



MANAPPURAM FINANCE LTD

FAIR PRACTICE CODE POLICY

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A) PREAMBLE / INTRODUCTION

The Fair Practice Code (FPC) has been formulated by Manappuram Finance Ltd. (the Company) in response to guidelines issued by Reserve Bank of India vide circular DNBS.CC.PD.No.266 / 03.10.01 / 2011-12 dated 26 March 2012 titled “Guidelines on Fair Practices Code for NBFCs” and amended as per Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 issued by Reserve Bank of India dated October 19, 2023.

B) OBJECTIVES

The objectives of the FPC are as below.

- i) Adopt the best practices in dealing with customers.
- ii) Set challenging benchmarks and strive to achieve high operating standards for ensuring customer satisfaction.
- iii) Follow transparent, fair, ethical, and legally tenable practices while conducting business.
- iv) Provide all necessary information and input to customers / prospective customers and promote a mutually beneficial long-term relationship.
- v) Facilitate a continuously growing base of satisfied customers while scrupulously avoiding acquisition of customers having doubtful credentials or criminal background.

C) APPLICABILITY

The FPC will be applicable to all the offices of the Company including the Head Office, Valappad, Thrissur, Kerala, the Regional Offices located in various centers and the Branches located across India. The FPC shall be binding on all the employees and officers of the Company.

D) DECLARATIONS & COMMITMENTS

- i) The Company undertakes to abide by all applicable laws, regulations and guidelines passed / issued by the Regulators (Reserve Bank of India, SEBI, IRDA etc.) and other competent authorities such as Government, Local Authority etc.
- ii) The Company commits itself to full customer satisfaction through efficient, professional, and courteous services across all its offices.
- iii) The Company shall consistently strive to meet with and improve upon the internally set benchmarks and practices and be ahead of the standards prevalent in the industry.
- iv) The Company undertakes not to discriminate customers on grounds of religion, caste, gender or language.
- v) The Company will provide clear and full information about its products and services to its customers / prospective customers and will not resort to any misleading or potentially misleading

advertisement/publicity

- vi) The Company undertakes to desist from introducing any products / services having elements of 'hidden charges' or lack of transparency.
- vii) The Company will communicate in the local language with the customers and in English at the request of the customer.
- viii) The Company undertakes to take all possible and reasonable measures to secure the safe custody of the security pledged by the customer and to compensate the customer for any accidental, inadvertent, or fraudulent loss of the security whilst in the custody of the Company.
- ix) The Company undertakes not to take advantage of any unintentional or clerical error made by the customer while transacting business.
- x) The Company is committed to putting in place a system for promptly addressing complaints and suggestions of the customers supplemented with a structured Grievance Redressal Mechanism having an escalation matrix.
- xi) The Company shall display the FPC on its website and make available to the Customer, on request, a copy of the FPC on demand.
- xii) The Company shall give at least three months public notice prior to the date of closure of any of its branches/offices in, at least, one leading national newspaper and a leading local (covering the place of branch/office) vernacular newspaper indicating therein the purpose and arrangements being made to service the depositors, etc.

E) FAIR PRACTICES (Content)

(I) Loans, Terms & Conditions, Interest Rate & Charges

- i) The Company shall make available loan application forms in the local language to all prospective customers free of cost at the concerned branches also mentioning the supporting documents to be submitted along with. An acknowledgement for receipt of duly completed loan application forms will be given to the customer in all cases. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement. Disbursement of the loan and acceptance of security will be carried out nearly simultaneously.
- ii) The Company shall disclose all relevant information relating to a loan / product in the loan application form such as eligible loan amount, interest rate, charges, interest calculation methodology, rebate on interest etc. before sanction of the loan to enable the customer / prospective customer to take an informed decision. From April 1, 2024, the Company will not be recovering penal interest instead will recover penal charges as at the rates and periods as per policy in place. The Customer / prospective customer will also be provided, on request, the detailed terms and conditions of the loan before sanction.
- iii) The Company shall ensure that a loan sanction letter is given to the customer containing all the terms and conditions governing the loan facility in the local language or other language understood by the customer. The Company shall mention the penal charges for late repayment in bold in the loan

agreement. The Company shall furnish a copy of the loan agreement 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. The loan sanction letter will also mention the loan amount, loan account number, interest rate, charges, loan processing fees etc. The loan sanction letter which will bear the signature of the authorized official of the company will also serve as a receipt for the security pledged at the branch by the customer.

iv) The Company shall ensure that the quantum of penal charges is reasonable and commensurate with the non-compliance of material terms and conditions of the loan contract, without being discriminatory within a particular loan/product category.

v) The Company shall not impose penal charges on individual borrowers for purposes other than business that are higher than those imposed on non-individual borrowers for similar non-compliance of material terms and conditions.

vi) The Company shall clearly disclose the quantum and reason for penal charges in the loan agreement and the most important terms & conditions/Key Fact Statement (KFS), as well as display this information on its website

vii) The Company shall communicate penal charges whenever reminders for non-compliance of material terms and conditions of the loan are sent to borrowers. Additionally, any instance of levy of penal charges and the reason for such charges shall also be communicated.

