

FAIR PRACTICE CODE

January 2024

Five-Star Business Finance Limited ('the Company') is a Listed Public Limited Company incorporated under the Companies Act, 1956, and regulated by the directives of the Reserve Bank of India. This Code has been formulated pursuant to Chapter VI (Fair Practices Code for applicable NBFC) of the Master Direction, "Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (RBI/DNBR/2016-17/45 Master Direction DNBR.PD.008/03.10.119/2016-17 September 01, 2016) and as amended from time to time.

I Objective

The main business of the company is extending loans towards individuals / small business holders for setting up small businesses or to improve their existing businesses. The objective of the code is primarily to ensure fair and transparent transactions with all our customers. This will also facilitate the customers to have a better understanding about the products and the various charges levied by the Company. The below mentioned Fair Practices Code shall be followed by the Company. The main objectives of the code are:

- Promotion of Good and Fair Practices by setting minimum standards for customer relationships;
- Increased transparency so that the customer fully comprehends what he/she can reasonably expect of the services;
- Promotion of a Fair and Cordial Relationship between customer and the Company; and
- Fostering confidence in the customers.

II APPLICATION OF THE CODE

This code applies to all products and services offered by the Company under normal operating environment except in any event of force conditions and Code is based on ethical principles of integrity and transparency and all actions and dealings will follow the spirit of the Code.

- A. The Company will, to the best of its ability, act fairly and reasonably in all dealings with the customer, meeting ethical principles of integrity and transparency and always following the relevant laws and regulations in letter and in spirit.
- B. It will make sure that all its products and services are explained to its customers fully and ensure complete understanding.
- C. It will have literature in multiple languages (English and local language) and also make every effort to ensure that the terms are clear and not misleading and are well understood by the customer.
- D. For any of the customer's queries, the Branch in charge will be the point of first contact.
- E. The Officers/Branch in charges shall be helpful for customers to understand the terms and conditions, applicable interest rate / service charges and also the benefits that can be availed along with their financial implications.
- F. The company will treat all customer information as private and confidential unless required by law or if waivers have been signed by the customer.

III ADVERTISING, MARKETTING AND SALES:

- The Company shall ensure clarity in the promotional and advertising material and avoid misleading information.

- None of the customer service functions of the Company are outsourced. However, in case of outsourcing some of the functions with a view to provide better services to customers which may necessitate information sharing with such third parties, the company will inform and require them to handle customer's personal information (if any made available to such third parties) with the same degree of confidentiality and security as it would.

IV LOANS

i) Applications for loans and their processing

- a. The Loan application forms will contain all 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 list of documents required to be submitted with the application form would also be mentioned.
- b. An acknowledgement for receipt of all loan applications shall be given. All the loan applications would be disposed off normally within four weeks from the date of receipt. This shall be indicated in the acknowledgement.

ii) Loan appraisal and terms/conditions

- a. Normally all particulars required for processing the loan application would be collected by the Company within a reasonable period of time of receipt of application. If additional details/documents are required; it would intimate the applicants/borrower immediately thereafter.
- b. The Company shall carry out proper due diligence on creditworthiness of applicants notwithstanding the stipulation of any security and margin made by it.
- c. The Company will pass the customer's information/ account details to Credit Information agencies / Third Party Agencies / others for this purpose.
- d. The Company will convey in writing to the borrower by means of sanction letter / Most Important Terms and Conditions (MITC), the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges and keep the written acceptance of these terms and conditions by the borrower on the record.
- e. The Company will also issue MITC agreed at the time of sanction / disbursement of the loan to the borrower and obtain his/her acknowledgement in the duplicate copy of MITC as per RBI guidelines.
- f. A copy of the loan agreement (in vernacular language) along with a copy each of all enclosures quoted in the loan agreement would be provided to every borrower at the time of sanction / disbursement of loans.

iii) **Communication of rejection of Loan Application**

A communication in writing as regards the reason(s) for rejection of a loan application will be furnished by the Company, whenever any loan application is rejected.

iv) **Disbursement of loans and release of obligations**

- a. The timely disbursement will be ensured to coincide with the terms and conditions of the sanction letter and compliance of such terms and conditions by the borrower/s/guarantors.
- b. The Company shall release all securities 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 that 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.

