

**Fair Code Practice  
of  
ZHOHO FINANCE PRIVATE LIMITED**

**VERSION HISTORY**

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## **INTRODUCTION**

The Fair Practices Code is aimed to provide to the customers/borrowers effective overview of practices, which will be followed by Zoho Finance Private Limited (hereinafter referred to as “ZFPL” or “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.Objective of the Code**

This Code has been developed to:

- Promote good, fair and trustworthy practices by setting minimum standards in dealing with the customers.
- Increase transparency to enable the customers to have a better understanding of what they can reasonably expect of the services.
- Encourage market forces, through competition, to achieve higher operating standards;
- 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 Fair Practices Code for the financial products and services we offer, and the procedures and practices that our staffs 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 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 goes wrong by:

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

### **3. Non-Discrimination Policy**

ZFPL will not discriminate between our customers based on gender, race, or religion.

Additionally, ZFPL shall also not discriminate between the customers while processing the loans based on the criteria that the customers are differently-abled.

The Company will strive to render all possible assistance to such persons for availing various business facilities.

**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 NBFCs can be made and an informed decision can be taken by the borrower. A list of documents required to be submitted along with the application form shall be mentioned in the loan application form and / or hosted on the website of the Company i.e; [www.mudhalpadi.com](http://www.mudhalpadi.com)
- c. 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. In any case the customer will be kept informed by the sales person with regards to the status of his / her 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.
- d. If any additional documents/details 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 decision on the application. The assessment would be in line with the Company's credit policies, norms and procedures in respect thereof. ZFPL shall communicate the decision on the application to the prospective customer.
- b. If ZFPL decides to sanction the loan, borrower would be informed in writing in the vernacular language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned. The said letter shall contain the terms and conditions including the annualized rate of interest and the method of application thereof. The Company shall keep on record the acceptance of these terms and conditions by the borrower.

- c. The Company shall invariably be bound to furnish a copy of the loan documents containing the terms and conditions of the loan (“Loan Documents”), preferably in the vernacular language as understood by the borrower, along with a copy of all enclosures quoted in the Loan Documents to all the borrowers at the time of sanction/ disbursement of loans. The Company shall ensure that the Loan Documents and all enclosures furnished to all borrowers contain the terms and conditions and the rate of interest. Further, the Company shall mention the penal charges charged for late payment in bold in the Loan Documents. It shall also contain the provisions referred to in clauses **(d) and (e) of Para 5 of this Code**.
- d. The Company may have a built-in repossession clause, wherever applicable, in the contract/Loan Documents so as to have legal enforceability.
- e. Wherever applicable, the terms and conditions contained in the Loan Documents of the Company shall 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 and
  - vi. Procedure for sale/auction of the property

#### **6. Disbursement of loans including changes in terms and conditions:**

- a. 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 and advances are in strict adherence to above referred internal principles and procedures.

- b. The disbursement will be done upon acceptance of all terms and conditions of the sanction by the borrower.
- c. The Company shall give notice to the borrower in the vernacular 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 effected only prospectively. A condition to this effect shall be incorporated in the Loan Documents.

#### **7. Post Disbursal Supervision:**

- a. Any decision to recall/accelerate payment or performance under the Loan Documents shall be in consonance with the Loan Documents.
- b. All securities, if applicable, offered by the borrower in lieu of the loan shall be released 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. Regulation of excessive interest rates charged.**

1. The Company will disclose to the borrower the risk and rationale for charging different rates of interest to different categories of borrowers in the application form and explicitly communicate it in the sanction letter.
2. The rates of interest and approach for gradation of risk shall also be made available on the website of the Company. The information published on the website shall be updated whenever there is a change in the rates of interest.
3. The rate of interest being charged by the Company shall be an annualized rate to make the borrower aware of the exact rates that would be charged to the account.

## **9. Complaints about excessive interest**

The Board of the Company shall lay out an interest rate policy mentioning internal principles and procedures in determining interest rates, processing charges and other charges. Any complaints about the excessive interest rate shall be addressed as per the Compliant Redressal Mechanism as per clause 14 of this policy.

## **10. Lending against collateral of gold jewellery**

**ZFPL does not lend against gold jewellery** to individuals but if it plans to do the same in future then ZFPL shall adopt the following, in addition to the general guidelines as mentioned below:

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

1. Adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan,
2. Proper assaying procedure for the jewellery received,
3. Internal systems to satisfy ownership of the gold jewellery,
  
4. Adequate systems for storing the jewellery in safe custody, reviewing the systems on an on-going basis, training the concerned staff and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to. Normally, such loans should not be extended by branches that do not have appropriate facility for storage of the jewellery,
5. The jewellery accepted as collateral should be appropriately insured,
6. Transparent auction procedure in case of non-repayment with adequate prior notice to the borrower. There should 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,
7. The auction should be announced to the public by issue of advertisements in at least two newspapers, one in vernacular language and another in national daily newspaper,
8. As a policy, ZFPL themselves will not participate in the auctions held,
9. Gold pledged will be auctioned only through auctioneers approved by the Board,



10. The policy will also cover systems and procedures to be put in place for dealing with fraud including separation of duties for mobilization, execution, and approval.
11. The loan agreement shall also disclose details regarding auction procedure. \

### **11. Release of movable / immovable documents on repayment / settlement of loan**

ZFPL 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.

(ii) 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 ZFPL, where the documents are available, as per her/his preference.

(iii) 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.

