

FAIR PRACTICE CODE (FPC)**(A) INTRODUCTION**

The Reserve Bank of India has released the final guidelines of the Fair Practice Code (FPC) for NBFCs, asking them to implement the fair practices and to post the same on the websites to cater stakeholders' information requirements. The code prescribes fair practice standards while dealing with the customers and to serve in the best interests of the company. The Code is applicable to all aspects of operations of the company. It shall be our policy to make our services available to all qualified applicants without discrimination of any kind and to treat our customers fairly. We offer all sorts of assistance and encouragement in a fair, equitable and consistent manner.

We are committed to ensure that our charges are properly and timely informed to the existing and prospective borrowers. Disputes, if any; will be resolved by our Grievance Redressal Department. We shall ensure employee accountability at all levels of our operations. The Board and senior management will be responsible to ensure our commitment to fair and reasonable practices and also to ensure high quality services to our clients.

The FPC will be applicable to all the offices of the Company including the Head Office, Regional Office and the Branches.

The FPC shall be binding on all the employees and officers of the Company.

(B) OBJECTIVES

The objectives of the Fair Practice Code are as under:

1. Adopt the best practices in dealings with customers.
2. Set challenging benchmarks and strives to achieve high operating standards for ensuring customer satisfaction.
3. Follow transparent, fair, ethical and legally tenable practices while conducting business.
4. Provide all necessary information and inputs to customers / prospective customers and promote a mutually beneficial long-term relationship.
5. Facilitate a continuously growing base of satisfied customers while scrupulously avoiding acquisition of customers having doubtful credentials or criminal background.

KEY COMMITMENTS

- a. To ensure full customer satisfaction through efficient, professional, and courteous services across all its offices.
- b. To ensure its products & services will meet relevant laws and regulations in letter and spirit as applicable.
- c. To deal with customers ethically and based on principles of honesty, integrity and transparency.
- d. To avoid discriminating the customers on grounds of religion, caste, gender or language.
- e. To assist the customers in understanding how its financial products and services work by:
 - Providing information in English/Hindi or local language
 - Explaining their financial implications
 - Helping the customer choose the one that meets his/her needs.
- f. To ensure that its customers have trouble-free experience in dealings and to correct the

- omissions/commissions/errors sympathetically and quickly.
- g. To meet with and improve upon the internally set benchmarks and practices and be ahead of the standards prevalent in the industry.
 - h. The Company shall display the FPC on its website and also make available to the Customer, on request, a copy of the FPC on demand.

FAIR PRACTICES**(C) APPLICATIONS FOR LOANS**

1. All major communications to their borrower shall be in the / vernacular language or in a language understood by the borrower/customer. The branch manager/branch in charge could ensure that customers speaking languages different from vernacular language of the state in which branch is situated are dealt by officers/staff who understand/speaks languages of such customers. During the loan application process, sanctioning process and collection of payments such customers shall get special attention. The terms and conditions shall be clearly conveyed by the officers/staffs without fail.
2. All the customers will be provided with a unique customer ID.

Loan application form shall indicate the documents required to be submitted with the application form. The Officers shall communicate necessary information as eligible loan amount, interest rate, charges, penal/overdue interest, interest calculation methodology, rebate on interest etc. or any other information which is believed to affect the interest of the borrower. Such a practice shall enable the customer / prospective customer to take an informed decision. The loan application forms should include all the necessary information which affects the interest of the borrower. All loan applications should include the following information:

- a. Name & address of the borrower with telephone numbers and landmarks
- b. Description of property pledged/given as security for loan repayment
- c. Identity proof & Address proof (Passport, Voters ID card, driving license, Ration card etc.) of the borrower, prescribed under applicable laws/regulations.
- d. The Company has a system of giving acknowledgment for receipt of all duly completed loan applications.

The branch manager/assistant manager or in their absence, immediate subordinate shall issue an acknowledgement signed by him/her for loan application received by the branch. Considering the convenience of the customer, the acknowledgement shall contain the expected time frame within which loan applications will be accepted/rejected.