v) **Collection Process**

- a. The customers are required to make prompt repayment of EMIs on or before the due date, as communicated to them, without any reminders from the Company.
- b. The collection process will commence once there is a default of an EMI by the customer.
- c. The Officer and the Branch Manager will connect with the customer in case of any default in repayment beyond due date and try to understand the reasons for delay.
- d. In cases where the delay is because of genuine reasons, the Branch Manager engages with the customer on a constructive basis to arrive at a mutually acceptable revised repayment date.
- e. If the customer still stays in default and does not keep up the commitment given for the revised repayment date, the Officer and the Branch Manager will connect with the customer on a repetitive basis by way of calls / visits / SMS, to request the customer to pay the defaulted amount at the earliest, which will also reduce the penal interests / penal charges.
- f. If the default continues and crosses a month, the next level of Supervisory follow up will commence. As part of the collection process, a written commitment may be insisted and obtained from the customer.
- g. After 2 reminders of Supervisory follow up by way of calls / visits / SMS with the customer and the customer continues to default the payment, including failing to adhere to his written commitment, legal notice may be sent to the customer from the Head Office for immediate repayment of the overdue and failing which the option to recall the loan will be exercised.

- h. In case the customer tries to engage in fraudulently selling the property, while in default with the Company, the Company reserves the right to display its interest in the mortgaged property to safeguard its genuine interest in the property.
- i. As always, the Company has the right to proceed with the legal course of action at any point of time during the course of the default.
- j. At all points of time, the interactions with the customer will be conducted with courtesy, right decorum and discipline. If the customer misbehaves with the staff of the company, the customer can be suitably warned. The same shall be reported to the Head Office.
- k. If any staff member misbehaves with the customer or not following the right collection procedure set by the Company, the customer has the right to escalate the same to branch Manager/ Supervisory layers/ Customer Care or to the Grievance Redressal Officer. In the event of non-resolution of the complaint, the customer can write/ speak to the Principal Nodal Officer. Any complaints still being unresolved beyond the stipulated time can further be escalated to the Reserve Bank of India. The contact details of all these touch points shall be made available at every branch.

V General

1. Any changes to the loan terms and conditions post the disbursal of the loan will be duly communicated to the Borrower(s). Further, all the changes will be effective only on a prospective basis.
2. The Company will publish salient features of all loan products in its website <http://www.fivestargroup.in>.
3. The rates of interest and the approach for gradation of risks shall 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.
4. The Company will store loan papers/property documents at centralized locations (fireproof environment), either in its premises or at one of the Outsourced premises.
5. The Company shall 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).
6. The Company will not discriminate on grounds of sex, caste and religion in the matter of lending. However, this does not preclude the Company from participating in credit-linked schemes framed for weaker sections of the society.
7. In the matter of recovery of loans, consistent with its policy, the company shall not resort to undue harassment viz, persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. However, the company will not be precluded to take necessary legal or other collection related activities on the Borrower(s) in the event of a delay or default in payment of dues by the Borrower(s).

8. The officers of the Company shall be duly trained to act appropriately in all their dealings with the customers, both prior and post the sanction of loan.
9. At the time of sanction or any time thereafter, the Company would inform the customer by way of sanction communication indicating the amount of the loan, tenure, and periodicity of repayment process etc. However, if the borrower does not adhere to the repayment schedule, the Company shall follow normal legitimate recovery procedures including but not limited to sending SMS alerts, telephone calls, emails, visiting the customer's residence / office, re-possession, publicizing the company's mortgage on the property etc. without resorting to undue coercion. The Company is at liberty to publish the photographs of the defaulting borrowers / guarantors in the Company's website / Newspaper and other print / electronic media.
10. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. the Company's objection, 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.

VI Responsibility of Board of Directors

- A. The Company has formulated the Grievance Redressal Policy whereby a Grievance Redressal Mechanism has been established to ensure that all disputes arising out of the decisions of the company are heard and disposed of appropriately.

Grievances & Grievances Redressal Mechanism

If the customers have any grievance, they can make a complaint in writing addressed to the concerned Branch Manager or they can email / call to the customer care department at customercare@fivestargroup.in / 044-2346 0957 / 044-2346 0958 / 78258 55555, quoting the loan account number and gist of the complaint. In case the grievance is not resolved within 10 days, a copy of the complaint with acknowledgment may be forwarded to Ms. Shalini B, The Grievance Redressal Officer, Five-Star Business Finance Ltd, Registered Office - New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai – 600 010 or by e-mail to secretary@fivestargroup.in or call can be made at Ph: 044-4610 6200.

