However, in such cases, the delayed period penalty will be calculated after a total period of 60 days rather than 30 days as indicated in section (i) of this paragraph.

### **Reset of floating interest rate on equated periodical instalment based floating rate Personal Loans**

At the time of sanction of equated periodical instalment based floating rate Personal Loans, the customers shall be clearly communicated vide the sanction letter about the possible impact of change in benchmark interest rate on the loan leading to changes in equated instalments and/or tenor or both. Any increase in the equated instalments/ tenor or both on account of the change in the benchmark interest rate shall be communicated to the customer immediately in writing.

A one-time option shall be provided to the customers during the original term of the loan to switch over to a fixed rate at the time of reset of interest rates.

The customers shall also be given the choice to opt for (i) enhancement in equated instalment 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. No foreclosure charges/ pre-payment penalties shall be levied on any floating rate term loan sanctioned for purposes other than business to individual customers, with or without co-obligant(s).

Charges, if any, for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and any revision to such charges shall also be communicated to the customers at the time of revision.

It shall be ensured that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

Company shall share / make accessible to the customers, through appropriate channels, a statement (that is simple and easily understood by the customer) at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, equated instalment amount, number of equated instalments left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan.

### **General**

Company shall refrain from interference in the personal affairs of the customer except for the purposes of implementing the terms and conditions governing the loan while maintaining the customer's dignity through fair and ethical interactions.

In case of receipt of request from the customer for transfer of borrowal account, the consent objection of the Company, if any, shall 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, Company shall not and shall ensure that the recovery agents acting on its behalf directly or indirectly shall not resort to intimidation or harassment of any kind, either verbal or physical, against any person in the course of conducting collection/selling activities, including acts intended to humiliate publicly or intrude the privacy of the debtors' family members, neighbours and friends, sending inappropriate messages either on mobile or through social media, making threatening and anonymous calls or persistently calling the customer and/ or calling the customer before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans.

Company shall ensure that such agents or staffs engaged in recovery of loans are adequately trained to deal with the customers in an appropriate manner.

### **Grievance Redressal Mechanism**

The Company shall designate a Grievance Redressal Officer (“GRO”) to maintain a record of customer complaints received by the Company against the Company, or against any person acting directly or indirectly on behalf of the Company. GRO shall endeavour to resolve such complaints within 15 (fifteen) days of receipt thereof.

In case the complaint requires more time for resolution, the same shall be informed to the customer. The customer shall be updated at regular intervals regarding the status of the complaint by GRO.

The internal grievance redressal mechanism shall ensure that complaints arising out of the action / misconduct by any functionary within the Company, shall be referred by GRO for developing solutions and disposal of the complaint.

In case of any complaints / grievances the customer may contact the Grievance Redressal Officer:

Name: Mr. Madhan Mohan K

Address: IndiQube Golf View Homes, 6th Floor, Tower B, 3rd Cross Road, S R Layout, Murgesh Pallya, Bengaluru – 560 017

Toll Free Number: 1800 419 8766

Email ID: [gro@northernarc.com](mailto:gro@northernarc.com)

In case the customer is not satisfied with the response of the Grievance Redressal Officer, or if no response is received within 15 (fifteen) days, the customer may escalate the complaint to the Nodal Officer,

Name: Ms. Deepa Nair

Address: IndiQube Golf View Homes, 6th Floor, Tower B, 3rd Cross Road, S R Layout, Murgesh Pallya, Bengaluru – 560 017

Toll Free Number: 1800 258 7010

Email ID: [nodal.officer@northernarc.com](mailto:nodal.officer@northernarc.com)

GRO may formally delegate the task of redressal of a specific complaint to his/her team as suitable, with due information to the customer.

