

Avanti Microfinance Private Limited

Fair Practice Code

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Introduction

This Fair Practices Code (this “**Code**”) is aimed to provide to the customers effective overview of practices, which will be followed by the Avanti Microfinance Private Limited (the “**Company**”) in respect of the financial facilities and services offered by the Company to its customers. The Code will facilitate the customers to take informed decisions in respect of the financial facilities and services to be availed by them and will apply to any loan that the Company may sanction and disburse.

1. Objectives of the Code

This Code has been developed to:

- (a) Promote good, fair and trustworthy practices by setting minimum standards in dealing with the customers;
- (b) Increase transparency to enable the customers to have a better understanding of what they can reasonably expect of the services;
- (c) Encourage market forces, through competition, to achieve higher operating standards; and
- (d) Promote a fair and cordial relationship between the customers and the Company.

2. Our Key Commitments and Declarations

We shall act efficiently, fairly and diligently in our dealings with all our customers by:

- Meeting the commitments and standards in this Code for the financial products and services we offer, and the procedures and practices our staff follow;
- Ensuring that all the financial services meet relevant laws and regulations;
- Providing professional, courteous and speedy services;
- Providing accurate and timely disclosure of terms and conditions, costs, rights and liabilities as regards financial transactions;
- We shall help the customer understand how our financial products and services work

by:

- Giving verbal information about the financial schemes in Hindi and / or English and / or local vernacular language as understood by the borrower.
- Ensuring that our advertising & promotional literature is clear and is not misleading.
- Explaining financial implications of the transactions.
- Helping the customer to choose the financial scheme.

We shall deal quickly and proactively with things that go wrong by:

- (a) Correcting mistakes quickly.
- (b) Attending customer complaints quickly.
- (c) Telling our customers how to take their complaint forward if the customers are still not satisfied with our assistance; and
- (d) Reversing any charges that we apply due to our mistake.

3. **Non-Discrimination Policy**

We will not discriminate between our customers on the basis of gender, race or religion.

4. **Applications for loans and their processing**

- a) All communications to the borrowers shall be made in vernacular language or a language as understood by the borrower.
- b) Loan application forms issued by the Company shall include necessary information which affects the interest of the borrower so that a meaningful comparison with the terms and conditions offered by other non-banking financial companies (“NBFCs”) can be made and an informed decision can be taken by the borrower. The loan application form shall indicate the documents required to be submitted along with the application form.
- c) The Company shall collect all necessary information from the customer only with prior customer consent and the borrower shall be provided with an option to provide or deny consent for use of specific data, restrict disclosure to third parties, data retention, revoke consent.

- d) The Company shall issue an acknowledgement receipt for all loan applications. Subject to receipt of all the requisite documentation and information, loan applications shall be disposed of within 30 days, from the date of receipt of the application form complete in all respects. The Company will endeavour to keep the customer / applicant informed with regard to the status of his application from time to time. The customer may also contact the Company's customer service team at the prescribed toll-free number or email id to obtain an update on the status of application.
- e) If any additional details/ documents are required, the same shall be intimated to the borrowers immediately.

5. Loan appraisal and terms / conditions

- (a) The Company shall conduct a due diligence on the credit worthiness of the borrower, which will be an important parameter for taking a decision on the application. The assessment would be in line with the Company's credit policies, norms and procedures in respect thereof.
- (b) The Company shall appraise through its partner to under the customer's business, household income, current indebtedness and assess the customer's loan requirement and repayment capacity.
- (c) The borrower would be informed by means of SMS sent to the phone number of the borrower as provided by him/her in the Loan Application in vernacular language or a language as understood by the borrower, of the amount of loan sanctioned or otherwise. The said communication shall contain the terms and conditions including the annualized rate of interest and the method of application thereof.
- (d) The Company provides borrower with the flexibility to accept or reject the loan.
- (e) The Company shall ensure that digitally signed documents, including Key Fact Statement, summary of loan product, sanction letter, terms and conditions, account statements, privacy policies of the partner with respect to borrowers' data, etc. shall automatically flow to the borrowers on their registered and verified email/ SMS upon execution of the loan contract/ transactions.
- (f) The Company shall, wherever applicable, have a built-in repossession clause in the contract / loan agreement so as to have legal enforceability.
- (g) The terms and conditions of the loan agreement of the Company shall, wherever applicable, also contain the following provisions:
 - (i) Notice period before taking possession.

