

BAJAJ AUTO CREDIT LIMITED
Formerly Bajaj Auto Consumer Finance Limited

FAIR PRACTICES CODE

1. Introduction

Bajaj Auto Credit Limited (formerly Bajaj Auto Consumer Finance Limited) ("The Company") which is registered as a Non-Banking Finance Non-Deposit Taking Company with Reserve Bank of India ("RBI") proposes to be in the business of providing different types of loans, which particularly include Automobile Vehicle Loans to various customers of the Company and its subsidiaries & associates. Such credit facilities may be extended to customers, which may include Individuals, Partnership Firms, Companies and other Legal entities.

The Company has put in place the Fair Practices Code (FPC or the Code) as per the RBI directives and the same was duly approved by the Board of Directors in its meeting dated 15 December 2021. The Fair Practices Code sets out the principles for fair practices/ standards while dealing with its customers.

As per the Master Directions dated October 19, 2023, issued by RBI as Reserve Bank of India (Non-Banking Financial Company –Scale Based Regulation) Directions, 2023, certain changes have become necessary in the Code for NBFCs having customer interface and accordingly, this revised Code has been duly approved by the Board of Directors in its meeting held on 22 December 2023, as under:

2. Key Commitments

The Company's key commitments to customers:

- i. Act fairly and reasonably in all their dealings with customers by:
 - Meeting the commitments and standards specified in the Code, for the products and services which the Company offers and, in the procedures, and practices its staff follows
 - Making sure that Company's products and services meet relevant laws and regulations
 - Company's dealings with customers will rest on ethical principles of integrity and transparency
- ii. Help customers understand how company's products work by:
 - Explaining their financial implications
- iii. Deal quickly and sympathetically with things that go wrong by:
 - Correcting mistakes

- Handling customers' complaints
 - Telling customers how to take their complaint forward if they are still not satisfied
- iv. Publicize the Code, put it on Company's website and have copies available for customers on request.

3. Information

- a) Helping customers 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 documents and information the Company needs from them to establish customer's true identity and address and other documents to comply with legal and regulatory requirements.

4. Applications for loans and their processing

- a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- b) The Loan application forms of the Company will 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. The loan application form will indicate the documents required to be submitted with the application form.
- c) The Company will have a system of giving acknowledgement for receipt of loan applications. The time frame within which loan applications will be disposed of will be indicated in the acknowledgement.

5. Loan appraisal and terms/conditions

The Company will convey in writing to the borrower in the vernacular language or a language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the borrower on its record. The Company will mention the penal interest which will be charged for late repayment and / or any other default on the part of the customer, in bold in the loan agreement.

The Company will furnish a copy of the loan agreement, preferably in the vernacular language 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 of loans.

6. Penal charges in loan accounts

- a) Penalty, if charged, for non-compliance of material terms and 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. 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) NBFCs shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- c) NBFCs shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.
- d) The 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.
- e) 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.
- f) The quantum and reason for penal charges shall be clearly disclosed by NBFCs 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 NBFCs under Interest rates and Service Charges.
- g) 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 thereof shall also be communicated.
- h) The instructions referred to herein shall come into effect from January 1, 2024. Company may carry out appropriate revisions in the policy framework and ensure implementation of the instructions in respect of all the fresh loans availed/ renewed from the effective date. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date or six months from the effective date of these instructions, whichever is earlier.

7. Disbursement of loans including changes in terms and conditions

- a) The Company will give 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, prepayment charges etc. The Company will also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard will be incorporated in the loan agreement.
- b) Decision to recall / accelerate payment or performance under the agreement will be in accordance with the loan agreement.

8. Responsible Lending Conduct – Release of movable/immovable property documents on repayment/ settlement of personal loans

In release of movable/ immovable property documents upon receiving full repayment and closure of loan account leading to customer grievances and disputes, to address the issues faced by the borrowers and towards promoting responsible lending conduct among the NBFCs, the following guidelines will be followed:

a) Release of movable/immovable property documents

- (i) NBFCs 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 Company 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, the Company 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 the Company, along with other similar policies and procedures for customer information.

b) 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, the Company 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 at clause (i) 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.

c) Applicability

The instructions contained herein shall be applicable to all cases where release of original movable/immovable property documents falls due on or after December 01, 2023.

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

1. At the time of sanction of EMI based floating rate personal loans, NBFCs are required to 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. However, in respect of EMI based floating rate personal loans, in the wake of rising interest rates, several consumer grievances related to elongation of loan tenor and/or increase in EMI amount, without proper communication with and/or consent of the borrowers have been received. In order to address these concerns, Company will put in place an appropriate policy framework meeting the following requirements for implementation and compliance:

- (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 through appropriate channels.
- (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, 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 Company shall ensure that the statements are simple and easily understood by the borrower.

