
Fair Practice Code of MASTER TRUST LIMITED

Introduction

Reserve Bank of India vide its Circular DNBS.CC.PD.No.266/03.10.01/2010-11 dated March 26, 2012 and vide its circular DNBS.CC.PD. No. 320/03.10.01/2012-13 dated February 18, 2013, had amended guidelines on Fair Practices Code for NBFCs and accordingly suitable modifications are made hereunder in the Code to comply with the aforesaid guidelines.

The Fair Practices Code, as adopted herein below, is in conformity with the Guidelines on Fair Practices Code for NBFCs as contained in the aforesaid RBI Circular(s).

Fair Practices Code

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. In addition, the Company would adhere to the Fair Practices Code in its functioning, the key elements of which are as follows:

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 shall 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 Company shall 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.

Loan appraisal and terms/conditions

- a) The Company shall convey in writing to the borrower, in the vernacular language as understood by the borrower, by means of approval letter/sanction letter or otherwise, the amount of loan approved/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 its record.
- b) As complaints received against NBFCs 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.
- c) 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 NBFC 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. Therefore, the Company shall furnish a copy of the loan agreement along with a each copy of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

Disbursement of loans including changes in terms and conditions

- a) The Company shall give notice to the borrowers in the vernacular language as understood by them, of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall also ensure 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 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.

Confidentiality

Unless authorized by the customer/ borrowers, we will treat all personal information as private and confidential & not reveal transaction details to any other entity including other than the following exceptional cases:

- a) If we have to provide the information by statutory or regulatory laws;
- b) If there is a duty to the public to reveal the information;
- c) If our interest requires us to provide the information (e.g. fraud prevention) to Banks/Financial Institutions/Our Group and Associate Companies;
- d) We will not use this reason for giving information about customers to anyone else for marketing purposes.

General

- a) 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).
- 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 to the borrower 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 behavior from the staff of the NBFCs, the Company shall ensure that their staffs are adequately trained to deal with the customers in an appropriate manner.

Grievance Redressal Mechanism

The Board of Directors of the Company shall lay 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 its decisions of Company's functionaries are heard and disposed off at least at the next higher level. The Board of Directors shall 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.

For the benefit of their customers, the Company would display the following information on notice board at their branches / places where business is transacted:

- Name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- Complete contact details of the Officer-in-Charge of the Regional Office of DNBS of RBI, under whose jurisdiction the registered office of the NBFC falls, to whom the customer may appeal to, if the complaint / dispute is not redressed within a period of one month.

Wide Dissemination and Periodic Review

The Company shall put the above Fair Practices Code outlined hereinabove on its web site, 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.

Complaints about excessive interest charged by the Company

The Reserve Bank has been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFCs. Though interest rates are not regulated by the Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. Therefore, 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 NBFCs

- 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 web-site of the companies 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 annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

Repossession Guidelines

Repossession clause shall be incorporated in the contract/loan agreement with the borrower which shall be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement shall also contain provisions regarding following matters:

- a) notice period before taking possession;
- b) circumstances under which the notice period can be waived;
- c) procedure for taking possession of the security;

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- d) provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property;
 - e) procedure for giving repossession to the borrower and for sale / auction of the property.

A copy of such terms and conditions must be made available to the borrowers.

Internal Control System

As the primary responsibility for compliance with the Directions rest with the Company, necessary organizational arrangements shall be made to assign responsibility for compliance to designated individuals within the Company and establish systems of internal control including audit and periodic inspection to ensure the same.