



Fair Practices Code

Areion Finserve Private Limited

Revised Fair Practices Code adopted in Board Meeting held on 25th September, 2024 and applicable with immediate effect.

Fair Practices Code

1. Introduction

Areion Finserve Private Limited [the “Company”], is a Non-Deposit Taking Base Layer Non-Banking Financial Company [“NBFC-BL”] registered with Reserve Bank of India [“RBI”] under section 45-IA of the Reserve Bank of India Act, 1934 [“RBI Act”].

The Company is engaged in the business of providing various financing/loan products to its customers, which include Individuals, Proprietorship Firms, Partnership Firms, LLPs, Companies and other legal entities.

The Company has framed and adopted a code, which sets out the principles for fair practice standards when dealing with the customers. RBI has issued guidelines for Fair Practice Code for NBFCs vide Chapter VII of Master Directions, 2023 for Non-Banking Financial Companies – (Scale Based Regulations) dated 19.10.2023 (updated as on 21.03.2024) and Master Circular - Fair Practices Code for all NBFCs, circular reference no RBI/2015-16/16 DNBR (PD) CC. No. 054/03.10.119/2015-16 dated 01 July, 2015. Hence, the Company has adopted and shall implement this code throughout the organization which has been duly approved by the Board of Directors of the Company. This Fair Practices Code applies to all the categories of products and services offered by the Company (both currently offered and/or which may be offered at a future date).

2. Objectives

This Fair Practices Code (FPC) aims to provide effective overview of practices, which are to be followed by the Company in respect of the financial facilities and services offered by the Company to its customers. This Code would facilitate the existing as well as prospective customers to take informed

decisions in respect of the financial facilities and services to be availed by them or other financial products which they may obtain from the Company.

This Code has been developed with an objective of:

- Ensuring Fair Practices while dealing with the customers;
- Promoting good, fair and trustworthy practices by setting standards in dealings with the customers;
- Increasing transparency to enable the customers to have a better understanding of the products and services and enabling them to take informed decisions;
- Promote a fair and cordial relationship between the customers and the Company;
- Building Customer confidence in the Company.

3. Key Commitments

The Company's key commitments to its customers / prospective customers (as applicable) are as under:

- a. The Company is to act fairly and reasonably in all its dealings with customers by:
 - Meeting the commitments and standards incorporated in this Fair Practices Code for the financial products and services offered by company;
 - Ensuring that the Company's products and/or services are in compliance with the relevant laws and regulations;
 - Making Company's dealings with customers / prospective customers rest on ethical principles of integrity and transparency;
 - Providing professional, courteous and speedy services;
 - Providing accurate and timely disclosure of terms and conditions, costs, rights and liabilities as regards financial transactions.
 - Not engaging in unlawful and / or unethical practices.

- b. The Company is to help the customers / prospective customers understand how the financial products and / or services work by:
 - Ensuring that its advertising & promotional literature is clear and is not misleading;
 - Giving verbal information that is consistent with the literature shared with customers;
 - Explaining financial implications of the transactions to them.
- c. The Company is to deal quickly and sympathetically with the customer complaints / queries by:
 - Offering channels to route the customers queries;
 - Correcting mistakes / errors quickly;
 - Attending and handling customer complaints quickly;
 - Assisting customers in taking their complaints forward if they are not satisfied with assistance provided by the company;
 - Reversing any charges promptly that the Company has applied erroneously.
- d. The Company is to have copies of this Code available for customers on request.

4. Information

- a. Helping 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 documentary information the Company needs from them to establish customer's true identity and address and other documents to comply with legal and regulatory requirements.
- c. Giving exact idea to the customers that how the selected product or service will be implemented on the company's end and what all compliances need to be done on the customer's end.

- d. The company will inform regarding the charges for any service or product, before the company provides that service or product.

5. Non-Discrimination

The company is strictly prohibited to engage in any form of discrimination towards the Company's existing as well as potential customers on the basis of gender, race or religion. Any complaints for violation of the same are to be communicated immediately to the designated Grievance Redressal Officer of the Company, whose communication details will be displayed on our Premises.

