

## FAIR PRACTICE CODE (FPC)

### **Objective of the Code**

The Code has been developed with an objective of:

- Ensuring fair practices while dealing with all its customers.
- Ensuring greater transparency enabling customers in having a better understanding of the product and taking informed decisions.
- Building customer confidence in Aditya Birla Finance Limited (“ABFL” / “the Company”).

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.

### **Non-Discrimination Policy**

ABFL shall not discriminate in extending its products and facilities including loan facilities to its applicants on the grounds of gender, race, religion or on the grounds of disability to physically/visually challenged applicants.

### **Applications for Loans and their processing**

- All communications to the borrower(s) shall be in the vernacular language or a language as understood by the borrower(s).
- Loan application forms should include necessary information which affects the interest of the borrower(s), 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(s).
- A list of documents required to be submitted along with the loan application form shall be mentioned in the loan application form.
- ABFL shall issue an acknowledgement receipt for all loan applications. The Acknowledgement receipt so issued shall indicate the time frame within which loan applications will be disposed of. The Customer may also contact the Company’s relationship manager or customer service team at the prescribed Customer care number or email id to obtain an update on the status of application.

### **Loan appraisal and terms/conditions**

- ABFL shall convey in writing to the borrower(s) in the vernacular language or a language as understood by the borrower(s) by way of a 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. ABFL shall keep on record the acceptance of these terms and conditions by the borrower.
- ABFL shall furnish a copy of the Loan Documents containing the terms and conditions of the loan including rate of interest, preferably in the vernacular language or a language as understood by the borrower along with a copy each of all enclosures quoted in the Loan Documents to all the borrower(s) at the time of sanction / disbursement/ post disbursement of loan. Any clause relating to penal charges to be levied for late repayment will be specified in bold in the Loan Documents.
- The Company shall have a built-in repossession clause wherever applicable in the contract/Loan Documents so as to have legal enforceability.
- Wherever applicable, the terms and conditions contained in the Loan Documents of the Company shall also contain the provisions regarding notice period for taking possession, circumstances for waiver of notice period, sale / auction of the property, giving repossession to the borrower(s).

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## **Key Facts Statement (KFS) for Loans and Advances**

ABFL shall abide by guidelines as enumerated in the Circular 'Key Facts Statement (KFS) for Loans & Advances' ("KFS Circular") issued by the RBI, which, *inter alia*, provides for following:

- In case of all retail & MSME terms loans, KFS in the standardised format as prescribed in the KFS circular and in a language as understood by the prospective borrower(s) shall be provided to such borrower(s) to help them to take an informed view before executing the loan contract.
- Each KFS shall have a unique proposal number and shall include a computation sheet of Annual Percentage Rate ("APR") & the amortisation schedule of the loan over the loan tenor.
- APR is the annual cost of credit to the borrower which includes interest rate and all other charges associated with the credit facility. Any fees, charges, etc. which are not mentioned in the KFS, shall not be charged to the borrower(s) at any stage during the term of the loan, without explicit consent of the borrower(s).
- Contents of KFS shall be explained to the borrowers and an acknowledgement to the effect that the same has been understood by the borrower(s) will be obtained and kept on the record by ABFL.
- After being provided with KFS, borrower(s) shall have a validity period of at least 3 working days for loans having tenor of 7 days or more, and a validity period of 1 working day for loans having tenor of less than seven days to agree to the terms of the loan.
- KFS shall also be included as a summary box to be exhibited as part of the loan agreement.

## **Disbursement of loans including changes in terms and conditions**

- ABFL shall give Notice to its borrower(s) in the vernacular language or a language as understood by the borrower(s), of any change in the terms and conditions of the sanction including disbursement schedule, interest rates, service charges, pre-payment charges, etc. ABFL will 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.
- Decision to recall/ accelerate payment or performance under the Loan Documents shall be in consonance with the respective Loan Documents.
- ABFL will 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 ABFL may have against the borrower(s). If such right of set off is to be exercised, the borrower(s) shall be given notice about the same with full particulars about the remaining claims and the conditions under which ABFL is entitled to retain the securities till the relevant claim is settled / paid.