2. Apart from the equated monthly instalment loans, these instructions would also apply, mutatis mutandis, to all equated instalment based loans of different periodicities.
3. The Company shall ensure that the instructions contained herein are extended to the existing as well as new loans suitably by December 31, 2023. All existing borrowers shall be sent a communication, through appropriate channels, intimating the options available to them.

10. General

- a) The Company will refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the borrower, has come to the notice of the Company).
- b) In case of receipt of request from the borrower for transfer of borrower account, the consent or otherwise i.e., objection of the Company, if any, will 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.
- c) In the matter of recovery of loans, the Company will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. To avoid rude behavior from the staff of the Company, the Company shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.

As a measure of customer protection and also in order to bring in uniformity with regard to prepayment of various loans by borrowers of banks and NBFCs, the Company 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-obligants.

11. Responsibility of Board of Directors

- 1) The Board of Directors of the Company 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.
- 2) The Board of Directors 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 regular intervals, as may be prescribed by it.

12. Grievance Redressal

- a) A 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 will be submitted to the Board at regular intervals.
- b) The following information shall be displayed prominently, for the benefit of the customers, at all branches/ places of the Company, where business is transacted:
 - i. the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached for resolution of complaints against the Company;
 - ii. if the complaint / dispute is not redressed within a period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of DNBS of RBI under whose jurisdiction the registered office of the Company falls.

The public notice will serve the purpose of highlighting to the customers, the grievance redressal mechanism followed by the Company, together with details of the Grievance Redressal Officer and of the Regional Office of the RBI.

13. Ombudsman Scheme for Non-Banking Financial Companies, 2018 - Appointment of the Nodal Officer/ Principal Nodal Officer

Under the Ombudsman Scheme, the Company would have in place Nodal Officers (NOs) who shall be responsible for representing the Company and

furnishing information to the Ombudsman in respect of complaints filed against the Company.

The Principal Nodal Officer (PNO) shall be responsible, inter alia, for representing the Company before the Ombudsman and the Appellate Authority under the Scheme. The Principal Nodal Officer shall be responsible for coordinating and liaising with the Customer Education and Protection Department (CEPD), RBI, Central Office.

For the benefit of the customers, at the branches/ places where business is transacted, the name and contact details (Telephone/ Mobile numbers as also email addresses) of the PNOs/NOs/GROs and the name and contact details of the Ombudsman, who can be approached by the customer.

The salient features of the Scheme (in English, Hindi and Vernacular language) at all their offices and branches shall be prominently displayed in such a manner that a person visiting the office or branch has easy access to the information.

The details of the Ombudsman Scheme, Nodal Officer and Principal Officer shall be prominently displayed on the website.

NBFCs covered under the [Reserve Bank – Integrated Ombudsman Scheme, 2021](#) (RBIOS, 2021) shall comply with the directions provided under the said Scheme.

14. 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 hereinabove shall be put in place by all NBFCs with the approval of their Boards. NBFCs will have the freedom of drafting the Fair Practices Code, enhancing the scope of the guidelines, but in no way sacrificing the spirit underlying the above guidelines. The same shall be put up on the Company website, for the information of various stakeholders.

15. Posting on Website

Fair Practices Code, in major vernacular languages shall be put up on the website of the Company for the information of various stakeholders.

16. Regulation of excessive interest charged

- a) The Board of Directors would have in place 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 and communicated explicitly in the sanction letter.

- b) The rates of interest and the approach for gradation of risks shall also be made available on the website of the company. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- c) 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.

17. Complaints about excessive interest charged by NBFCs

- 1) The Reserve Bank has been receiving several complaints regarding levying of excessive interest and charges on certain loans and advances by NBFC. Though interest rates are not regulated by the Reserve Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice.
- 2) Boards of Directors of the Company 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 and conditions of the loans are to be kept in view.

18. Repossession of vehicles financed

The Company shall include a built-in re-possession clause in the loan agreement with the borrower which will be legally enforceable. To ensure transparency, the terms and conditions of the loan agreement shall also contain provisions regarding:

- a. notice period before taking possession;
- b. circumstances under which the notice period can be waived;
- c. the procedure for taking possession of the security;
- d. a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property;
- e. the procedure for giving repossession to the borrower, and
- f. the procedure for sale / auction of the property.

A copy of such terms and conditions shall be made available to the borrowers.

19. Loan facilities to the physically/visually challenged by NBFCs

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

20. Review of Fair Practices Code

The code is subject to review from time to time, with prior approval by the Chairman & CEO of the Company.

PUNE
22 December 2023

CHAIRMAN

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