(II) *Marketing & Promotion : The Company shall not in the normal course make any changes / modifications in the terms and conditions of the loan, including rate of interest, which could adversely affect the customer financially or otherwise. In abnormal circumstances when such changes / modifications are inevitable, keeping in view the new circumstances, adequate and proper notice shall be given to the customer in the vernacular language, or a language as understood by the borrower about any such change/modification.*

- i) The Company shall not deliberately promote a product with any ulterior / selfish motives or contrary to the customer requirements or expectations as disclosed by the customer. The Company will ensure that its personnel engaged in marketing and operations are suitably trained and instructed so as to preclude selling of its products by misrepresentation to the customer / prospective customer.
- ii) The Board of the Company shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium 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.

- iii) The rates of interest and the approach for gradation of risks shall also be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest. The rate of interest must be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.
- iv) The Company will not indulge in profiteering by charging usurious rates of interest on loans or take undue advantage of adverse market conditions. The rates of interest will be based on variables such as cost of funds, risk premium, loan scheme, loan per gram, profit margin etc. and shall be in conformity with the Interest Rate policy of the Company and Regulatory Guidelines from time to time. It shall also, by and large, be in tune with industry practices and benchmarks.
- v) The Company may consider under certain situations a differentiated interest rate structure for its products as part of a framework based on defined parameters with the objective of market penetration or to counter competition as specified in the interest rate policy.
- vi) Full and updated information regarding loan schemes, rate of interest, loan per gram, charges etc. will be displayed on the website of the Company and also displayed in the branches. Complete or select information will also be made available through various media channels, posters, brochures, notices, displays etc. based on the decisions of the management of the Company from time to time.
- vii) The Company shall not charge interest from the date of loan sanction or execution of the loan agreement. Interest shall only be charged from the actual disbursement date of funds to the customer.
- viii) The Company shall not charge interest from the date of the cheque if the loan is disbursed via cheque and handed over to the customer at a later date.
- ix) The Company shall charge interest only for the actual period the loan is outstanding for loans disbursed or repaid during the month, and not for the entire month.
- x) The Company shall not consider the full loan amount for charging interest if one or more installments are collected in advance.

(III) Recovery of Dues, Exercise of Lien & Delivery of Security

- i) The Company will not, as a matter of fair dealing, normally recall the loan before the initially agreed tenure except in unanticipated or abnormal circumstances where the Company's interests

are adversely affected e.g. when the security value diminishes substantially (substantial diminution refers to reduction in security value of 30% and more), when the quality of gold is not found to be acceptable, due to any regulatory / government directives etc. In all such cases proper and reasonable notice shall be given to the customer recalling the loan before expiry of the normal tenure. Decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement

ii) The Company will make all possible soft or persuasive efforts to get the customer to repay the dues without resorting to disposal of the security. The Company does not accept nor will it encourage the use any coercive or hard measures to recover its dues from the customer.

iii) The Company will deliver the security (gold) to the customer immediately upon settlement of the loan in the same condition as was at the time of sanction of the loan. The 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. 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, the Company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, it shall compensate the borrower at the rate of ₹5,000 for each day of delay.

iv) The borrower shall be given the option of collecting the original movable/ immovable property documents either from the banking outlet/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.

v) In case of any damage caused to the security (gold) due to mishandling by its employees, the Company shall at its cost get the damage repaired or alternately pay reasonable compensation to the customer on a case to case basis. In case of loss/damage to original movable/immovable property documents, either in part or in full, the Company shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs. However, in such cases, an additional time of 30 days will be available to the Company to complete this procedure and the delayed penalty period will be calculated thereafter (i.e., after a total period of 60 days). If the security (gold) has signs of damage thereon, before being taken custody of by the Company at the time of sanction of loan, the fact will be briefly incorporated in the sanction letter (pawn ticket).