## **Loan Sourced from Digital Lending Platforms**

ABFL shall abide by Guidelines on Digital Lending issued by the RBI in respect of Loans Sourced by NBFCs over Digital Lending Platforms, which, *inter alia*, provides for following:

- Names of digital lending platforms engaged as agents shall be disclosed on the website of ABFL.
- Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer ABFL's name and ABFL will disclose the agents name on whose behalf they are interacting with the borrower(s).
- Immediately after sanction but before execution of the Loan Documents, the sanction letter shall be issued to the borrower(s) on the letter head of ABFL.
- A copy of the Loan Documents along with a copy of each of all enclosures quoted in the Loan Documents shall be furnished to all borrower(s) at the time of sanction/ disbursement of loans.

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- Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by ABFL.
- Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

## **General**

- ABFL will refrain from interference in the affairs of its borrower(s) except for the purposes provided in the terms and conditions of the respective Loan Documents (unless new information, not earlier disclosed by the borrower, which may come to the notice of ABFL).
- In case of receipt of request from the borrower(s) for transfer of borrowal account / foreclosure, the consent or otherwise i.e. objection of ABFL, if any, is generally conveyed to such borrower within 21 days from the date of receipt of the borrower's request. Such transfer will be as per transparent contractual terms in consonance with all the applicable laws.
- In the matter of recovery of outstanding dues of its borrower(s), ABFL and its agents / agency partners does 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, use of muscle power for recovery of loans/overdue amount, making false and misleading representations, etc. Training is imparted to ABFL staff and Collection agents / agency employees to ensure that they are adequately trained to deal with customers in an appropriate manner.
- The Company or its representative will call delinquent customers between 08:00 hours to 19:00 hours unless special circumstances of the borrower's business require to call them otherwise outside the hours mentioned.
- The Company may arrange for enforcing security charged to it of the delinquent borrower, if required, with an aim only to recover dues and will not be aimed at whimsical deprivation of the property.
- The Company shall ensure that the entire process of enforcing its security, valuation and realization thereof be fair and transparent.

## **Grievance Redressal Mechanism**

- At ABFL, customer service and satisfaction are our prime focus.
- In order to make ABFL's redressal mechanism more meaningful and effective, ABFL have laid down a structured grievance redressal mechanism. This mechanism / system ensures that the redressal sought is just and fair and is within the given framework of applicable rules and regulation.
- Customers who wish to provide feedback or send in their complaint may use the following channels:
  - Call at our Customer Care number (between 9:00 am and 7:00 pm from Monday to Sunday): 1800-270-7000
  - Email at: [care.finance@adityabirlacapital.com](mailto:care.finance@adityabirlacapital.com) (for raising Queries / Request)  
[grievance.finance@adityabirlacapital.com](mailto:grievance.finance@adityabirlacapital.com) (for raising Complaints)
  - Write to us at the below mentioned address:  
Aditya Birla Finance Limited  
10th Floor, R-Tech Park, Nirlon Complex,  
Off Western Express Highway, Goregaon East,  
Mumbai - 400 063.

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- If the complaint has been received in writing, ABFL will endeavour to send an acknowledgement / response within 5 working days. After examining the matter, the Company will endeavour to send the customer its final response within one month/30 days or an intimation within one month / 30 days seeking more time. The Company shall ensure to resolve the complaints within defined Turn-around-Time (TAT).
- Details of the Grievance Redressal Officer / Principal Nodal Officer along with the details of escalation mechanism and the complaint lodging portal of the Ombudsman are available on the website and branches of the Company.
- The Grievance Redressal Officer / Principal Nodal Officer as also the Grievance Redressal channels shall also deal with the issue relating to services provided by the outsourced agency and with the FinTech / digital lending related complaints/ issues raised by the borrowers as also the complaints raised against the Digital Lending Applications (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 facilitation services).
- The Company is registered with Insurance Regulatory & Development Authority of India (“IRDAI”) as a Composite Corporate Agent and also holds Mutual Fund Distribution license from Association of Mutual Funds of India, for distribution of insurance products and mutual funds, respectively. Accordingly, the grievance redressal channels shall also be available for resolving issues related to the insurance and mutual funds distribution business undertaken by the Company as a licensed agent.

