

POLICY GUIDELINES ON FAIR
PRACTICES CODE OF



ESPOUSE CAPITAL PRIVATE
LIMITED

SUMMARY OF THE POLICY

Document Name	Policy Guidelines on Fair Practices Code
Issue and Effective Date	
Date of Next Review	12 months from the Issue and Effective Date
Periodicity of Review	Annual
Owner/Contact	Compliance Department
Approver	Board of Directors
Annexures	-



TABLE OF CONTENTS

SR. NO.	PARTICULARS
1.	Introduction
2.	Purpose
3.	Definitions
4.	Key Commitments
5.	Guidelines on Fair Practices Code for NBFCs
	A. Loan Applications and Their Processing
	B. Loan Appraisal and Terms/Conditions
	C. Loan Disbursement and Changes in Terms and Conditions
	D. General Guidelines
	E. Confidentiality of Information
	F. Language and Mode of Communicating Fair Practice Code
	G. Regulation of Rate of Interest
6.	Responsibility of the Board of Directors
7.	Grievance Redressal
8.	Force Majeure
9.	Review

1. INTRODUCTION

The Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Non- Banking Financial Companies (NBFCs) vide Circular no. DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015, laying down standards for fair business and corporate practices while dealing with their customers. This Fair Practices Code is aimed to provide to all the stakeholders of **Espouse Capital Private Limited** (the Company), especially its customers, an effective overview of the practices that it will follow while extending its financial products and services.

2. PURPOSE

The purpose of this FPC is to ensure that the Company's business is conducted in accordance with the prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles. The Company's fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities.

This Code shall further ensure that the Company's financial products and services are available to all eligible loan applicants, without any bias or discrimination based on their race, caste, colour, religion, gender, marital status, age, etc.

The Company's Board of Directors and the management are responsible for establishing practices designed to ensure that its operations reflect a strong commitment to fair lending and that all employees are aware of that commitment.

3. DEFINITIONS

- a. "Board" means Board of Directors of the Company.
- b. "Company" means Espouse Capital Private Limited.
- c. "Directors" means individual Director or Directors on the Board of the Company.
- d. "ESOPs" mean Employee Stock Option Plans as defined under Section 2(37) of the Companies Act, 2013 as the option given to the directors, officers or employees of a company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the company at a future date at a pre-determined price
- e. "FPC" means Fair Practices Code.

4. KEY COMMITMENTS

The Company commits to achieve the following with the implementation of this Code:

- i. To act fairly and reasonably in its dealings with its borrowers.
- ii. To ensure that its products and services are in accordance with relevant laws and regulations as applicable for the time being in force.
- iii. To apply the ethical principles of honesty, integrity and transparency in its functioning.
- iv. To assist its customers in understanding the broad features of its financial products and services, along with the inherent benefits and risks involved in availing the same.
- v. To provide a trouble-free experience to its customers while dealing with it.
- vi. To handle any errors or customer grievances promptly and effectively.

5. GUIDELINES ON FAIR PRACTICES CODE FOR NBFCs

A. Loan Applications and Their Processing

- i. All loan products or services offered shall be the same as laid down in the “Operational Manual & Credit Policy” of the company.
- ii. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- iii. The Company shall inform the prospective borrower about the entire loan lifecycle that includes the processes involved in loan sanction, disbursement and repayment.
- iv. The loan application form shall mention the documents required that an applicant will be required to submit with their application form.
- v. Loan application shall also include all the requisite information including processing fee, annual interest rate, variable interest, loan tenure, loan servicing terms, security creation among others.
- vi. The Company shall also provide acknowledgement for receipt of all loan applications. Such acknowledgement shall also indicate the time frame within which the loan applications will be disposed of.
- vii. All the loan applications shall be disposed of within a period of 90 days from the date of receipt of duly completed Loan Application Forms and creation of security interest, together with the requisite documents and subject to receipt

of all documents complying with prevailing rules and regulations by the borrower.

B. Loan Appraisal and Terms / Conditions

- i. Espouse Capital Private Limited shall appraise each loan application keeping the risk-based approach, Operational Manual & Credit Policy and relevant applicable guidelines and regulations in mind.
- ii. The Company shall inform the borrower about the loan amount sanctioned, in writing via a Sanction Letter or other Loan Documents in English. In the event any borrower require the sanction letter to be in the vernacular language, then the Company shall provide the same in vernacular language as understood by the borrower.
- iii. The borrower shall also be informed about the terms and conditions including annualised rate of interest and method of application thereof.
- iv. The Company shall keep the acceptance of such Loan terms and conditions by the borrower on its record.
- v. As a measure of ensuring transparency in its lending activities, the Company shall mention the penal interest charged for late repayment in bold in the loan agreement.
- vi. The Company shall also furnish a copy of the Loan Agreement along with a copy each enclosure quoted in the Loan Agreement to each borrower at the time of sanction/disbursement of loan.
- vii. If the Company rejects any loan application, it shall communicate the reason(s) for such rejection in writing to the applicant.