6. Application for Loans and their Processing

- a. The Company's official language for all communications within the Company or with third parties is to be English or vernacular language or a language as understood by the borrower.
- b. A declaration from each customer is to be obtained before / along with the application to the effect certifying that the customer understands English.
- c. The Company may also use an application kit in language as understood by the borrower if the Customer does not understand English. This, however, may be at the sole discretion of the Company and only on a case-by-case basis.
- d. The Application Form of the Company for each of the products and services offered may be different depending upon the requirement of each product/ service and shall include all information that is required to be submitted by the Borrower.
- e. The Application Form of the Company shall also indicate the list of documents required to be submitted by the Borrowers along with the Application form.
- f. 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.

- g. All written communications to the borrower shall be in English. In case the borrower does not understand English, all the communications shall be in the language as understood and confirmed by the borrower. After that the borrower shall be responsible and liable to understand and interpret it accordingly.
- h. The Company has a mechanism of giving acknowledgement for receipt of Loan Applications from its Borrowers/Prospective Borrowers. The Company shall inform the borrower about its decision within reasonable period of time from the date of receipt of all the information required in full. The time frame within which loan applications will be disposed of will also be indicated in the acknowledgement.
- i. The Company may conduct contact point verification through its employees or through an agency appointed by it, by contacting the customer at their residence/business telephone numbers and /or physical visit to residence/business address mentioned on the loan application, depending on the risk categorization of the client.

7. Loan Appraisal and Terms & Conditions

- a. The Company shall conduct a due diligence on the creditworthiness 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 (if any), client categorization, industry norms and procedures in respect thereof.
- b. The Company will convey in writing to the borrower, in English or in the vernacular language as understood by the borrower by means of a written sanction letter of the amount of loan sanctioned or otherwise. The said letter shall contain the terms and conditions including the annualized rates of

interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower/s in the Company's records.

- c. The terms and conditions may mention penal interest/charges to be recovered for late payment and violation of terms and conditions of sanction. The same will be disclosed in bold in the Loan Agreement.
- d. The Company will obtain an acceptance from the borrower on the said sanction letter with the borrower's signature under the caption "**I/WE ACCEPT ALL THE TERMS AND CONDITIONS WHICH HAVE BEEN READ AND UNDERSTOOD BY ME/US.**" The company will maintain a record of such acceptance.
- e. The Company at the request of the customer, will furnish a copy of loan agreement along with a copy of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of loans. The company will ensure that the loan agreements and enclosures furnished to all borrowers contain the terms and conditions and the rate of interest in the form of a term sheet, which shall be annexed to the loan agreement.

8. Disbursement of Loans (Including changes in Terms & Conditions)

- a. The Company has framed appropriate internal principles and procedures for determining the interest rates, processing and other charges. The company shall at the time of disbursal, ensure that the interest rate and processing and other charges on loan and advances are in strict adherence to above referred internal principles and procedures;
- b. The disbursement shall be done immediately upon compliance of all terms and conditions of the sanction by the borrower;
- c. The Company shall give notice in writing to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, services charges, prepayment charges etc. The Company shall also ensure that changes in interest rates and charges are affected only prospectively. This clause shall be covered in the loan agreement as well;

- d. Decision to recall/accelerate payment or performance under the Agreement shall be in consonance with the respective Loan Agreement.
- e. The Company shall release all securities of its Borrower/s on repayment of all dues by such Borrower, or only on realization of the outstanding amount of the Borrower's availed limit, subject to any legitimate right or lien for any other claim which the Company may have against its Borrower. If such right of set off is to be exercised, the Borrower shall be given notice in writing about the same with full particulars about the remaining claims and conditions under which the Company will be entitled to retain the securities till the relevant claim is settled or paid by the Borrower.

9. Regulation of Rate of Interest

- a. The Board of Directors shall adopt an interest rate model for determining the rate of interest to be charged on loans and advances, processing and other charges taking into account relevant factors such as, cost of funds, margin and risk premium etc. 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 or otherwise and communicated explicitly in the sanction letter.
- b. The information published in the website or otherwise published, if any, should be updated whenever there is a change in the rates of interest.
- c. 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.
- d. Charging of interest will be done from the date of actual disbursement of loan to the customer and not from the date of sanction and/or execution of loan agreement. Interest will be charged from the actual date of disbursement and not for the entire month. In case of disbursal or repayment of loan, the interest will be charged only for the period for which the loan was outstanding and not for the entire month. In case if any

excess interest is charged due to human error or otherwise, the same to be refunded back to the customer immediately on findings. Online account transfer in lieu of issue of cheques to be encouraged and implemented in all cases.