### **Principal Nodal Officer under the Ombudsman Scheme**

In accordance with the Ombudsman Scheme for Integrated Ombudsman Scheme, 2021 (“Scheme”), the Company has designated Ms. Deepa Nair as the Principal Nodal Officer (“PNO”) for all locations of the Company who shall be responsible for representing the Company before the Ombudsman and the Appellate Authority under the Scheme and furnishing information on behalf of the Company in respect of complaints filed against the Company under the Scheme. The salient features of the Scheme is annexed hereto.

The contact details of the Principal Nodal Officer is set out below.

Name: Ms. Deepa Nair

Address: IndiQube Golf View Homes, 6th Floor, Tower B, 3rd Cross Road, S R Layout, Murgesh Pallya, Bengaluru – 560 017

Toll Free Number: 1800 258 7010

Email ID: [nodal.officer@northernarc.com](mailto:nodal.officer@northernarc.com)

### **Complaints to the Ombudsman**

In case the customer does not receive a response from the Grievance Redressal Officer or the Nodal Officer within one month from the date of making a representation to the Company, or if the customer is not satisfied with the response so received, a complaint may be made in accordance with the ‘The Reserve Bank - Integrated Ombudsman Scheme, 2021’ (“Ombudsman Scheme”) to the Ombudsman in whose jurisdiction the office of the Company complained against, is located. Complainants can lodge their complainants online on RBI’s portal <https://cms.rbi.org.in> online under the Scheme. Complaints can also be filed by sending an email to [CRPC@rbi.org.in](mailto:CRPC@rbi.org.in) or sent in physical mode to the ‘Centralised Receipt and Processing Centre’ set up at Reserve Bank of India, 4th Floor, Sector 17, Chandigarh – 160017 in the [format](#) prescribed in the Scheme. A copy of ‘Integrated Ombudsman Scheme, 2021’ is available with the Principal Nodal Officer. A copy of the [Scheme](#) is available on the RBI website and on the CMS portal (<https://cms.rbi.org.in>).

### **Guidelines on Conduct towards Microfinance Customers**

As regards microfinance loans, the Company shall conduct its operations in adherence to the requirements set out below in compliance with Master Direction - Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 and other applicable regulatory norms issued from time to time.

At the time of origination of each microfinance loan, the loan applicant shall be provided with the choice of at least two repayment periodicities out of weekly, fortnightly or monthly repayment periodicity.

The Company shall have a well-documented interest rate model/ approach for arriving at the all-inclusive interest rate. The Company shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in the literature (information booklets/ pamphlets) issued by it and on its website.



Any change in interest rate or any other charge shall be informed to the customer well in advance and these changes shall be effective only prospectively.

The Company shall disclose pricing related information to a prospective customer in a standardised simplified factsheet as per prescribed format.

Any fees to be charged to the microfinance customer by the Company and/ or its partner/ agent shall be explicitly disclosed in the factsheet. The customer shall not be charged any amount which is not explicitly mentioned in the factsheet.

The Company shall not charge any pre-payment penalty on microfinance loans. Penalty, if any, for delayed payment shall be applied on the overdue amount and not on the entire loan amount.

There shall be a standard form of loan agreement for microfinance loans in a language understood by the customer.

The Company shall provide a loan card to the customer which shall incorporate the following requirements. All entries in the loan card shall be in a language understood by the customer:

- i. Information which adequately identifies the customer;
- ii. Simplified factsheet on pricing;
- iii. All other terms and conditions attached to the loan;
- iv. Acknowledgements by the Company of all repayments including instalments received and the final discharge; and
- v. Details of the grievance redressal system, including the name and contact number of the nodal officer of the Company.

Issuance of non-credit products shall be with full consent of the customers and fee structure for such products shall be explicitly communicated to the customer in the loan card itself.

Trainings, if any, offered by the Company to its customers shall be free of cost. All field staff shall be trained to offer such training and also make the customers fully aware of the procedure and systems related to loan / other products. The Company's field staffs shall be trained to make necessary enquiries with regard to existing debt of the customers.

The Company shall be accountable for preventing inappropriate staff behaviour and timely redressal of the grievances of the customer. The above declaration shall also be made in the loan agreement given to the customer and also in the Code displayed in its office/branch premises and on Company's website.