### **Integrated Ombudsman Scheme, 2021**

Under the Reserve Bank – Integrated Ombudsman Scheme, 2021, the Company has appointed Principal Nodal Officer. Details of the Principal Nodal Officer and Nodal Officers of ABFL are available on the website of the Company.

### **Language and mode of communicating Fair Practice Code**

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

### **Responsible lending conduct - Release of movable / immovable property documents on repayment / settlement of personal loans**

ABFL shall abide by following Guidelines:

- Release of original movable / immovable property documents (Property Documents) and removal of charges registered, within a period of 30 days after full repayment / settlement of the loan account.
- Borrowers may choose to collect the Property Documents either from the branch where the loan account was serviced or any other office/branch of the Company with prior intimation to ABFL as per terms of the loan, where the documents are available.
- Timelines and place of return of Property Documents shall be mentioned in the sanction letter.
- Procedure for return of Loan Documents to the legal heirs, in the event of demise of the sole borrower or joint borrowers, is hosted on the website of the Company.
- In case of delay, attributable to ABFL, in releasing of Property Documents or filing charge satisfaction form with relevant registry beyond 30 days after full repayment / settlement of loan, ABFL shall compensate to the borrowers for the delayed period in accordance with the RBI regulations in this regard, as amended from time to time. ABFL shall also communicate to the borrower(s) reasons for such delay.

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- In case of loss/damage to Property Documents, either in part or in full, ABFL shall assist the borrower in obtaining duplicate/certified copies of the Property Documents and shall bear the associated costs, in addition to paying compensation as indicated in above point. 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).

### **Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans**

- Personal Loan(s) (*defined below*) granted to individual(s) on floating interest rate on equated instalment (irrespective of periodicity) for purposes other than business / commercial (“Eligible Loan”) shall be subject to guidelines as enumerated in ensuing paragraphs:
  - **Personal loans** refer to loans given to **individuals** and consist of (a) consumer credit (*defined below*), (b) education loan, (c) loans given for creation/ enhancement of immovable assets (e.g., housing, etc.), and (d) loans given for investment in financial assets (shares, debentures, etc.).
  - **Consumer credit** refers to the loans given to **individuals**, which consists of (a) loans for consumer durables, (b) credit card receivables, (c) auto loans (other than loans for commercial use), (d) personal loans secured by gold, gold jewellery, immovable property, fixed deposits (including FCNR(B)), shares and bonds, etc., (other than for business / commercial purposes), (e) personal loans to professionals (excluding loans for business purposes), and (f) loans given for other consumptions purposes (e.g., social ceremonies, etc.).
- At the time of sanctioning of Eligible Loan, ABFL shall clearly communicate to the borrower:
  - ✓ Annualised rate of interest / Annual Percentage Rate (as applicable) in the Key Fact Statement & Loan Agreement; and
  - ✓ about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI, tenor or both through an illustration, as part of Sanction Letter.
- During the tenure of the loan, any subsequent increase in the EMI/tenor/ or both on account of change in benchmark interest rate shall be communicated to the borrower(s) immediately through appropriate channels.
- Whenever there is a reset of interest rate due to increase in benchmark interest rate borrowers shall have following options:
  - a. Switch over to a Fixed rate of interest for the remaining portion of the loan at a rate determined by ABFL
  - b. Enhancement in EMI amount; or
  - c. Elongation of Tenor (*elongation of tenor shall not result in negative amortization; Tenor shall not be extended beyond the maximum permissible tenor as per the product policy norms*); or
  - d. Combination of option (b) and (c); or
  - e. Fully / Partly prepay the loan at any point during the residual tenor of the loan.
- During the tenor of the loan, borrower(s) shall be allowed to exercise the switch option 2 (two) times (*1<sup>st</sup> time-floating to fixed & 2<sup>nd</sup> time-fixed to floating*) at a rate determined by ABFL and subject to payment of applicable charges. Once borrower has exhausted his/her options he/she shall not be allowed to switch back to fixed rate of interest.
- ABFL shall communicate to the borrowers the applicable charges for exercising the option of ‘Switch over from Floating to a Fixed rate and vice-versa’ and other service / administrative costs incidental to exercise of the said options in the Sanction Letter. The applicable charges for Switch over, as approved by the Board of Directors as part of the ‘Interest Rate Framework and Policy for determining Penal, Processing & Other Charges’ forms part

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of the Schedule of Charges hosted on the website of the Company. Any subsequent changes in the said charges shall also be communicated to the borrower(s).