vi) The Company will exercise only legitimate right of lien over the pledged security or such cash surplus as may arise upon settlement of existing loans at any time. Such right of lien shall arise only

the customer has any other dues, either directly or as guarantor, and will be subject to proper intimation of such right of lien being given to the customer by the Company.

vii) The Company shall issue a signed and, normally, a system generated receipt for all cash payments made by the customer immediately. The Company shall also accept payments vide cheques, demand drafts, electronic transfers etc. subject to the condition that return of the security will be made only after confirmation of realization.

viii) Even though the loan sanction letter contains all applicable terms and conditions of the loan the Company shall, nevertheless, endeavor, on a best effort basis, to send advices, reminders etc. regarding due date for payment of interest, principal etc. by letter, courier service, telephone, SMS etc.

ix) The Company shall, on demand, provide the customer or his duly authorized representative with a statement of the loan account at any time during the currency of the loan or immediately upon closure. However, the Company may, at its discretion, require payment of reasonable processing charges by the customer for providing statement of account if such demand is made 30 calendar days after closure of the account.

x) The Company will resort to disposal of security only as a last resort and that too after adequate and proper notice is served on the customer to repay the dues. Such notice will be as per the terms contained in the sanction letter and also in compliance with applicable laws and regulatory guidelines. The disposal of the security will be taken up through public auction when the customer does not positively respond to the communications sent by the Company to close the loan account along with interest and other charges.

xi) Where the Company proposes to dispose of the security even before the normal tenure of the loan based on the rights conferred on the Company vide loan application and loan sanction letter adequate and proper notice will be served on the customer before such action is initiated for recovery of dues.

xii) The Company prefers and encourages customers to take back delivery of the security immediately upon full settlement of all dues. However, should there be exceptional instance of the Customer being unable to take delivery of the security, not attributable to the inability of the Company, after closure of the loan account reasonable safe custody charges may be payable which will be duly advised to the customer or displayed in the branch premises and the Company's website.

xiii) The Company will not interfere in the affairs of the customers except for the purposes mentioned in the terms & conditions of the loan or when constrained to do so due to inadequate or false disclosures made by the borrower at the time of putting through the transactions.

xiv) In order to address the contingent event of demise of the sole borrower or joint borrowers, the Company shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the Company along with other similar policies and procedures for customer information.

IV) Customer Service & Grievance Redressal

- i. The Company will implement all possible steps to prevent and minimize customer complaints / grievances.
- ii. The Company will facilitate the customer to pay the whole or part of the dues at any of the branches of the Company subject to the condition that delivery of the pledged security(gold) shall be made only at the branch where loan was originally disbursed.
- iii. The Board of Directors of the Company will put in place an effective Customer Grievance Redressal mechanism details of which will be displayed on the website and in all the branches. Such a mechanism shall 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 mechanism will specify inter alia the names & designations of the officials with whom complaints can be registered, their postal address / telephone numbers/ email address, escalation matrix, time limit for acknowledging receipt of complaint, time limit for dealing with the complaint etc. It will also put in place at all offices where business is transacted, the complete contact details of the Regional Office of RBI, Thiruvananthapuram, within whose jurisdiction the registered office of the company is situated, so that the customers may directly approach the RBI in case their grievances are not redressed within one month of the receipt of complaints by the company"
- iv. 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 shall be submitted to the Board at regular intervals, as may be prescribed by it.
- v. 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.

- vi. The Company will endeavor to work out and display the time norms for putting through and completing the various transactions.
- vii. The Company will have a sympathetic approach to the problems faced by the customer, especially the poor and underprivileged sections.

V) Repossession of Security (Commercial Vehicles)

- i) The Company reserves the right to enforce security for recovery of dues on the terms and conditions stipulated in the loan agreement in case of default in payment or on the occurrence of any other event of default. During recovery of loans, the Company will not resort to undue harassment like bothering the borrowers at odd hours or use of force for recovery of loans.
- ii) The Company would refrain from intervening in the affairs of the borrowers except as provided in the terms and conditions mentioned in the loan agreement, unless new information, not disclosed by the borrower, has come to the notice of the Company.
- iii) The Company would not discriminate on grounds of sex, caste and religion in the matter of lending.
- iv) In case of receipt of request for transfer of borrower account, either from the borrower or from a bank/non-banking finance company, which proposes to take over the account, the consent or otherwise
i.e. objection of the Company, if any, would 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.
- v) The Company must have a built-in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, 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 borrower for repayment of loan before the sale/ auction of the property ;
 - (v) The procedure for giving repossession to the borrower; and
 - (vi) The procedure for sale/auction of the property.