Recovery shall be made at a designated/ central designated place decided mutually by the customer and the Company. However, field staff shall be allowed to make recovery at the place of residence or work of the customer if the customer fails to appear at the designated/ central designated place on two or more successive occasions. Company or its agent shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:

- i. Use of threatening or abusive language
- ii. Persistently calling the customer and/or calling the customer before 9:00 a.m. and after 6:00 p.m.
- iii. Harassing relatives, friends, or co-workers of the customer
- iv. Publishing the name of customers
- v. Use or threat of use of violence or other similar means to harm the customer or customer's family/ assets/ reputation
- vi. Misleading the customer about the extent of the debt or the consequences of non-repayment.

Any engagement of recovery agency, which shall, *inter alia*, cover individuals involved in the recovery process shall be in accordance with the due diligence process stipulated in the policy approved by the board of directors of the Company. Company shall ensure that the recovery agents engaged by it carry out verification of the antecedents of their employees engaged in recovery on an annual basis. Company shall also ensure that its recovery agents are subjected to police verification at the time of beginning their engagement.

To ensure due notice and appropriate authorisation, Company shall provide the details of recovery agency to the customer while initiating the process of recovery. Company shall direct the recovery agency to ensure that its employees engaged in recovery also carry a copy of the notice and the authorisation letter from the Company (which, among other details, also include the contact details of the recovery agency and the Company) along with the identity card issued to him by the Company or the agency. Where the recovery agency is changed by the Company during the recovery process, the Company shall notify the customer of the change and apply the foregoing requirements on the new agency.

The up-to-date details of the recovery agencies engaged by the Company in relation to microfinance loans shall be published on the Company's website.

#### **Loans Sourced through Digital Lending Platforms**

Where the Company sources or originates loans through digital lending platform(s) then the following additional steps shall be taken by the Company:

- a. The names of all digital lending platforms engaged as agents shall be disclosed on the Company's website.
- b. All digital lending platforms shall be directed to disclose upfront to the customer, the name of the Company on whose behalf they are interacting with the customer.
- c. Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the customer on the Company's letterhead.
- d. A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all customers at the time of sanction/ disbursement of loans.
- e. Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the Company.
- f. Adequate efforts shall be made towards creation of awareness about the Company's grievance redressal mechanism.

### **Repossession of financed vehicles**

Loan agreements with the customer must have a legally enforceable re-possession clause in the contract/loan agreement with the customer. The terms and conditions of the contract/loan agreement shall also contain provisions regarding:

- (i) Notice period before taking possession;
- (ii) Circumstances under which the notice period can be waived;
- (iii) The procedure for taking possession of the security;
- (iv) A provision regarding final chance to be given to the customer for repayment of loan before the sale/ auction of the property;
- (v) The procedure for giving repossession to the customer; and
- (vi) The procedure for sale/auction of the property.

### **Loan facilities to the physically/visually challenged**

Company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of the Company shall render all possible assistance to such persons for availing of the various business facilities. Company shall ensure that its employees are suitably trained regarding the rights of persons with disabilities guaranteed to them by the law and international conventions.

### **Periodical review**

Compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism shall be periodically reviewed by the senior management of the Company and a consolidated report of such reviews shall be submitted to the Board of Directors of the Company on a quarterly basis.

### **REVIEW OF CODE**

The Fair Practices Code shall be reviewed every year by the Board of Directors of Company or whenever there is a significant change in law governing the subject matter thereof.

## CLIENT PROTECTION PRINCIPLES

### A. Appropriate Design of Products, Services and Delivery Channels

*Products, services, and delivery channels to be designed in such a way that they do not cause harm to clients. To take into account client characteristics in designing products, services and delivery channels and refine or improvise them based on client feedback.*

**Suitability.** Consider the needs of the client and the assessment of the client's financial circumstances and understanding in offering suitable products and services (both credit and investment), and the delivery channels thereof. The processes and technology by which products and services will be provided, its use and support shall be taken into account encompassing the entire client experience. Consider delivery suitability when products and services are offered through third-parties. As low income segments of the population may not have tangible assets to offer as security, the same needs to be factored in while designing credit products for such segments of the population.

