

## **FAIR PRACTICES CODE**

### **1. Introduction**

Hytone Merchants Private Limited ("Hytone" or "the Company"), a Non-Banking Financial Company registered with Reserve Bank of India ("RBI"), is in the business of providing digital personal loans and business loans. The company offers different type of credit facilities to its customers according to their need, thereby also offering the option for flexible repayments to its customer.

The Company has framed and adopted this Fair Practice Code ("Code" or "FPC") as required by the RBI under Master Circular – Fair Practices Code DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015 ("the Circular"), and it has been duly approved by the Board of Directors for implementation.

This Fair Practices Code applies to all categories of products and services offered by the Company (currently offered or which may be introduced at a future date). The Code assures the Company's commitment to fair dealing and transparency in its business with borrowers and adherence to strict standards and processes by all our employees.

The Fair Practice Code (FPC) aims to provide its borrowers an effective overview of the practices followed by the Company and to enable borrowers to take informed decisions in respect of the financial facilities and services offered by the Company. The Code covers the general principles on adequate disclosures on the terms and conditions of the loan and the procedures to be followed when dealing with the borrowers.

### **2. Objectives**

The objectives of this Code are:

- To encourage ethical and fair procedures in dealing with borrowers by establishing basic criteria;
- To promote a fair and respectful relationship between the borrower and the Company;
- To meet the requirements and standards under the Circular and the Code for the loan products offered by the Company;
- To strengthen mechanisms for redressal of customer grievances; and

- To ensure that the Company's loan products comply with applicable Indian laws and regulations;

The Company's business would be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles.

### **3. Information**

- a) Helping the customer choose products and services, which meet their needs and give them clear information explaining the key features of the services and products they are interested in.
- b) Inform customers about the documents and information the Company needs from them to establish customer's true identity and address and, other documents to comply with legal and regulatory requirements.

### **4. Applications for loan and their processing**

The Company shall source its borrowers through the Pocketly App, or digital partners or such other methods as permitted under the applicable laws. All loan applications shall be received by the Company through the Pocketly App or through such other methods in accordance with applicable law.

The Company shall ensure that:

- a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- b) The process followed for Loan Application on the app shall include necessary information (i.e., interest rates applicable, fees/ charges, if any, pre-payment options and other charges, if any) 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 the borrower can take an informed decision. The process for loan application will indicate the documents required to be submitted to complete an application for loan.
- c) The Company shall ensure to issue an acknowledgement for receipt of all loan applications indicating the time frame within which loan applications will be disposed of.
- d) All information required for processing the loan application shall be submitted to the Company at the time of application. In case the Company needs any additional information, the Company shall have the right to contact the customer either through itself or through its Lending Service Provider.

- e) Hytone shall convey to the customer about the loan sanction along with the terms and conditions thereof and keep the acceptance of these terms and conditions by the borrower on its record.
- f) Before taking a decision to change any terms and conditions including disbursement schedule, interest rate, service charges or any other charges Hytone shall give notice to borrowers as per the loan agreement. Any changes to the above charges shall be made available to the borrower as per the loan agreement and on request.

## **5. Loan Appraisal and Terms/Conditions**

Hytone will verify the loan applications within a reasonable period of time and if additional details / documents are required, it would intimate the borrowers immediately.

The Company will convey in writing to the borrower in the vernacular language or a 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.

The Company will mention the penal interest which will be charged for late repayment and / or any other default on the part of the customer, in bold in the loan agreement. The Company will 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.

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

Hytone shall give notice to all its borrowers of any change in the terms and conditions – including disbursement schedule, interest rates, penal interest, service charges, prepayment charges etc. The Company shall also ensure that changes in interest rates and charges are effective only prospectively. A suitable provision in this regard shall be incorporated in the loan agreement.

Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.

The Company shall release all securities on repayment of its full 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 its borrowers. 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.

## **7. General**

The Company shall refrain from interference in the affairs of the borrower except for the purposes provided for 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).

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 – shall be conveyed to the borrower within 21 days from the date of receipt of any request. Such transfer shall be as per the contractual terms in consonance with law.

In the matter of recovery of loans, the Company shall not resort to any harassment – such as persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner. The Company will be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal.