- Sanction Letter shall also incorporate that at the time of reset of interest rate the first impact will be given on the tenor (subject to respective product policy norms), followed by exercise of aforementioned options by borrower(s) subject to payment of applicable charges.
- The borrower(s) shall be communicated of the following during reset of interest rates through appropriate modes of communication:
  - a. Details of reset (increase / decrease) of floating interest rates with effective date;
  - b. Impact of such reset (like change in Tenor, EMI or both);
  - c. Availability of option(s), as mentioned above, with the borrowers and timeline within which borrower may exercise his/her option by communicating his/her choice to ABFL, though the option to fully / partly prepay the loan can be exercised by the borrower during the tenor of the loan; and
  - d. Timeline within which revised repayment schedule and loan statement will be available for access of the borrowers.
- ABFL would share / make accessible to the borrowers, through appropriate modes of communication, loan statement and repayment schedules to its existing eligible borrowers on a quarterly basis, enumerating the principal and interest recovered till date, EMI amount, number of EMIs left and Annualized Rate of Interest / Annual Percentage Rate for the entire tenor of the loan.

### **Interest Rate Framework Policy & Guidelines on Penal charges**

- ABFL has adopted an interest rate model taking into account cost of funds, margin and risk premium for determining rate of interest to be charged for loans and advances.
- The rate of interest to be charged depends much upon the gradation of the risk of borrower viz. the financial strength, business, regulatory environment affecting the business, competition, past history of the borrower etc.
- The applicable interest rate for the exposure shall be communicated explicitly to the borrower or customer in the sanction letter.
- The rate of interest will be annualised so that the borrower is aware of the exact rates that would be charged to the account.
- ABFL shall not levy foreclosure charges / pre-payment penalties on all 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.
- The Board of the Company has adopted an 'Interest Rate Framework and Policy for determining Penal, Processing & Other Charges' and the same have been put up on the Company's website.
- ABFL shall ensure compliance with the Circular 'Fair Practices Code for Lenders – Charging of Interest' issued by the RBI on April 29, 2024. ABFL shall not engage in any unfair practices related to charging interest rate which are not in consonance with spirit of fairness and transparency.
- ABFL shall ensure compliance with the Guidelines on Penal Charges in loan accounts, which, *inter alia*, provides the following:
  - There shall be no capitalisation of penal charges i.e., no further interest shall be computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account. No additional component to be added to the rate of interest.
  - 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.

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- Penal charges in case of loans sanctioned to ‘individual borrowers, for purposes other than business’ shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of terms and conditions of the loan contract.
- The quantum and reason for penal charges shall be clearly disclosed in the loan documents / most important terms & conditions / Key Fact Statement as applicable. Penal and Other charges are also displayed on the website of the Company under ‘Interest rates and Service Charges’ tab.
- Penal charges shall also be communicated to the borrowers at the time of sending reminders for non-compliance of material terms and conditions of loan. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

### **Review of FPC and Grievance Redressal mechanism**

An annual review of the compliance of the Fair Practices Code and a quarterly review of the functioning of the Grievances redressal mechanism at various levels of management would be undertaken by ABFL and a report on same would be placed before the Board.

### **Miscellaneous**

Currently ABFL does not envisage lending against collateral of gold jewellery or commercial vehicle finance. In the event of addition of these product lines, the FPC will be updated suitably, in line with the guidelines laid down by the RBI.

### **Confidentiality**

- Unless authorized by the customer ABFL will treat all personal information as private and confidential
- Unless authorized by the customer, ABFL will not reveal transaction details to any other entity other than the following exceptional cases:
  - To provide the information by statutory or regulatory laws
  - If there is a duty to the public to reveal this information.
  - The data can be shared with the group companies with the consent of borrower
  - ABFL will not use this as a reason for giving information about customers to anyone else for marketing purposes.

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