- (ii) Circumstances under which the notice period can be waived.
 - (iii) Procedure for taking possession of the security.
 - (iv) Provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property.
 - (v) Procedure for giving repossession to the borrower.
 - (vi) Procedure for sale / auction of the property.
- (h) The Company does not have any lock in period for loan closure, customers can close their loan at their discretion.

6. Penal charges in loan accounts

The Board of the Company hereby adopts the following in relation to levy of penal charges in loan accounts:

- a) There shall be no capitalisation of penal charges i.e., no further interest shall be computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account.
- b) Quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- c) Penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business' shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of terms and conditions of the loan contract.
- d) The quantum and reason for penal charges shall be clearly disclosed in the loan documents / most important terms & conditions / Key Fact Statement (KFS) as applicable and shall also be displayed on the website of the Company.
- e) Penal charges shall also be communicated to the borrowers at the time of sending reminders for non-compliance of material terms and conditions of loan.

7. Disbursement of loans including changes in terms and conditions

The Company shall frame appropriate internal principles and procedures for determining and ensuring that the interest rates and processing and other charges are not excessive.

The Company shall, at the time of disbursement, ensure that the interest rate and processing and other charges on loan are in strict adherence to above referred internal principles and procedures.

The disbursement will be done immediately upon compliance of all the terms and conditions of the sanction by the borrower.

The Company shall give a notice to the borrower in the vernacular language, or a language as understood by the borrower, of any change in the terms and conditions including disbursement schedule, interest rates, service charges, pre-payment charges etc. The Company shall also ensure that changes in interest rates and charges are made effective only prospectively. A suitable condition to this effect shall be incorporated in the loan agreement.

The Company shall provide a Key Fact Statement (KFS) to the borrower in vernacular language or language understood by the borrower before the execution of the contract in a standardized format for all lending products incorporating information like

- Basic customer details.
- Terms and conditions,
- Quantum of penal charges in case of non-compliance of terms and conditions as approved by the Board,
- Details of the grievance redressal system, including the name and contact number of the nodal officer of the Company.

The Company shall disburse all loan proceeds into the bank account of the borrower except for disbursements covered exclusively under statutory or regulatory mandate (of RBI or of any other regulator), flow of money between the Company and the partner for co-lending transactions and disbursements for specific end use, provided the loan is disbursed directly into the bank account of the end-beneficiary.

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

The Company shall release all securities offered by the borrower on repayment of all 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 the borrower. 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.

8. **Release of movable/immovable property documents on repayment/ settlement of personal loans**

In accordance with applicable law, the Company shall release original movable / immovable property documents (Property Documents) and remove charges registered, within a period of 30 days after full repayment / settlement of the loan account and closure of loan account. [

9. Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans

- (a) In order to ensure that adequate headroom/margin is available for elongation of tenor and/or increase in EMI and increase in the external benchmark rate during the tenor of the Company shall adopt and implement the following requirements:
- (i) At the time of sanction, the Company shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately on their registered and verified email/ SMS or any other accepted and approved channel.
 - (ii) At the time of reset of interest rates, the Company shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
 - (iii) The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/ prepayment penalty shall be subject to extant instructions.
 - (iv) All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the Company from time to time.
 - (v) The Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
 - (vi) The Company shall share/ make accessible to the borrowers on their registered and verified email/ SMS or any other accepted and approved channel, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest/Annual Percentage Rate (APR) for the entire tenor of the loan. The Company shall ensure that the statements are simple and easily understood by the borrower.

- (b) Apart from the equated monthly instalment loans, these instructions would also apply, mutatis mutandis, to all equated instalment based loans of different periodicities.

10. Guidelines related to recovery of Loans

- (a) In the matter of recovery of loans, the Company shall not resort to undue harassment like bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. The Company shall ensure that its staff is adequately trained to deal with the customers in an appropriate manner so as to not to behave rudely with customers.
- (b) The Company or its Partner shall not engage in any harsh methods towards recovery, without limiting the general application of the foregoing, following practices shall be deemed as harsh:
 - (i) Use of threatening or abusive language.
 - (ii) Harassing relatives, friends, or co-workers of the borrower.
 - (iii) Publishing the name of borrowers.
 - (iv) Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation.
 - (v) Misleading the borrower about the extent of the debt or the consequences of nonrepayment .
- (c) The Company will not persistently call the borrower, not call the borrower before 8:00 am and after 7:00 p.m., subject to local/state laws, for recovery of overdue loans.
- (d) The Company may arrange for enforcing security charged to it of the delinquent borrower, if required, with an aim only to recover dues and will not be aimed at whimsical deprivation of the property.
- (e) The Company shall ensure that the entire process of enforcing its security, valuation and realization thereof be fair and transparent.
- (f) In case of receipt of a request from the borrower for transfer of the borrower account, the consent or otherwise i.e. objection of the Company, if any, shall be conveyed within 21 days from the date of receipt of such request. Such transfer shall be as per transparent contractual terms in consonance with law.
- (g) The Company shall not charge foreclosure charges / pre-payment penalties on all floating rate term loans sanctioned to individual borrowers.