The Company may not reveal transaction details of the borrowers to any other persons except under the following circumstances:

- a) The information is required to be disclosed by any applicable law, any direction, request or requirement of Government authority.
- b) The information is required by the auditor, professional advisors, agents or any third-party service providers of the lenders who are under duty of confidentiality.
- c) The information is required by any person with which the lender may enter into any transfer, assignment, participation or other agreements.
- d) If the information is required by other banks if the borrower has availed any facility from them or any credit information bureau.

As a measure of customer protection and to bring uniformity with regard to pre-payment of loan, the company shall not charge foreclosure charges/ pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

There shall be no discrimination in extending products and facilities including loan facilities to the physically/ visually challenged applicants on the grounds of disability.

## **8. Wide Dissemination and Periodic Review**

The Company shall put the above Fair Practices Code outlined hereinabove on its web site, whenever made, for the information of various stakeholders. The Company would also review

and refine the Code, as may be required periodically – based on its own experience and fresh guidelines, if, any, to be issued by the RBI in this regard.

The Board of Directors shall periodically review 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 shall be submitted to the Board at regular intervals.

## **9. Interest Rate Policy**

Reserve Bank of India (RBI) had vide its Circular DNBS / PD / CC No. 95/ 03.05.002/ 2006-07 dated May 24, 2007 advised that Boards of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing and other charges.

This was reiterated vide RBI's circular DNBS (PD) C.C. No. 133 / 03.10.001/ 2008-09 January 2, 2009, whereby RBI advised the NBFCs to adopt appropriate interest rate model taking into account relevant factors and to disclose the rate of interest, gradations of risk and rationale for charging different rates of interest to different category of borrowers.

Hytone's policy should always be read in conjunction with RBI guidelines, directives, circulars and instructions. The company will apply best industry practices so long as such practice doesnot conflict with or violate RBI guidelines.

In order to ensure its standards of transparency, in conformity with the stipulations of the RBI's directives, the Company has adopted the following interest rate policy for determining Interest Rates, Processing and Other Charges. This Policy applies to clients whose loans are booked in the Company.

### **Interest Rate**

Tenure of the Loan – The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest.

Internal cost loading – The interest rate charged will also take into account costs of doing business.

Internal and External Costs of Funds – The rate of interest charged is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as the Company's external cost of funds. Internal cost of funds being the expected return on equity issued, is also a relevant factor. The interest rate charged will also take into account costs of doing business.

Credit Risk – As a matter of prudence, bad debt provision cost should be factored into all transactions. This cost is then reflected in the final interest rate quoted to a customer. The

amount of the bad debt provision applicable to a particular transaction depends on our internal assessment of the credit strength of the customer.

Other Factors – The rate of interest shall be based on the cost of borrowed funds, matching tenor cost, market liquidity, RBI policies on credit flow, offerings by competition, tenure of customer relationship, market reputation, cost of disbursements, inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, stability in earning and employment, deviations permitted, ancillary business opportunities, future potential, group strength and overall customer yield, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers, industry trends, switchover options, canvassed accounts etc.

The rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers shall be disclosed to the borrower or customer and communicated explicitly. The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the companies. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest

The interest rates may be offered on a fixed, floating, variable basis which would be up to 36% annualised rate of interest.

Interest rates shall be intimated to the customers at the time of sanction/ availing of the loan and the equated instalments/Balloon Payment/Bullet payment apportionment towards interest and principal dues shall be made available to the customer.

#### **10. Processing / Documentation and Other Charges**

All processing / documentation and other charges recovered are expressly stated in the Loan documents. They vary based on the loan product, geographical location, customer segment and generally represent the cost incurred in rendering the services to the customers.

The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.

Processing charges will be charged on case to case basis.

All applicable taxes shall be charged as per the guidelines issued by the Government from time to time.

#### Penal Interest / Late Payment Charges

Besides normal interest, the Company may collect penal interest / late payment charges for any delay or default in making payments of any dues. These penal interest / late payment

charges for different products or facilities would be decided by the Company from time to time.

#### 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.

#### Regulation of excessive interest charged by the Company

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.

The rates of interest and the approach for gradation of risks shall also be made available to the borrowers. The information should be updated whenever there is a change in the rates of interest.

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.

### **11. Privacy And Confidentiality**

Hytone shall have a privacy policy which shall ensure that sensitive personal information of the customer is utilised, stored and processed in accordance with the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011. The Company retains the right to amend, alter and modify the above-mentioned codes and offer updates from time to time without affecting or sacrificing the FPC's underlying spirit.