C. Loan Disbursement and Changes in Terms and Conditions

- i. The Company shall give due notice to the borrower (including in a vernacular language, as applicable) regarding any changes made by it to the terms and conditions including disbursement schedule, processing fee, interest rate, variable interest shares, late payment fees, ECS bounce charges, etc.
- ii. Changes in the interest rates and other fees shall be affected only prospectively. a provision with respect to the same shall also be included in the Loan Agreement.

- iii. Any decision relating to recall or acceleration of payment of performance under the Loan Agreement shall be as per its stipulation. Before taking any such decision, the Company shall give notice to borrowers as per the covenants of the loan agreement in the vernacular language as understood by the customer.
- iv. The collateral will be with the Company during the tenure of the loan and shall be released on full repayment of the loan along with all due amounts.

D. General Guidelines

- i. The Company shall ensure that it does not, in any manner, interfere in the borrower's affairs, except for the purposes specified in the terms and conditions of the loan agreement, unless new information that was not disclosed by the borrower earlier comes to its notice.
- ii. If the Company receives any request from the borrower regarding transfer of their borrower account to another NBFC, bank or financial institution, the Company shall convey its consent or otherwise i.e., rejection, to the borrower within 21 days of receipt of such request. Further, such transfer of borrower's account shall be done as per the contractual terms of the loan and in accordance with the applicable statutes, rules, regulations and guidelines.
- iii. In case of the liquidity event of the collateral i.e., IPO of the company issued ESOPs or a secondary sale opportunity of the underlying shares including buy-back by the company, not actualising within 5 years from the date of loan disbursement, the Company only initiate an independent secondary sale of the underlying shares and shall not resort to any undue or harassing methods such as persistently bothering the borrowers, using muscle power to recover the loan amount, etc.
- iv. In the event of non-liquidity of the collateral i.e., the shares do not get listed or any other secondary sale options for the ESOPs, the Company shall follow a clear process as per the applicable laws, rules and regulations in order to recover its dues. The process will begin with the Company selling the collateral shares to any third party, recovering the principal loan amount and interest accumulated and variable interest on it. The balance shares shall be returned to the borrower once the Company is able to recover its dues from such shares.

- v. The Company shall not charge any pre-payment penalties in case of loan prepayments. However, the processing fee and stock fee shall be non-refundable in such cases.

E. Confidentiality of Information

- i. All the personal information of the Company's customers shall be treated as private and confidential by the Company and all of its employees.
- ii. Except under the following circumstances, the Company shall not disclose any transaction detail of the borrower to any third party:
 - i. When the Company has an obligation under any statutory or regulatory laws to provide such information to any statutory body, law enforcement agency, CIBIL, the RBI or any other state, central or regulatory body, including courts and tribunals with jurisdiction.
 - ii. When the customer has given due consent to the Company to share such financial data.
 - iii. When sharing of such information will be in public interest.

F. Language and Mode of Communicating Fair Practice Code

- i. The Company shall upload this Fair Practices Code in English on its website for the reference of its various stakeholders. Will have it available in vernacular language or a language as understood by the borrower on a case to case basis.
- ii. The Company shall ensure that all additions or changes to this Code uphold the spirit of the RBI's guidelines on Fair Practices Code.

G. Regulation of Rate of Interest

- i. The Company has drafted a separate "**Interest Rate Policy**" to lay down the principles and guidelines for determining its interest rates and other charges.
- ii. The Company shall also disclose to its borrower in the application form, the rate of interest and approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers. The same shall also be communicated explicitly to the borrower in the Loan Sanction Letter.

- iii. Information regarding the rate of interest and the approach for risk gradation, or any changes thereof shall also be made available on the Company’s website or published in the relevant newspapers.
- iv. The rate of interest shall be annualised rate as a measure to inform the borrower about the exact rates applicable to their borrower account.

6. RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Company’s Board of Directors shall be responsible to lay down a proper grievance redressal mechanism to handle the complaints/grievances of its borrowers/customers. The purpose of such robust mechanism will be to ensure that all the disputes relating to the Company’s lending decisions and other functions are heard and disposed of promptly at least at the next higher level.

7. GRIEVANCE REDRESSAL

The Company shall display the information pertaining to its grievance redressal mechanism, details of its Grievance Redressal Officer and the information of the Regional Office of the RBI prominently at its office/ place of business for the reference and benefit of its customers.

Further, the Company has laid down a comprehensive Grievance Redressal Mechanism for the speedy disposal/ remedy of its customers’ complaints/ grievance. The same has been adopted, approved and laid down by the Board in detail under the “**Grievance Redressal Policy**”.

8. FORCE MAJEURE

The various commitments outlined and made by Espouse Capital Private Limited shall be applicable under the normal operating environment. In the event of any Force Majeure circumstances, the Company may not be able to fulfil the objectives under the FPC to the entire satisfaction of the borrowers, the stakeholders and the public in general.

9. REVIEW

The Board of Directors will annually review the compliance of this Fair Practices Code and the effectiveness of the Company’s Grievance Redressal Mechanism. The Board shall also make appropriate modifications in the FPC from time to time in conformity to the changes or additions to the guidelines as issued by the RBI.

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