(D) LOAN PROCESSING AND TERMS/ CONDITIONS

1. We will diligently evaluate the borrower's financial status, including income, expenses, credit requirements, and repayment capacity, through thorough information collection from the borrower, group borrower recommendations, utilization of Credit Information Reports (CIR), and field-level insights before loan disbursement.
2. Ensuring alignment with borrower eligibility and repayment capacity, we will tailor loans to match the borrower's ability to repay, ensuring they are not unduly burdened.

3. For Microfinance loans, we will ensure that the borrower's repayment obligations do not exceed 50% of their monthly household income, encompassing both principal and interest payments for all existing loans, including collateral-free microfinance loans and other secured loans.
4. The loan approval and the first instalment repayment due date will be communicated to the customer during the loan application process, providing clarity and transparency in loan terms.

(E) CUSTOMER EDUCATION AND TRANSPARENCY

1. We will provide comprehensive information to borrowers through loan documents such as loan application/sanction letter, loan agreement, pawn ticket, and loan card, including the following details:
 - Loan specifics (eligible loan amount, loan schemes, tenure, repayment frequency/amount, annualized rate of interest, effective interest rate, processing fee, overdue interest, foreclosure/pre-payment charges, interest calculation method, rebates, total amount payable, insurance coverage details, and other key terms and conditions).
 - Company identity, address, and contact details.
 - Details of the borrower grievance redressal mechanism.Additionally, low-income households availing collateralized loans will receive a factsheet along with microfinance loans.
2. We will ensure that all terms and conditions are communicated to borrowers in their vernacular language or a language they understand.
3. We will ensure transparent communication with borrowers by providing acknowledgment for all loan applications and promptly communicating any loan rejections.
4. Penalty for delayed payment will be applied solely on the overdue amount, ensuring clarity for borrowers and avoiding confusion in loan agreements.
5. Borrowers will be promptly notified of any changes in loan terms and conditions, including interest rates and repayment schedules, ensuring transparency and enabling informed decision-making.
6. We will acknowledge every payment received from borrowers and provide electronic receipts, such as SMS, for clarity and record-keeping purposes.
7. In the event of a borrower's request for transfer of the borrowal account, Palma's consent or objection will be conveyed within 21 days, ensuring transparency and adherence to legal requirements. Additionally, we will ensure that:
 - a. Loans are provided without collateral for MFI loans, while securities for non-MFI loans will be released upon repayment or realization of the outstanding amount, subject to legitimate claims.
 - b. Financial literacy efforts, including training and periodic interactions, will empower borrowers to understand loan terms.
 - c. The effective interest rate charged and grievance redressal system will be prominently displayed, ensuring borrower awareness.
 - d. The rationale for charging different interest rates to different borrower categories will be disclosed, promoting transparency.
 - e. Gold collateral will be assessed and certified, providing clarity and assurance to borrowers.

(F) INTEREST RATE POLICY

1. In order to avoid complaints about excessive interest charged, the company has laid down an interest rate policy in determining interest rates and other processing charges for loans.
2. In order to regulate excessive interest, the Board of the Company will 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 applicable to the borrowers will be disclosed to the customers in the loan agreement.

3. The rate of interest will be annualized rates so that the borrower is aware of the exact rates.
4. The Company staff/ branches shall ensure the interests are charged and collected as per this FPC and interest rate, NPA, loan policies of the Company.