A copy of such terms and conditions must be made available to the borrower. The company shall invariably furnish a copy of the loan agreement 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, which forms a key component of such contracts/ loan agreements.

- vi) Repossession of security is aimed at recovery of dues and not to deprive the borrower of the security. The recovery process through repossession of security will involve repossession, valuation of security and realization of security, through appropriate means. All these would be carried out in a fair and transparent manner. Repossession will be done only after issuing proper notices. Due process of law will be followed while taking repossession of the security. The Company will take all reasonable care for ensuring the safety and security of the collateral after taking custody, in the ordinary course of the business
- vii) An appropriate grievance redressal mechanism would be put in place whereby disputes arising out of the decisions of Company's functionaries would be heard and disposed of.

(VI) Loan facilities to the physically/visually challenged

The 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. The Company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, the Company shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

(VII). Lending against collateral of Gold Jewellery

The company shall put in place Board approved policy for lending against gold that shall inter alia, cover the following:

- (i) Adequate steps to ensure that the KYC guidelines stipulated by the Reserve Bank are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan,
- (ii) Proper assaying procedure for the jewelry received. At the time of granting loans, the Company will assay the purity which is not to be considered as final. The company will re assess the purity in the event of the gold pledged being auctioned and the purity as assessed at the time of Auction will be final.

- (iii) Internal systems to satisfy ownership of the gold jewelry,
- (iv) Adequate systems for storing the jewelry in safe custody, reviewing the systems on an on-going basis, training the staff concerned and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to. Normally, such loans shall not be extended by branches that do not have appropriate facility for storage of the jewelry,
- (v) The jewelry accepted as collateral shall be appropriately insured,
- (vi) Transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There shall be no conflict of interest and the auction process must ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities,
- (vii) The auction shall be announced to the public by issue of advertisements in at least two newspapers, one in vernacular and another in national daily newspaper,
- (viii) As a policy, the Company themselves shall not participate in the auctions held,
- (ix) Gold pledged shall be auctioned only through auctioneers approved by the Board,
- (x) The policy shall also cover systems and procedures to be put in place for dealing with fraud including separation of duties of mobilization, execution and approval.
- (xi) The Company must insist on a copy of the PAN Card of the borrower for all transaction above ₹5 lakh when financing against the collateral of gold.
- (xii) Documentation across all branches must be standardized.

(VIII). Loans Sourced over Digital Lending Platforms: Adherence to Fair Practices Code and Outsourcing Guidelines

The Company shall, irrespective of whether the company lend through their own digital lending platform or through an outsourced lending platform, adhere to the Fair Practices Code guidelines in letter and spirit. They must also meticulously follow regulatory instructions on outsourcing of

financial services and IT services.

(1) It must be noted that the outsourcing of any activity by the Company does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with them. Wherever the Company engage digital lending platforms as their agents to source borrowers and/or to recover dues, the Company must follow the following instructions:

(i) names of digital lending platforms engaged as agents shall be disclosed on the website of the Company.

(ii) digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the Company on whose behalf they are interacting with him.

(iii) immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the Company.

(iv) a copy of the loan agreement along with a copy of each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans.

(v) effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the Company.

(vi) adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

Any violation in this regard will be viewed seriously.

F) MISCELLANEOUS

i) The Company shall display the normal business hours at the respective branches, the list of holidays and notify the changes, if any, by way of a notice displayed in the premises of the branch or through press notification.

ii) Personal information of the customer will not be shared with unauthorized persons or agencies or third parties by the Company. However, the Company will be bound to honor and comply with legal or regulatory requirements, if any, in this matter obligating it to part with such information even without notice to the customer.

iii) Wherever locker facility is extended by the Company through its branches, it shall be ensured that appropriate disclosures are in place to communicate to the customers that the activity is not regulated by the Reserve Bank.

- ***Amendments / Modifications:***

1. Insertion of Point D(V)-Repossession of security and D(VI)(iii) regarding locker facility as approved
2. in the Board meeting dated 12th February, 2016.
3. Rearranged existing Clause E (II) (iii) to Clause E (II) (iv) and inserted new Clause E (II) (iii) regarding differentiated interest rate structures approved in Board Meeting held on Aug 04, 2022.

New head “Applicability” added in order to comply with the Internal Office Note No. 1028 in line with the recommendation received from the Board for standardized format for Board approved Policies.



MANAPPURAM
FINANCE LIMITED
FAIR PRACTICE
CODE