**Simplicity.** Essential credit products for the mass market to be made available in a form that is simple, transparent and easy to understand. While complicated products have a role to play, a suite of simple financial products that are designed to meet essential basic needs is required to help clients of such mass market credit products navigate the financial marketplace. Risk profile of the clients shall be taken into consideration while offering investment products.

**No waivers of client rights.** Clients should not be asked to waive their rights, such as the right to sue, right to receive information, right to support, right to privacy, etc. If providing a product or service is not viable without a waiver, then it must be made clear to the client.

**Unilateral changes.** Change in terms of the financial products and services shall be applied only with the consent of the client.

**Affordability.** The cost to the client in the form of interest rates, fees, charges, etc. and the size of the product and the periodic payment amount it entails should fit reasonably within the client's paying capacity, taking into account the client's overall financial situation. Credit products offering should be designed in a manner that prevent over-indebtedness as set out below under the principle 'Prevention of Over-indebtedness'.

**Cooling off period.** To design cooling off period for some loan products and types of clients as appropriate commensurate with the size and term of a loan that gives the clients a certain amount of time after contract signing to cancel the contract without penalty to protect clients from making decisions under pressure and prevent defaults due to product-client mismatches.

**Consumer protection by design.** For digital products, client protection principles shall be considered for embedding them as appropriate into the digital interfaces and channels such that discrimination on the basis of gender, religion and other sensitive variables is avoided; transparency, data privacy and security, complaints handling, etc... are supported; and the products terms, conditions and use

are made clear to clients through the digital interface and allow clients to make informed decisions. To consider design and delivery suitability when products and services are designed or offered through third-parties. While offering linked products or services, “opt-in” rather than “opt-out” feature needs to be provided to the clients to select products or services to be availed.

**Choice of service providers.** To carefully consider the choice of third-party service providers to align with their commitment to responsible finance. To consider design and delivery suitability when products and services are designed or offered through third-parties.

#### B. Prevention of Over-indebtedness

*Take adequate care in the credit processes to determine that clients have the capacity to repay without becoming overindebted.*

Over-indebtedness is a state in which a customer has to make significant sacrifices to his or her standard of living or its business affairs in order to repay debts.

Loan repayment schedules to correspond with the customer’s cash flow. Consideration should also be given to the needs of clients with seasonal cash flows, such as farmers. Clients will not have to make significant sacrifices to their standard of living or business affairs in order to pay for their financial products. Over-indebtedness to be avoided in product design through eligibility criteria and other terms that balance loan size against a client’s capacity to repay.

**Client underwriting process.** For credit products, creditworthiness of the clients shall be assessed. Collateral and guarantees can be used as a secondary source of repayment and as confirmation of the customer’s commitment to repay, but not as the fundamental basis for loan approval. To determine loan amounts based on the ratio of available cash flow to debt service payments leaving room for errors and unexpected expenses. Availability of collateral or guarantee should not be the primary loan approval criterion.

**Information verification.** Depending on the type of client and loan product, where feasible willingness to repay shall be assessed by confirming information provided by an applicant, such as reference checks and site visits.

**Use of credit bureaus.** To use credit bureaus during the underwriting process and to report to timely and complete information on the customers to credit bureaus as provided in law.

**Loan renewal, refinancing and rescheduling.** This effort to prevent over-indebtedness shall also be applied at the time of loan renewal (including automatic loan renewal) and refinancing and consider rescheduling as an approach to mitigate over-indebtedness at the request of the client.

**Monitoring.** Loan portfolios shall be regularly monitored from time to time to gauge their levels of indebtedness and debt stress.

