

BRD SECURITIES LIMITED

FAIR PRACTICE CODE REVISED AND APPROVED IN THE MEETING OF THE BOARD OF DIRECTORS OF BRD SECURITIES LIMITED HELD ON 12.06.2014.

The Chairman presented the Circular No. DNBS. CC. PD. No.340/03.10.042/2013-14 dated 01.07.2013 issued by the Reserve Bank of India to the NBFC. After discussion the following guidelines to be followed in all Hire Purchase transactions were adopted in modification of earlier decisions in this regard.

The purpose of this document is to define the Fair Practice Code (FPC) for the company in accordance with the RBI Directions for Non-Banking Finance companies. The said code is aimed to promote good and fair practice, increase transparency, encourage market forces and promote a fair and cordial relationship between borrower / Customer and the Company and to foster confidence of the customer in the finance system of the Company.

Objectives of the Code

This Code has been drawn up to:

- a. Provide to the customers effective overview of practices followed by the Company in respect of financial facilities and services offered by the Company to its Customers;
- b. To serve the customers as part of best services and to provide transparency in business practices
- c. Enable customers to take informed decision about the financial facilities and services offered by the Company;
- d. Promote good, fair, transparent and trustworthy practices by setting minimum standards in dealings with customers;
- e. Reckon with market forces, through competition and strive to achieve higher operating standards;
- f. To promote fair and cordial relationship between the customers and company
- g. To promote good and fair practices.

Guidelines:

I) APPLICATION FOR HIRE PURCHASE FINANCE AND THEIR PROCESSING:

1. All communications to the borrower shall be in vernacular language or in a language understood by the borrower.
2. All Hire Purchase finance application forms should include all the necessary information which affects the interest of the borrower. All hire purchase finance applications should include the following information:
 - A) Rate of Hire Charges:
 - a) For new vehicles
 - b) For second hand vehicles
 - B) Documents to be attached with the application:
 - a) Copy of RC Book and Valuation report (Second hand vehicle)
 - b) Details of additional security, if any
 - c) Details of source of income
 - d) Identity Proof (ie. Election ID Card, Ration Card etc...)
 - e) Sufficient postdated cheque to serve the future installments.
3. Immediately on receipt of application for hire purchase finance, it should be verified to ensure that the application form is duly filled in and signed, and that the required enclosures are attached and that all the KYC norms stipulated by RBI are complied with. On receipt of the application, acknowledgements should be issued to the applicant in the format to be given by Head Office. The time frame within which the applications will be disposed of should be indicated in the acknowledgement.

II) HIR PURCHASE FINANCE APPRAISAL AND TERMS AND CONDITIONS:

1. All hire purchase finance applications must be processed by more than one individual. All hire purchase finance application should be processed within five days by the Sanctioning authority and the decision regarding the application should be intimated to the applicant.

2. Adequate due diligence should be carried out on the borrower before extending any hire purchase finance. The existing debts of the borrowers should be analysed before sanctioning of the hire purchase finance. The approval of the hire purchase finance shall be intimated to the borrower by means of Sanction letter/agreement prepared in vernacular language or in a language understood by the borrower. Sanction letter/agreement should contain the Amount of hire purchase finance sanctioned, Annual rate of interest, Method of application of interest, Gradation of risk and the rationale for charging different rates of interest to different categories of borrowers, Other charges & levies etc. applicable, Number of monthly installments, Amount of each installment, Facilities for daily collection, Insurance coverage requirement, Rights and duties of the borrowers, Notice period before taking possession in case of default, Circumstances under which the notice period can be waived, The procedure for taking possession of the security, Provision regarding final chance to be given to the borrower for repayment of hire charges before the sale/auction of the property, Procedure for giving repossession to the borrower, and the procedure for sale/auction of the property. The acceptance of the terms and conditions mentioned in the sanction letter by the borrower should be obtained and kept in record.
3. The rate of penal interest charged in the event of late repayment / non repayment of hire charges should be indicated in bold letters in the loan agreement.
4. A copy of the hire purchase agreement prepared in vernacular language or in a language understood by the borrower along with a copy each of all the enclosures mentioned in the hire purchase agreement shall be given to all the borrowers at the time of sanction / disbursement of hire purchase finance.
5. Interest Rates on hire purchase finance :-

The company's lending rates are related to its liability costs and operational charges. The lending rates normally range from 9 % to 27 % IRR depending on the type and repayment period and shall be subject to changes depending on RBI policy rates/ market conditions and cost of liability. As per industrial practice the rates are quoted as flat rates and servicing of facility is made through equated monthly installments.