(G) MISCELLANOUS

1. The Company staff 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 disclosed earlier by the borrower has come to the notice of the Company).
2. The repayment capacity of the applicant/customer will be assessed by the Company based on credit scores, valuation reports or through other means throughout the tenure of loan. The applicant/customer is expected to disclose all required information in clear and genuine manner. Any intentional misstatements, frauds etc will be dealt as per applicable laws.
3. In the matter of recovery of loans, the Company staff/ collection agents shall not resort to undue harassment, muscle power, persistently bothering loanee during odd hours etc. Staff/collection agents may visit the residence of the borrower if the borrower fails to appear at the designated place/branch on 2 or more occasions. The Company will ensure that the staffs are adequately trained to deal with the customers in an appropriate manner, in line with RBI norms in this connection.
4. No foreclosure charges shall be charged for early repayments of loan principal and/or interest.
5. The Loan department in HO/RO shall be responsible for surprise inspection of branches/offices to ensure that the procedures are strictly complied with and they may, if required, conduct preliminary investigations to ensure the genuinity of customers.
6. Where the gold/underlying security is examined by Branch heads or officers, they shall take all possible means to ensure that the gold/underlying security is not fake and shall contact the H.O/RO in case of any doubtful/suspicious transactions.
7. Where the Company suffers loss due to negligence of branch managers/ officers appraising the gold/security, they will be answerable to the management for such losses and they may be required to compensate for the loss suffered by the Company.
8. Any money paid by defaulting customers shall first be adjusted/charged against penalty, interests and then principal amount.
9. Where a customer is found to have committed fraud or engaged in cheating the company by hiding information or providing fake gold, fake documents etc, the Company may proceed against him/her as per applicable policies. Any formal/ written agreement containing terms and conditions like interest rate, repayment intervals, loan amounts, penalties etc and agreed between the customer and company by signing shall be final. Any agreement, documentation and declarations signed by customer at the time of applying for loan, disbursement of loan or any other situation, shall be considered to be signed with full knowledge of terms and conditions of the particular scheme of loan.
10. The fair practice code shall be displayed at the registered office, regional office and branch offices of the Company.
11. All non credit products are voluntary and shall be with full consent of borrowers.

(I) GRIEVANCE REDRESSAL MECHANISM

The Board of Directors of the Company will lay down the appropriate Customer Grievance Redressal Policy within the organization to resolve disputes arising in this regard. Such a mechanism will ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level. The Board of Directors will 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.

1. The Company has framed suitable grievance redressal mechanism to resolve grievances/complaints of borrowers. All disputes arising out of the decisions of the company are heard and disposed of at the next higher level. At the operational level, the company will display the following information prominently for the benefit of our customers at all our branches.
2. The Company will put in place an effective training system to ensure that employees of the Company are customer friendly and do not resort to rude, inappropriate or unethical behavior.
3. The Grievance Redressal Officer shall review the functioning of the grievance redressal mechanism on a quarterly basis. A consolidated report of such reviews shall also be submitted to the Board of Directors on a half yearly basis.
4. The contact details of grievance redressal cell/officer shall be displayed at the registered office and the branch offices of the Company.
5. The Grievance Redressal Officer of the Company is Mr. Sibin Johnson, Assistant Accounts Manager. He could be contacted through mail or phone

E-mail: co@palmamicrofin.com

Mobile: +919539903099

6. Any grievances which are not redressed within 30 days could be communicated to the following address:

DEPARTMENT OF SUPERVISION, RESERVE BANK OF INDIA, FORT GLASIC
16, RAJAJI ROAD, FORT ST.GEORGE, CHENNAI, TAMIL NADU, INDIA,
PIN:600001.
7. Detailed customer grievance redressal policy is available in the website and with branch managers.

(J) CONFIDENTIALITY

We will obtain digital copies of KYC documents from borrowers and validate the same as per RBI norms. The Company shall treat all personal information of its borrowers as private and confidential and will not reveal any information to any other entity unless authorized by the customer, except to Reserve Bank of India or/to Credit Information Companies and to any other agency authorized by RBI in this behalf or at the order of Court of law or at the request by any competent Regulatory or Statutory or supervisory authority with whom the Company customarily complies.

Feedback and Suggestions

We request our customers to provide feedback on our service to help us to improve our services.

For PALMA DEVELOPMENT FINANCE PRIVATE LIMITED

Sd/-

Director