#### C. Transparency

*Communication of clear, sufficient and timely information in a manner and language that clients can understand and make informed decisions.*

For clients with low levels of education or literacy, who may be unfamiliar with formal financial products and their terms and conditions, communication with clients shall be in such a way that clients can understand, such as using plain language in the local vernacular, and in some cases communicating orally or in pictures. For such clients and in case of digital lending (i.e., a remote and automated lending process), complete details of the loan amount, interest rate, annualised percentage rate, details of charges, fees, premiums, penalty amounts/rates and prepayment premium shall be made available in the form of a 'key fact statement' or other similar manner.

In case of providing products and services through digital channels, the design of the user interfaces shall be such that it is easy for the client to understand and navigate, while ensuring that essential terms are conveyed and available for clients to access at any time.

Where products or services are offered through third parties, the details of the grievance redressal mechanism of the relevant entity in the Northern Arc Group shall be made available to the clients, to enable clients to make enquiries or lodge complaints.

Clients shall have the rights as set out in the schedule hereto. The said rights of the clients are to be made available for the clients so that the clients can raise grievances when they are not being treated responsibly.

As regards investment products and services, the risk of greenwashing, sustainability-washing, impact washing and the like needs to be mitigated through clear, careful and adequate communication.

#### D. Responsible Pricing

*Pricing, terms and conditions will be set in a way that is affordable to clients while allowing for financial institutions to be sustainable.*

At a minimum, responsible pricing relies on full disclosure by the seller to enable the clients to make informed decisions. There shall be no hidden charges i.e., true cost of the products and services must not be disguised by charging fees to clients that was not previously disclosed. Any fee charged must be based on a reasonable estimate of the costs incurred as a direct result of the activity for which the fee is imposed. Affordable for clients means that clients derive a net benefit from the product or service even after paying full cost for it while pricing should be sustainable so as to cover all operating costs.

#### E. Fair and Respectful Treatment of Clients

*Clients shall be treated fairly and respectfully and shall not be discriminated. Adequate safeguards to be ensured to detect and correct corruption and aggressive or abusive treatment of clients by staff and agents, particularly during sales and debt collection.*

Client selection and treatment should not involve discrimination on the basis of race, ethnicity, gender, political affiliation, disability, religion, caste, region, orientation or age.

Every direct interaction between clients and staff should be characterized by honesty, fairness, and respect. Respectful treatment is particularly important to maintain during loan collection, when clients are sometimes perceived as no longer deserving of respectful behaviour.

Training programmes for our sales teams to arm them with the knowledge and skills that will enable them to sell our products and services properly.

**Commitment to Code of Conduct and Ethics.** Adherence to the Code of Conduct and Ethics is a commitment at the organisational level and it is obligatory for the employees to adhere to the same. There will be zero tolerance for any form of corruption on the part of the management, staff or agents, including fraud, kickbacks and favours requested or demanded from clients.

**Appropriate incentive structure and sales practices.** Importance of client-centric approach which places client's needs and satisfaction at the forefront will be promoted. Focus on client's interests' is obligatory for all employees. Care should be taken to make sure that conduct that is not in the interest of the client like mis-selling, bundling of products or services regardless of whether it is suitable for the client, or steering clients towards specific products or services rather than that which might be better value or more appropriate for the clients is not driven by remuneration, incentive, or reward system.

**Client feedback.** Client surveys to derive net promoter score and client satisfaction score will be conducted and the results will be analysed and used to foster responsible treatment of clients and improve operations and client satisfaction.

**Appropriate collections practices and Responsible use of agents.** Inappropriate collections/recovery behaviour and the sanctions that will be applied if that behaviour is used shall be articulated. Coercive collections/recovery methods shall not be employed. Where third parties are engaged for collections/recovery, such third parties must commit to these procedures as well. It shall be ensured that the clients are not threatened with physical harm or subjected to harassment.