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

### **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 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.**

(ii) In case of loss/damage to original movable/immovable property documents, either in part or in full, ZFPL 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 ZFPL 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 are without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

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

If ZFPL chooses to sanction EMI based floating rate personal loans, ZFPL shall take into account the repayment capacity of borrowers to ensure that adequate headroom/margin is available for elongation of tenor and/or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenor of the loan.

If applicable, ZFPL shall put in place an appropriate policy framework meeting the following requirements for implementation and compliance:

(i) At the time of sanction, ZFPL 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.

(ii) At the time of reset of interest rates, ZFPL 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 ZFPL from time to time.

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

(vi) ZFPL 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. ZFPL shall ensure that the statements are simple and easily understood by the borrower.

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

### **13. General**

- a. The Company shall not interfere in the affairs of the borrower except for the purposes provided in the Loan Documents, 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 and its agents shall not resort to intimidation or undue harassment of any kind either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, for recovery of overdue loans, making false and misleading representations, etc. The Company shall ensure that its staff is adequately trained to deal with the customers in an appropriate manner.
- c. The Company or its representative will call delinquent customers between 10:00 hrs to 17:00 hrs unless special circumstances of the borrowers' business require ZFPL to call them outside the hours mentioned.
- d. The Company shall not levy foreclosure charges / pre-payment penalties on floating rate term loans sanctioned for the purposes other than business to individual borrowers with or without co-obligors in accordance with the guidelines prescribed by RBI in this regard from time to time.
- e. The Company may arrange for enforcing security provided to the delinquent borrower, if required, with an aim only to recover dues and will not be aimed at whimsical deprivation of the property.

- f. The Company shall ensure that the entire process of enforcing its security, valuation and realization thereof be fair and transparent.

**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.**

- h. The Fair Practices Code, in vernacular languages shall be put up on the Company's website i.e. [www.mudhalpadi.com](http://www.mudhalpadi.com) for the information of various stakeholders.

#### **14. Complaint Redressal Mechanism**

- a. The toll-free number for recording the grievances of the customers will be intimated in the Application Form/Sanction Letter/other document issued to the borrower. In addition, a separate e-mail ID i.e. [grievance@zfpl.com](mailto:grievance@zfpl.com) is created where customers can send their grievances via e-mail.
- b. After examining the matter, the Company will endeavour to send the customer its response within **one month/30 days** and intimate the customer how to escalate the complaint to a higher level, if he / she is not satisfied with the response. The Company has set up product wise turnaround time ("TAT") for resolution of customer grievances within the above period of **one month/30 days** and shall ensure to resolve the complaints within such defined TATs.
- c. At all the branches / Head Office of the Company, notice shall be put up informing the customers of the following for resolution of complaints against the Company:
  - i. escalation mechanism, the Grievance Redressal Officer who is also the Principal Nodal Officer (including the name and contact details i.e. Telephone / Mobile nos. as also email address).
  - ii. If the grievance is not redressed within the TAT referred above or the complainant is not satisfied with the reply, the customer may appeal to the Officer In Charge of the Department of Supervision, Reserve Bank of India (with complete contact details), under whose jurisdiction the registered office of the Company is located i.e. Chennai.

- d. Details of escalation mechanism for Customer Grievances as mentioned above are available on the website i.e. [www.mudhalpadi.com](http://www.mudhalpadi.com) under Customer Grievances tab.
- e. **The Grievance Redressal Mechanism shall also deal with the FinTech / digital lending related complaints/ issues raised by the borrowers, including complaints raised against the Digital Lending Applications engaged in this context (mobile and web-based applications with user interface that facilitate borrowing by a borrower including the Company's apps as well as those operated by lending service providers engaged by the Company for extension of any credit facilitationservices).**
- f. The Company shall 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 compliance of the Fair Practices Code and of the functioning of the grievance's 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, as may be prescribed by the Board.

#### **15. Responsibility of Board of Directors**

The Board of Directors of ZFPL shall also lay down the appropriate grievance redressal mechanism within the organization. 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 Board of Directors shall also provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievance's 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.

#### **16. Grievance Redressal Mechanism**

ZFPL shall have Board approved Grievance Redressal Mechanism in place. The same shall be uploaded on the website of the Company.

### **17. Ombudsman**

Under the Reserve Bank – Integrated Ombudsman Scheme, 2021, the Company has appointed Principal Nodal Officer. Details of the same are available on the website i.e. [www.mudhalpadi.com](http://www.mudhalpadi.com) of the Company under Ombudsman Scheme tab.

### **18. Policy for Determining Interest Rates, Processing and Other Charges**

As required under sub-clause (a) of clause 6 above and to ensure that the Customers are not charged excessive interest rate and charges on loans and advances by the Company, the Board of the Company has adopted a Policy for Determining Interest Rates, Processing and Other Charges (“Interest Rate Policy”) and the same has been put up on the Company’s website [www.mudhalpadi.com](http://www.mudhalpadi.com). Further the Board of the Company also undertakes periodical review of the Interest Rate Policy.

### **19. Penal charges in loan accounts**

The Company shall formulate a Board approved policy on penal charges or similar charges on loans, which shall form part of the Company's interest rate policy.

The penal charges in case of loans sanctioned to ‘individual borrowers, for purposes other than business’, shall 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 shall be clearly disclosed by ZFPL to the borrowers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on website of ZFPL under Interest rates and Service Charges.

Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the Company shall also communicate the penal charges. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

**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.**

*Any exception to this policy shall be approved by the Executive Director and any one Non-Executive of the Company and shall be submitted to the Board for ratification in the subsequent Board Meeting.*