- e. The Board of Directors of the Company will lay out appropriate internal principles and procedures in determining interest rates and processing and other charges. In this regard, the guidelines indicated in the Fair Practices Code about transparency in respect of terms and conditions of the loans are kept in view.

10. Penal charges in loan accounts

- a. Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower is to be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- b. The Company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit. The Company will formulate a Board approved policy on penal charges or similar charges on loans by whatever name called. The quantum of penal charges will 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. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', will not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions. The quantum and reason for penal charges will be clearly disclosed by the Company to the customers in the loan agreement and most

important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites of the Company under Interest rates and Service Charges.

- d. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- e. The above instructions will be implemented in respect of all the fresh loans availed from April 01, 2024 onwards. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date falling on or after April 01, 2024, but not later than June 30, 2024.

11. Release of movable/immovable property documents

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

- e. Compensation for delay in release of movable/immovable property documents (i) 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 will communicate to the borrower reasons for such delay. In case where the delay is attributable to the Company, it will compensate the borrower at the rate of ₹5,000 for each day of delay. (ii) In case of loss/damage to original movable/immovable property documents, either in part or in full, the Company will assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (ii) above. However, in such cases, an additional time of 30 days will be available to the Company to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days). (iii) The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.
- f. The instructions as mentioned above, will be applicable to all cases where release of original movable/immovable property documents falls due on or after December 01, 2023.

12. Repossession of vehicles financed by the Company

- a. The Company is having a built-in re-possession clause in the contract/loan agreement with the borrower which is legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement 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 security;
 - (v) The procedure for giving repossession to the borrower; and
 - (vi) The procedure for sale/auction of the security.
- b. A copy of such terms and conditions will be made available to the borrower. The Company will 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.

13. Acquisition and Resolution of Financial Assets

Acquisition of financial assets by the Company shall be in compliance with the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act), applicable RBI guidelines/directives and Acquisition and Settlement & Resolution policy of the Company. Company shall adopt transparent and non-discriminatory practices in acquisition of financial assets. Financial assets shall be acquired from selling banks or financial institutions including Sponsors on arms' length basis where acquisition price is determined by the market factors. Company shall not acquire financial assets from its Sponsors on bilateral basis.

We will have a Board approved 'Resolution Policy of Financial Assets'. The stressed assets acquired by us will be resolved in accordance with the same. Attempts will be first made to resolve the account in the hands of original / existing promoters. For resolution, we shall follow all the resources available under our legal framework and formulate a suitable strategy to resolve the financial assets acquired by us in accordance with Resolution policy of Financial Assets as approved by our Board.

14. Sale of secured assets

The Company shall ensure transparency and fairness in sale of secured assets. Invitation for participation in auction of secured assets shall be publicly solicited so as to enable participation of as many prospective buyers as possible. Terms and conditions of such sale wherever required, will be approved at appropriate level. The Company shall ensure compliance with Section 29A of Insolvency and Bankruptcy Code, 2016 in dealing with prospective buyers.

15. Outsourcing of activities

As far as possible, Company shall endeavour to carry out key business operations in-house. Activities requiring significant manpower, wider geographical presence or technical expertise may be outsourced to external service providers. Performance of such service providers shall be continuously monitored and reviewed from time to time. Company shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations towards its customers and the RBI nor impede effective supervision by RBI. If an outsourced agency is owned/controlled by a director of the Company, the fact shall be made part of the disclosures.

16. Loan facilities to the physically/visually challenged applicants

The company will not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of the Company will render all possible assistance to such persons for availing of the various business facilities. The Company will 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 will ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by us.

17. General

- a. The Company shall strictly refrain from interference in the affairs of the borrower except for the purposes provided in the Loan Agreement unless new information not earlier disclosed by the Borrower has come to the notice of the Company.
- b. In the matter of recovery of loans, the Company shall strictly resort only to remedies which are legally and legitimately available to it and shall at no point in time resort to any form of undue harassment like bothering the borrowers at odd hours/ use of muscle power for recovery of loans.
- c. The Company shall ensure that the entire process of enforcing its security, valuation and realization thereof is fair and transparent.
- d. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- e. In case of receipt of a request from the borrower for transfer of the borrowal 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.
- f. The Company shall not charge interest rate beyond a certain level which may be seen as excessive or not sustainable or not conforming to normal financial practices.
- g. The company will not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co obligant (s).