#### F. Privacy, Security and Integrity of Client Data

*The privacy of individual client data to be respected. Client data to be used only for authorized purposes and with client consent. Systems to keep client data from being released improperly or misused and to protect clients from fraud, whether by internal staff, partner companies or bad actors to be maintained.*

Clients' right to data privacy to be upheld. At each stage of the digital journey, the purpose of the collection of personal information shall be clearly disclosed to the customer and consent shall be taken from the customer. The type of personal information of the clients that will be collected and their purpose of utilization shall be disclosed to the clients. Only personal information that is directly necessary for the provision of products or services will be collected and is only retained while needed or required under law. Such security practices and procedures as stipulated under law at a minimum

will be applied on such personal information. Without the prior consent of the clients, their personal information will not be disclosed to any third party unless such disclosure has been contractually permitted, or where the disclosure is necessary for compliance with law. Subject only to applicable law, no biometric information shall be stored. Access to client data shall be provided only on a need-to-know basis. A culture of data security and privacy as regards client data shall be fostered.

**Data privacy policy.** A data privacy policy and associated procedures shall be in place to govern collection, handling, storing, securing and sharing of client data.

#### G. Mechanisms for Complaints Resolution

*Timely and responsive mechanisms for complaints and problem resolution for the clients shall be in place and such mechanisms shall be used to both resolve the grievances and improve the products and services.*

Grievance redressal mechanisms that are easy for clients to use shall be in place. Various channels to make complaints like toll free numbers, email IDs, online complaint lodgement feature shall be made available. Client should be made aware of their right to complain and the mechanism to complain. Grievances of the clients shall be resolved quickly and effectively, and such complaints shall be used as feedback for improving operations. The functioning of the grievance redressal mechanisms shall be reviewed on a quarterly basis by a committee comprised of senior management that is constituted to apply client centric approach to each product and service offered by the Northern Arc Group, oversee client relations management including grievance redressal and to take measures to improve client experience and protection of client interest.

### **RESPONSIBLE SALES AND MARKETING**

We strive to ensure that sales and marketing of our services and products are done ethically. Our sales and marketing must never misrepresent, deceive or be likely to mislead clients. Marketing and advertising of services and products must be truthful and accurate. We must always be appropriate and sensitive to the culture of clients and the public.

#### **Transparent and Clear**

We are committed to provide our marketing and product information in a way that is complete, balanced, clearly understandable and easily comparable to enable the clients to make an informed decision.

#### **Simple and Fair Pricing**

We provide transparent and comparable information on the fees and interest rates for all our products and services. We ensure price information is up-to-date and easily accessible to our clients. We value to provide easily understandable pricing structures based on our clients' usage behaviour.

#### **Diversity in Advertising and Marketing Campaigns**



We commit ourselves to diversity and not to communicate any stereotypes in advertising and marketing campaigns.

### **Freedom of Choice**

Appropriate measures shall be taken such that the freedom of choice for clients is not restricted through the advertising, marketing or sale of services i.e., the sales and marketing of products and services shall be made in a responsible manner whereby clients shall not be steered towards specific products or services rather than that which might be better value or more appropriate for the clients.

### **Identification of Advertising**

In accordance with advertising laws and standards of India, we will clearly indicate advertising in print media and online as such.

### **Development of Technical and Social Skills**

Apart from expert knowledge, social skills play a critical role in our sales – both while interacting with colleagues and advising our clients. We are committed to communicating our values and business ethics to our employees through training, continuing education programs and regular feedback.

### **Quality Control**

Internal control systems and regular client satisfaction analyses ensure, among other things in sales, that our services are in line with the principles and guidelines we pursue.

### **Fair Treatment**

Our Code of Conduct and Ethics ensure that our sales staff act fairly and with integrity towards our clients. It is our highest priority to ensure that the interests of our clients are always protected.

## **Client Rights**

### Right to Fair Treatment

Clients have a right to be treated with courtesy and respect. Clients should not be unfairly discriminated against on grounds such as gender, sexual orientation, age, religion, race, caste, marital status, and physical ability when offering and delivering financial products or services.