11. Engagement of Recovery Agent

- Recovery agents shall mean agencies engaged by the Company for recovery of dues from its borrowers and the employees of these agencies.
- The Company shall have a due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals involved in the recovery process.
- The Company shall ensure that the partner engaged by them for recovery carry out verification of the antecedents of their employees, which shall include police verification and their periodicity.
- The Company shall provide the details of recovery agents to the borrower while initiating the process of recovery like name, contact number of the agent and the partner's name.

12. **Training of Staffs**

- The Company shall have a board approved policy regarding the conduct of employees and system for their recruitment, training and monitoring. The Company will ensure the partner employees dealing with borrowers will be adequately trained
- Field staff shall be trained to make necessary enquiries regarding the income and existing debt of the household.

13. **Complaint Redressal Mechanism**

It is the Company's constant endeavour to put customers interest first and to provide with financial solutions that are right for the customers. In keeping with its promise, the Company looks forward to receiving both positive and negative feedback from the customers on its products and services. The grievances of the customers will be redressed in the following manner.

- (a) The customer can register grievances through email id and tollfree number provided at the Partner branches / Head Office / website and at any other place where the business of the Company is transacted.
- (b) After examining the matter, the Company will endeavour to send the customer its response expeditiously and intimate the customer how to escalate the complaint to higher level, if he/she is not satisfied with the response.
- (c) The customer has to confirm whether the grievance has been resolved to his / her satisfaction or not. The grievance will be deemed to be closed, if the customer does not respond via toll free number or email.

- (d) At all Partner branches / Head Office / any other place where the business of the Company is transacted, notice will be put up informing the customers about the Customer Care Executives, Escalation Mechanism and the Grievance Redressal Officer (including the name and contact details responsible for logging and resolving the grievances) who can be approached by the Customer for resolution of complaints against the Company.
- (e) Email id: helpdnbs@rbi.org.in. The complete contact details of such Officer of the Reserve Bank of India shall be provided at all Partner branches / Head Office / Website or any other place where the business of the Company is transacted.
- (f) The Company shall also request the customer to provide feedback on the services rendered. This can be done through direct contact by staff or through specific customer satisfaction surveys that may be conducted from time to time.
- (g) A periodical review of the Fair Practices Code and the functioning of the Grievances Redressal Mechanism at various levels of management would be undertaken by the Company and a consolidated report of such reviews shall be submitted to the Board of Directors of the Company, at regular intervals in a manner as prescribed by the Board from time to time.

14. Language and mode of communicating this Code

- (a) The Company shall endeavour to have this Code translated into any vernacular language or other language as understood by the borrowers.
- (b) The Company shall ensure that this Code is published on its website so that the information contained in this Code is accessible to all stakeholders.

15. Policy for determining Interest Rates, Processing and Other Charges

- (a) To ensure that the customers are not charged excessive interest rate and charges on loans by the Company, the Board of Directors of the Company shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin, risk premium, for determining interest rates, processing and other charges ("**Interest Rate Policy**").

16. General

- (a) The Company shall not interfere in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement, unless information not earlier disclosed by the borrower has come to the notice of the Company.
- (b) The Company shall display the necessary details of their partner is being displayed in the

Company website.

- (c) The Company shall ensure that the partner engaged by them do not store personal information of borrowers except some basic minimal data (viz., name, address, contact details of the customer, etc.) that may be required to carry out their operations.
- (d) The Company shall ensure any lending done by the Company directly or through its partner shall be reported to the Credit Information Committee ("CC"), administered and complied at the consolidated group level by Avanti Finance Private Limited, the holding company, irrespective of tenure and nature.
- (e) The Company shall abide by this Code following the spirit of this Code and in the manner, it may be applicable to its business.
- (f) The Company shall be accountable for inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal.

The policy is subject to subject to revision as and when applicable.

17. Policy Review and Updates

The implementation of this Policy shall be monitored and reviewed periodically by the Board of the Company.

This revised Policy comes into effect from date of approval of the Board.