18. Confidentiality

Unless authorized by the customer, the Company will treat all personal information as private and confidential. The Company will not reveal transaction details to any other entity including within the group other than the following exceptional cases:

- If the Company is required to provide the information by statutory or regulatory laws (e.g. furnishing information to FIU-Ind, Central Know Your Customer Registry, etc.).
- If there is a duty to the public to reveal this information (e.g. furnishing information to Credit Information Companies).
- If the Company has taken the customer's permission in writing (for instance at the time of loan sanctioning) to provide such information to its group / associate / entities or companies for providing other products or services.
- Where the customer asks the Company in writing to reveal such information to its group/associate/entities or companies for providing other services or products.

19. Complaint Redressal Mechanism

- a. A telephone number for receiving the grievances of the customers shall be intimated in Loan Sanction Form. In addition, a separate e-mail ID has been created where customer can send their grievances via e-mail. The relevant information will be updated on website as and when there are any changes.
- b. After examining the complaint, the Company shall endeavour to send the customer its response within four weeks and intimate the customer how to escalate the complaint to higher level, if he is not satisfied with the response from lower level. The complaints can be forwarded to the designated Grievance Redressal Officer of the Company, whose communication details will be displayed on Company Premises.
- c. If the complaint / dispute is not redressed within a period of four weeks, the customer may appeal to the following Officer-in-Charge of the Mumbai Regional Office of Department of Non-Banking Supervision of the Reserve Bank of India:

The Officer-In-Charge,
Department of Non-Banking Supervision,
Reserve Bank of India,

3rd Floor, RBI Building, Opp. Mumbai Central Railway Station,

Near Maratha Mandir, Byculla, Mumbai – 400 008

Telephone No. : 022-2308 4121/2302 8436

20. Responsibility of Board of Directors regarding Grievance Redressal:

The Board of Directors of the Company has laid down an appropriate grievance redressal mechanism within the organization. A Grievance Redressal Committee comprising of any one director and any one officer of the company has been set up to resolve disputes arising in this regard. This Grievance Redressal Committee will ensure that all the disputes arising out of the decisions of the Company's functionaries are heard and disposed off at least at the next higher level. The Grievance Redressal Committee would review the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board on annual basis

21. Grievance Redressal Officer

The following information shall be displayed prominently, for the benefit of the customers, at all branches /places of the Company where business is transacted:

1. The name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by public for resolution of complaints against the Company.
2. If the complaint/dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Department of Non-Banking Supervision, Reserve Bank of India, Mumbai Regional Office, 3rd Floor, RBI Building, Opp. Mumbai Central Railway Station, Near Maratha Mandir, Byculla, Mumbai – 400 008

22. Adherence to this Fair Practices Code

The Company shall abide by this Fair Practices Code following the spirit of the Code and in the manner, it may be applicable to its business. Every employee responsible to directly deal with the customers shall be updated of the fair practices code and its amendments/updates at regular intervals.

Commitments outlined in this Code are applicable under normal operating environment. In the event of force majeure, the Company may not be able to fulfil the commitments under this Code.

23. Language and mode of communicating Fair Practice Code

Fair Practices Code (which shall preferably be in English or in vernacular language or a language as understood by the borrower) based on the Reserve Bank of India guidelines will be put in place by the Company with the approval of the Board of Director. The guidelines for the same will be put up on the website, for the information of various stakeholders.

24. Feedback / Suggestions

The Company would welcome feedback and suggestions from customers and public for improving its services. The feedback and suggestions would be evaluated by Grievance Redressal Officer to improve customer service.

25. Adoption and Review of the Fair Practices Code

This Fair Practices Code has been revised vide Board Meeting dated 25th September, 2024. This Fair Practices Code shall be applicable organization wide with immediate effect. The Fair Practice Code will be displayed on the website of the Company for information of all stakeholders. The Fair Practice Code shall be reviewed and updated as and when there is any change in any legal and/or regulatory framework or at least annually for incorporating regulatory updates and changes, if any. The Code after such review shall be placed before the Board of Directors of the Company for necessary directions and approval.

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