

<b>LAXMAN FINANCE PRIVATE LIMITED</b>		
	<b>FAIR PRACTICES CODE</b>	Date: 17-11-2025
		Version-02/25-26

## **FAIR PRACTICES CODE**

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## Fair Practices Code

### 1. Introduction

Laxman Finance Private Limited ("LFPL" or "the Company"), is registered as Non-Banking Financial Company (NBFC) with the Reserve Bank of India (RBI) and operates as a Non-Deposit taking NBFC in terms of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and is committed to promote transparency, fairness, and customer confidence in its operations. This Code outlines the principles, procedures, and responsibilities to ensure compliance with RBI directives and best practices.

The Company operates as a Base Layer (NBFC-BL) under the RBI's Scale-Based Regulation (SBR): A Revised Regulatory Framework for NBFCs (the "SBR Framework").

This Fair Practices Code (the "FPC") has been adopted by the Board of Directors of LFPL (the "Board") in accordance with the RBI Master Direction for NBFC- Scale Based Regulation) Directions, 2023.

LFPL's objective is to become a credible and leading financier/NBFC within its chosen business segments while adhering to high ethical standards, regulatory compliance, and best industry practices. Any contravention of applicable laws and regulations will not be tolerated under any circumstances.

### 2. Objective of the Fair Practices Code (FPC)

The objective of this Fair Practices Code is to:

- Ensure transparency and fairness in dealings with customers.
- Provide clear and comprehensive information regarding products and services offered by LFPL.
- Promote ethical and responsible practices in loan appraisal, disbursement, and recovery processes.
- Establish a customer-centric approach that ensures customer protection, satisfaction, and grievance redressal.
- Foster trust and reliability among stakeholders by adhering to regulatory guidelines and industry best practices.

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### **3. Loan Application**

#### **3.1 Loan Application Form**

- The loan application form will include all necessary details affecting the interest of the borrower, including but not limited to:
  - Loan amount and tenure.
  - Applicable interest rates (annualized) and processing fees.
  - Required documents to be submitted along with application (e.g., Identity and Address ('ID') proof, income proof, etc.).
  - All other necessary information affecting the interest of the borrowers, and which can help the borrowers do a comparison with the terms and conditions offered by other NBFCs to help him make an informed decision.
- Examples:
  - Clearly state the processing fee as a percentage or fixed amount to enable the borrower to compare with other NBFCs.

#### **3.2 Acknowledgement**

- Acknowledgement for loan applications will be issued with an estimated time frame for processing.
  - Example: Provide an acknowledgment slip or email stating a 5-7 business day review period.

### **4. Loan Appraisal and Terms/Conditions**

#### **4.1 Communication of Terms**

- The sanction letter will detail the loan amount sanctioned along with the terms and conditions including tenure, annualized interest rate (and method of application thereof, and any applicable charges (e.g., prepayment charge) and keep the acceptance of these terms and conditions by the borrower on its record.
  - Example: Include a clause like "Penalty Charges for late repayment will be 12% per annum" in **bold** in the agreement.

#### **4.2 Loan Agreement**

- Provide the borrower with a copy of the loan agreement and all related enclosures quoted in the loan agreement at the time of sanction/ disbursement.
- The loan agreement shall *inter-alia* include the following:

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- Disclose all terms and conditions of the loan.
- State the penal charge for delayed payments and any applicable charges for breaches of loan terms.
- Clearly outline any requirement for security deposit or margin, where applicable.
- Include the moratorium period between loan disbursal and the first installment.
- Provide an assurance of borrower data privacy.

#### 4.3 Loans to Microfinance Customers

Where microfinance loans (i.e., unsecured loans to a household having annual household income up to ₹3,00,000) are provided to customers, the following directions shall be complied with:

- a. The FPC shall be displayed in all the offices of the company. In the instance of request from the borrower, the FPC should be issued in a language understood by the borrower.
- b. It shall be ensured that there is a standard form of loan agreement for microfinance loans in a language understood by the borrower.

##### 4.3.1 Loan Card

- The loan card shall be provided to such borrowers which will reflect:
  - Information which adequately identifies the borrower
  - Simplified factsheet on pricing
  - All terms and conditions of the loan.
  - Acknowledgements by the Company of all repayments including instalments received and the final discharge
  - Details of the grievance redressal system, including the name and contact of the nodal officer of the Company.
  - Issuance of non-credit products shall be with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card. .

All entries in the loan card will be in a language understood by borrower.

