

Alpha Alternatives Financial Services Private Limited
(Formerly Known as Provincial Finance and Leasing Co Private Limited)

Fair Practices Code

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Table of Contents

Sl. No.	Particulars	Page No.
1	Introduction	2
2	Loans and Advances-Applications for loans and their processing	2
3	Loan appraisal-terms & conditions and Key Facts Statement (KFS)	2
4	Penal charges in loan accounts	2
5	Disbursement of loans including changes in terms & conditions	3
6	Release of movable/immovable property documents on repayment/ settlement of personal loans	4
7	Reset of floating interest rate on Equated Monthly Instalments (EMI) based personal loans	4
8	General guidelines	5
9	Responsibility of Board of Directors	6
10	Reserve Bank- Integrated Ombudsman Scheme, 2021	6
11	Language and mode of communicating Fair Practice Code	6
12	Regulation of excessive interest charged by NBFC	6
13	Complaints about excessive interest charged by NBFC	7
14	Repossession of vehicles financed by NBFC	7
15	Loan facilities to the physically/visually challenged by NBFC	7
16	Review/Renewal of the FPC	8

1. Introduction

A Fair Practices Code for the conduct of business of the NBFC having customer interface has been framed in line with the provisions under the Master Direction DoR. FIN. REC. No.45/ 03.10.119/2023-24 dated October 19, 2023 (Updated as on February 27, 2025) on NBFC-Scale Based Regulation.

2. Loans and Advances-Applications for loans and their processing

(i) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.

(ii) The loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms & conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. The loan application form shall indicate the documents required to be submitted with the application form.

(iii) The NBFC shall acknowledge the receipt of all loan applications, indicating also the time frame within which loan application can be disposed of.

3. Loan appraisal-terms & conditions and Key Facts Statement (KFS)

(i) The NBFC shall convey in writing to the borrower in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms & conditions, including annualised rate of interest and method of application thereof and keep the acceptance of these terms & conditions by the borrower on its record. The NBFC shall mention the penalties charged for late repayment in bold in the loan agreement.

(ii) The NBFC 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 loans.

(iii) The NBFC shall provide KFS for Loans & Advances to all prospective borrowers to help them take an informed view before executing the loan contract, as per the standardised format, as amended from time to time. The KFS shall also be written in a language understood by such borrowers

4. Penal charges in loan accounts

(i) The penalties, if charged, for non-compliance of material terms & conditions of loan contract by the borrower shall 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.

- (ii) 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.
- (iii) The NBFC shall not introduce any additional component to the rate of interest and ensure compliance to the regulatory guidelines.
- (iv) The NBFC shall formulate a Board approved policy on penal charges or other service charges on loans.
- (v) The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms & conditions of loan contract, without being discriminatory within a particular loan/product category.
- (vi) The penal charges in case of loans sanctioned to 'individual borrowers, for the purpose 'other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms & conditions.
- (vii) The quantum and reason for penal charges shall be clearly disclosed by the NBFC to the customers in the loan agreement and most important terms & conditions/KFS, in addition to being displayed on websites of the NBFC, under 'Interest rates and Service Charges'.
- (viii) Whenever reminders for non-compliance of material terms & 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.

5. Disbursement of loans including changes in terms & conditions

- (i) The NBFC shall give notice to the borrower in the vernacular language, or a language as understood by the borrower of any change in the terms & conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The NBFC shall also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.
- (ii) The decision to recall/accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- (iii) The NBFC shall release all securities on repayment of all dues or on realisation of the outstanding amount of loan subject to any legitimate right or lien for any other claim they may have against 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 NBFC are entitled to retain the securities till the relevant claim is settled/paid.

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

(i) The NBFC 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, NBFC shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the NBFC, it shall compensate the borrower at the rate of Rs.5,000/- for each day of delay.

(ii) 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.

(iii) In order to address the contingent event of demise of the sole borrower or joint borrowers, the NBFC 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 NBFC along with other similar policies and procedures for customer information.

(iv) In case of loss/damage to original movable/immovable property documents, either in part or in full, the NBFC shall 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 above. However, in such cases, an additional time of 30 days will be available to the NBFC to complete this procedure, and the delayed period penalty will be calculated thereafter. i.e., after a total period of 60 days.

(v) 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.

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

(i) The NBFC shall put in place an appropriate policy framework meeting the following requirements for implementation and compliance:

(a) At the time of sanction, the NBFC 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 through appropriate channels.

(b) At the time of reset of interest rates, the NBFC shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, *inter alia*, shall also specify the number of times a borrower will be allowed to switch during the tenor of the loan.

(c) The borrowers shall also be given the choice to opt for enhancement in EMI or elongation of tenor or for a combination of both options; and, to pre-pay, either in part or in full, at any point during the tenor of the loan. The levy of foreclosure charges/ pre-payment penalty shall be subject to extant instructions.

(d) 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 NBFC from time to time.

(e) The NBFC shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

(f) The NBFC shall share make accessible to the borrowers, through appropriate channels, 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 NBFC shall ensure that the statements are simple and easily understood by the borrower.

8. General guidelines

(i) The NBFC shall refrain from interference in the affairs of the borrower, except for the purposes provided in the terms & conditions of the loan agreement, unless information, not earlier disclosed by the borrower, has been noticed.

(ii) In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the NBFC, if any, 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.

(iii) In the matter of recovery of loans, the NBFC shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behaviour from the staff of the companies, the NBFC shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

(iv) The NBFC shall 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).

9. Responsibility of Board of Directors

(i) The Board shall also lay down the appropriate Grievance Redressal Mechanism, which ensures 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.

(ii) The Board 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 the end of the financial year.

10. Reserve Bank- Integrated Ombudsman Scheme, 2021

The NBFC shall comply with the directions provided under the covered under the Reserve Bank-Integrated Ombudsman Scheme, 2021 (RB-IOS, 2021).

11. Language and mode of communicating Fair Practice Code

Fair Practices Code (which shall preferably be in the vernacular language, or a language as understood by the borrower) based on the guidelines outlined above, shall be put in place by the NBFC, with the approval of their Boards.

(ii) The Fair Practices Code shall be put up on the NBFC's website, for the information of various stakeholders.

12. Regulation of excessive interest charged by NBFC

(i) The NBFC shall adopt an interest rate model, considering 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.

(ii) 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.

(iii) The rate of interest shall be annualised rate, so that the borrower is aware of the exact rates that would be charged to the account.

13. Complaints about excessive interest charged by NBFC

(i) The NBFC shall 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 & conditions of the loans are to be kept in view.

14. Repossession of vehicles financed by NBFC

(i) The NBFC shall 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 & conditions of the contract/loan agreement shall also contain provisions regarding:

(a) notice period before taking possession

(b) circumstances under which the notice period can be waived

(c) procedure for taking possession of the security

(d) provision for final chance to be given to the borrower for repayment of loan before the sale/auction of the property

(e) procedure for giving repossession to the borrower, and

(f) procedure for sale/auction of the property.

(ii) A copy of such terms & conditions must be made available to the borrower. The NBFC shall 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.

15. Loan facilities to the physically/visually challenged by NBFC

(i) The NBFC shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability.

(ii) The NBFC 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.

(iii) The NBFC shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

16. Review/ Renewal of the FPC

The Board shall review the FPC at least once in a year and from time to time, keeping in view the changes in regulations.