### Right to Transparency, Fair and Honest Dealing

Clients have the right to be provided with clear information about its products and services; terms and conditions; complete details of the loan amount, interest rate, annualised percentage rate, details of charges, fees, premiums, penalty amounts/rates and prepayment premium in simple and easily understandable language, and with sufficient information so that the client could be reasonably expected to make an appropriate and informed choice of product. Terms and conditions shall be fair, and the rights, liabilities and obligations are set out clearly and in plain and simple language as far as possible.

### Right to Suitability

Clients have the right to be offered products and services that are appropriate to their needs and based on an assessment of the client's financial circumstances and understanding. Clients have the right not to be compelled to avail any other product or service including any third-party products or services as a quid-pro-quo for any product or service provided to the client.

### Right to Data Privacy

Clients' right to data privacy will be upheld. The type of personal information of the clients that will be collected and their purpose of utilization shall be disclosed to the clients. Such security practices and procedures as stipulated under law at a minimum will be applied on such personal information. Without the prior consent of our clients, their personal information will not be disclosed to any third party unless such disclosure has been contractually permitted, or where the disclosure is necessary for compliance with law.

### Right to Grievance Redress

Clients shall have the right to redressal of their grievances. Suitable grievance redressal mechanism shall be made available to the clients, to enable them to make enquiries or lodge complaints including against third parties through whom products or services are provided to the clients in relation thereto.

## **Integrated Ombudsman Scheme, 2021**

### **Salient Features**

#### **Purpose**

In order to promote a conducive credit culture among NBFCs and to regulate the credit system of the country to its advantage, the Reserve Bank of India (“RBI”) has provided a system of redressal of complaints against deficiency in services concerning deposits, loans and advances and other specified matters. Towards this end, the RBI notified the Integrated Ombudsman Scheme, 2021 (“Scheme”).

In terms of the Scheme, an Ombudsman appointed by the RBI shall:

- receive and consider complaints relating to deficiencies in services filed on any one or more of the grounds mentioned in Clause 9 of the Ombudsman Scheme, and
- facilitate the satisfaction or settlement by agreement or through conciliation and mediation between the concerned NBFC and the aggrieved party, or by passing an award.

#### **Grounds for filing a complaint by a customer**

Any customer aggrieved by an act or omission resulting in deficiency in service may file a complaint under the Scheme personally or through an authorised representative.

In case the customer does not receive a response from the NBFCs Grievance Redressal Officer or the Nodal Officer within one month from the date of making a representation to the Company, or if the customer is not satisfied with the response so received, a complaint may be made in accordance with Scheme to the Ombudsman in whose jurisdiction the office of the Company complained against, is located.

#### **Procedure for filing a Complaint with Ombudsman**

- The complaint may be lodged online through the portal designed for the purpose (<https://cms.rbi.org.in>).
- The complaint may also be submitted through electronic or physical mode to the Centralised Receipt and Processing Centre as notified by the Reserve Bank.
- The complaint, if submitted in physical form, shall be duly signed by the complainant or by the authorised representative. The complaint shall be submitted in electronic or physical mode in such format and containing such information as may be specified by Reserve Bank.

#### **How does Ombudsman take decisions**

The complaint would be deemed to be resolved by the Ombudsman when:

- it has been settled by the Regulated Entity with the complainant upon the intervention of the Ombudsman; or
- the complainant has agreed in writing or otherwise (which may be recorded) that the manner and the extent of resolution of the grievance is satisfactory; or
- the complainant has withdrawn the complaint voluntarily.

#### **Can a customer appeal, if not satisfied with decision of Ombudsman**

The complainant may, if aggrieved by an Ombudsman Award or rejection of a complaint, may within 30 days of the date of receipt of the Award or rejection of the complaint, prefer an appeal before the Appellate Authority.

Refer to [www.rbi.org.in](http://www.rbi.org.in) for further details of the Scheme