#### 4.4 Penal Charges

. In accordance with the RBI guidelines on Fair Lending Practice - Penal Charges in Loan Accounts dated August 18, 2023, the Company shall adhere to the following guidelines:

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#### 4.4.1 Penal Charge:

- The Company would ensure that 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.
- The Company shall ensure that 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 interest in the loan account.
- The company shall ensure that 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.
- The Company shall ensure that the 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 material terms and conditions.
- The Company shall ensure that whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges and the reason for levy of such penal charges are also communicated to the borrowers.
- The Company shall ensure that any instance of levy of penal charges and the reason therefor shall be communicated to the borrowers.
- Imposed to encourage timely repayment and compliance with the repayment schedule.
- Calculated on the outstanding principal amount or outstanding overdue principal amount as per the rate specified in the loan agreement.
- **Disclosure:**
  - The Company will disclose the quantum and reason of penal charges for information of the customer in the loan agreement and most important terms & conditions/Key Fact Statement (KFS).

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## 5. Disbursement of Loans and Changes in Terms & Conditions of loan

### 5.1 Notifications of Changes

- The Company shall give prior notice to the borrower in the vernacular language/language understood by the borrower of any change in the terms & conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company shall ensure that changes in rates and charges are effected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance under the agreement should be in consonance with the loan agreement.

Example: Send an email and a Short Message Service ('SMS') notifications regarding a change in interest rate, etc. 30 days before implementation.

### 5.2 Release of Securities

- The Company 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 the Company 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 the Company is entitled to retain the securities till the relevant claim is settled/paid. .
  - Example: Issue a "No Dues Certificate" to the borrower upon loan closure and in case where any dues exist, notice to borrower outlining the remaining dues & right of enforcement of security by the Company to settle such dues.

5.2.1 The Company shall adhere to the following Guidelines for release of movable/immovable property documents on repayment/ settlement of personal loans:

- Release of original movable / immovable property documents and removal of charges registered with any registry, within a period of 30 days after full repayment / settlement of the loan account.
- Borrowers may choose to collect the original property documents either from the branch where the loan account was serviced or any other office/branch of the Company where the documents are available.
- Timelines and place of return of original property documents shall be mentioned in the sanction letter.
- Procedure for return of original property 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.

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#### 5.2.2 Compensation for delay in release of movable/immovable property documents:

- 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.
- 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).
- The compensation as outlined above shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law. General Guidelines.

### 6. General Guidelines

#### 6.1 Non-Interference

- The Company shall not interfere in the borrower's affairs except as agreed in the loan terms & conditions specified in loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).
  - Example: Enquire about repayment only when there are defaults or delays.

#### 6.2 Recovery Practices

- Recovery efforts will adhere to respectful and legal methods without harassment or undue pressure. The Company shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours (before 08:00 a.m. and after 07:00 p.m.), use of muscle power for recovery of loans, use of threatening or abusive language, harassing relatives or friends or co-workers of the borrower, use or threat of use of violence or other similar means to harm the borrower or borrower's family/assets/reputation, misleading the borrower about the extent of the debt or the consequences of nonrepayment etc. The Company's staff shall be adequately trained (including not to behave rudely with customers) to deal with customers in an appropriate manner.
- The timing for contacting/calling microfinance customers for recovery related matters shall be restricted between 09:00 am to 06:00pm.

Example: Train staff to engage professionally and ensure no recovery visits occur before 8 AM or after 7 PM.

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- 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-obligant(s)

#### 6.3 Non-Coercive Methods of Recovery

- Recovery will typically occur at a central designated place. Field staff may visit the borrower's residence or workplace for recovery only after two consecutive failures by the borrower to appear at the designated place.
- The Company will implement a Board-approved policy detailing the code of conduct for field staff, covering recruitment, training, and supervision.
  - Minimum qualifications and required training will be established for field staff to handle borrowers respectfully and without coercion.
  - Training will include:
    - Emphasis on borrower satisfaction over recovery rates.
    - Avoiding abusive or coercive debt collection practices.
    - Compensation structures focusing on service quality.
  - Penalties will be imposed for staff non-compliance with the code of conduct.
  - Generally, recovery agents will not be outsourced in sensitive areas; only trained employees will handle these tasks.