6. Penal Charges:

a. Default Charges

Charged only if the borrower fails to pay on due dates

Sl No.	Vehicle Segment	Charges
1	Two Wheeler	Rs.150/- Per EMI
2	Three Wheeler	Rs.150/- Per EMI
3	Four Wheeler	Rs.250/- Per EMI
4	Six Wheeler	Rs.400/- Per EMI

b. Recovery Charges

These charges will be levied from the actual due date of the second installment of defaulted accounts, when the borrower fails to honor his commitment (PTP) given, either to our field executive or to our call center executive.

c. Late Payment Charges

Borrower will be charged additional Finance Charge/Over Due Interest @ 3 % per month on amount outstanding for the period it is outstanding.

d. For Closure Charges

5% + Service Tax on principal outstanding for remaining the period

- e. Statement of Account Charges : Rs. 500/-
- f. Duplicate NOC Charges : Rs. 500/-
- g. Valuation Charges : As per actual
- h. Postage & Stamping Charges : As per actual

- i. Repossession Charges : As per actual
- j. Legal Charges : As per actual
- k. NOC to convert commercial to Private registration : Rs. 500/-
- l. NOC to convert private to Commercial : Rs. 500/-
- m. Cancellation/Restructuring

The borrower will be charged a fixed amount of Rs.2000/- as Cancellation/ Restructuring charges

* Service Tax and other statutory levies will be extra as per Govt. Notifications, wherever applicable.

7. Important Terms and Conditions:-

In case of Hire purchase finance, Lien will be marked in the RC Book. On closure of the hire purchase the lien releasing letter will be issued to the borrower. Insurance charges have to be borne by the borrower during this period.

III) APPROACH FOR GRADATION OF RISK

General

The rate of interest is arrived based on the weighted average cost of funds, Multiple risk parameters such as borrower profile, Repayment capacity, type of asset, administrative cost etc. The decision to facilitate a proposal for hire purchase finance and the interest rates are applicable on a case to case basis.

Security

For the hire purchase finance as represented by the underlying assets, loan to value ratio, mode of payment, repayment period , location of the borrower, end use of the asset etc. Such information's are collected based on the borrower inputs, credit bureau, and field inspection by the company officials. The interest rates are subject to change as the situation warrants and are subject to management decision based on the merit of individual cases.

IV) DISBURSEMENT OF HIRE PURCHASE FINANCE INCLUDING CHANGES IN TERMS AND CONDITIONS:

1. Company shall by way of notice prepared in vernacular language or in a language understood by the borrower give advance information to the borrowers regarding any changes in terms and conditions of the hire purchase agreement viz; changes in disbursement schedule, changes in interest rates, service charges, prepayment charges etc.. and a copy of the same duly acknowledged by the borrower shall be kept in record
2. It should be mentioned in the hire purchase agreement that the rate of interest or finance charges will be revised only prospectively and not retrospectively.
3. Decision to recall / accelerate payment or performance of the hire charges will be only in consonance with the hire purchase agreement.
4. Every borrower is entitled to receive back all securities offered for the loan availed on repayment of all dues and on full settlement of the hire purchase finance. However if the borrower has any other liability with the Company, the Company reserves the right not to release any securities. In such a case, the Company should give notice to the borrower about the same stating the full particulars of the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled/paid.

V) GENERAL:

1. The Company will not interfere in the affairs of the borrower except for the purposes provided in the hire purchase agreement unless such circumstances arise which may result in the breach of the contract.
2. In case of any request for transfer of hire purchase account, the decision of the Company shall 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.
3. The Company will not resort to any undue harassment of the borrower for the recovery of hire charges. However the Company reserves its right to repossess the assets financed as per the terms of the contract and in consonance with the law.

4. All hire purchase finance should be sanctioned and disbursed only from the central location.
5. Non-coercive method of recovery has to be adopted. Field staff shall be allowed to make recovery at residence of the borrower only if the borrower fails to appear at the central designated place on 2 or more occasions. The Company shall ensure that all the staffs are adequately trained to deal with the customers in an appropriate manner.
6. Internal auditors of the Company should conduct regular and periodic inspection to ensure that the system and procedures are strictly adhered to and that all the required documents are attached with the sanction letter/agreement. The Individuals designated for compliance of various systems, procedures and internal control including audit and periodic inspection will be held responsible for the violations / noncompliance.
7. Assignment of duties, job rotation, separation of duties of mobilization, execution and approval that are adopted by the Board of Directors from time to time for the smooth operation and functioning of the system will be binding on all employees of the Company.
8. The Fair Practice code should be displayed at the Registered Office and Branch offices of the Company.

VI) REDRESSAL MECHANISM:

1. The Contact Names and Contact numbers of the officials of the grievance redressal cell should be prominently displayed at the Registered Office and the Branch offices on the Company.
2. Department Managers have to periodically review the functioning of the grievance redressal mechanism and the compliance of the Fair Practices Code and submit their report to the Board of Directors.