#### 6.4 Transfer of borrowing account:

In case of receipt of request from the borrower for transfer of borrowing 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 request. Such transfer shall be as per transparent contractual terms in consonance with law

#### 6.5 Key Fact Statement:

The 'Key Fact Statement' on pricing of loans as specified under the RBI Key Facts Statement (KFS) for Loans & Advances guidelines (DOR.STR.REC.13/13.03.00/2024-25) shall also be provided to all prospective borrowers to help them take an informed view before executing the loan contract. The KFS shall be written in a language understood by such borrowers and the contents of KFS shall be explained to the borrower and an acknowledgement shall be obtained that he/she has understood the same.

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## 6.6 . 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 refers to loans given to individuals and consist of (a) consumer credit, (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 sanction of EMI based floating rate personal loans, the company 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 interest rates during the tenor of the loan. The Company shall 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 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 its Board approved policy. The policy, inter alia, specifies 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/ pre-payment 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.

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

## 7. Transparency on Interest Rate & Other Charges

### 7.1 Determination of Interest Rate & Charges

- The Board of Directors have adopted an interest rate model (internal principles and procedures) 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..
- Examples of factors:
  - **Cost of Funds:** The expense incurred by the NBFC in raising funds.
  - **Margin:** To ensure a reasonable profit over cost of funds and overheads.
  - **Risk Premium:** To account for the creditworthiness of borrowers (e.g., salaried individuals vs. high-risk entrepreneurs).

### 7.2 Disclosure in Application Form and Sanction Letter

- 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.
  - Example: The sanction letter will explicitly mention "12% for salaried individuals with stable income and 16% for self-employed individuals with variable income streams."
  - Penal charges for late repayment shall be highlighted in **bold**..

### 7.3 Public Disclosure

- The approach for gradation of risks related to Interest Rates shall be made available on the website of the company.
  - Example: A policy titled "Interest Rate Policy" summarizing the approach for gradation of risk determining interest rate shall be uploaded on the website.

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#### 7.4 Annualized Rate

- The rate of interest shall be presented in an annualized format to provide borrowers with clarity on their financial obligations.
  - Example: Instead of stating "1% per month," the document will mention "12% annualized rate of interest."

### 8. Grievance Redressal Mechanism

#### 8.1 Structure

- A periodical review of the compliance of the Fair Practices Code and the functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board at regular intervals.
- A Grievance Redressal Officer will be designated by the Company and contact details prominently displayed at branches and on the website.
  - "Contact Ms. Urvashi Jayeshbhai Gandhi (Grievance Redressal Officer) at [complaints@laxmanfinance.com](mailto:complaints@laxmanfinance.com) or call "+91 9664739885."

#### 8.2 Escalation

- Unresolved complaints can be escalated to the RBI Ombudsman.
  - Example: Provide the address and contact details of the relevant RBI office in grievance response letters.

#### 8.3 Complaints about Excessive Interest Rates

- In alignment with the Company's commitment to ensuring prompt redressal of customer grievances, LFPL shall implement the following measures to redress complaints related to excessive interest charges levied by NBFCs in a timely and effective manner:
  - Develop internal principles and procedures for determining interest rates, factoring in sustainability and adherence to financial norms.
  - Ensure transparency in communicating all terms, including interest rates and additional charges, at the time of loan sanctioning.
  - Periodically review interest rates and associated policies to prevent practices perceived as excessive or non-compliant with industry standards.

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- Publish and update gradation methodology for determination of interest rate on LFPL's website and make them available to borrowers upon request.

Example: Regular audits to verify that interest rates charged align with the disclosed rates and ensure clarity in customer communications.

## **9. Customer Education and Language**

### **9.1 Vernacular Communication**

- All communications to the borrower will be provided in the borrower's preferred language.
  - Example: Provide agreements in Hindi, Gujarati, or Tamil as required.

### **9.2 Awareness**

- Display Fair Practices Code in all branch offices and on the website.
  - Example: Posters summarizing FPC principles in branch reception areas.

### **9.3 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.

## **10. Monitoring and Review**

- The Board will periodically review adherence to the FPC and report findings in annual reviews.
  - Example: Quarterly audits to check compliance with interest rate disclosures and grievance handling.
- The Company reserves the right to amend this Code from time to time. This Code shall be reviewed at such intervals (but at least on annual basis), as may deem necessary to accommodate any regulatory changes.

This Fair Practices Code ensures transparency, fairness, and compliance, fostering trust and reliability among stakeholders.

## **11. Others:**

### **11.1 Regulation of excessive interest charged**

- The Board of Directors have adopted an interest rate model (internal principles and procedures) 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,

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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.

- The rate of interest shall be annualised rate.

#### **11.2 Loan facilities to the physically/visually challenged by the Company:**

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.