Upon examination of the complaint, the Grievance Redressal Officer will send the customer the response or explain why it needs more time to respond and shall endeavor to do so within 10 working days.

In the event of non-resolution of the complaint within the above stipulated time frame, the complainant can write to Mr. Naveen Raj R, Chief Audit Officer, who is also the Principal Nodal Officer of the Company at the address Five-Star Business Finance Limited, New No. 27, Old No. 4, Taylor's Road, Kilpauk, Chennai – 600 010 or by e-mail to pno@fivestargroup.in or call can be made at Ph: 044-4610 6200

Upon examination of the complaint, the Principal Nodal Officer will send the customer the final response or explain why it needs more time to respond and shall endeavor to do so within 10 working days.

If the complaint / dispute is not redressed within the above period of one month, the customer may appeal to the Officer-in-Charge of the Regional Office of Department of Supervision, Reserve Bank of India, Fort Glacis, 16 Rajaji Salai, Chennai 600 001, Tamil Nadu, under whose jurisdiction the registered office of the Company falls.

B. The Company shall conduct an Annual Review of the compliance of the Fair Practice Code and the functioning of the Grievance Redressal Mechanism and place a consolidated report of such Reviews before the Board of Directors. The review for the year ended December should be put up to the Board before the end of March the following year.

VII Ombudsman for NBFCs

A. The Reserve Bank – Integrated Ombudsman Scheme, 2021

The customers may lodge their complaints (as complying under the Reserve Bank – Integrated Ombudsman Scheme, 2021) online through the portal designed for the purpose (<https://cms.rbi.org.in>) or through electronic or physical mode to the Centralized Receipt and Processing Centre as notified by the Reserve Bank, in this regard.

Before making a complaint under The Reserve Bank – Integrated Ombudsman Scheme, 2021, the customer should have made a written complaint to the Company and the complaint should have been rejected wholly or partly by the Company and the Customer is not satisfied with the reply or Customer had not received any reply within 30 days after the Company received the complaint.

Mr. Naveen Raj R, Chief Audit Officer, has been appointed as Principal Nodal Officer of the Company under the Reserve Bank – Integrated Ombudsman Scheme, 2021. The Principal Nodal Officer shall be responsible for representing the Company and furnishing information on behalf of the Company in respect of complaints filed against the Company.

B. Appointment of Internal Ombudsman

The Company falls within the applicability of the circular on “Appointment of Internal Ombudsman by Non-Banking Financial Companies” dated 15th November 2021 issued by Reserve Bank of India and has appointed an Internal Ombudsman at the Head Office of the Company to adhere to the guidelines covered under the circular.

VIII Rate of Interest & Computation Methodology

- a. The rate of interest for all loans will be decided from time to time. The rate of interest shall be fixed for the entire tenure of the loan.
- b. The rate of interest is dependent on the loan tenure since the company’s cost of funds is also dependent on the tenure of such funding. However, the company reserves the right to charge differential rate of interest depending on the risk profile of the borrowers.
- c. Interest is charged on daily products of the loan under Daily Diminishing Balances (DDB) Method only and compounded monthly.
- d. Interest is debited to all loan accounts at monthly intervals and at the time of closure, if the loan is closed before the end of the month.

- e. For NPA accounts, interest is chargeable as per Income Recognition & Asset Classification (IRAC) norms advised by Reserve Bank of India from time to time / policy of the Company.

IX Schedule of Charges

S. No.	Charges for	Applicable Charges
1	Processing fee	2% on Sanction Loan amount plus GST, if applicable.
2	Legal & Inspection Charges	Upto Rs 2,000 per loan (inclusive of GST, if applicable).
3	Document Charges	Upto Rs 2,000 per loan (inclusive of GST, if applicable).
4	Document Storage related charges	Rs. 500 per loan (inclusive of GST, if applicable)
5	Cheque/ ECS / NACH Bounce charges	Rs 300 per return till March 31, 2023. Rs 500 per return from April 01, 2023 plus GST, if applicable.
6	Collection Pick up charges / Recovery Visit charges	Rs 100 per visit (inclusive of GST, if applicable).
7	Cash convenience charges – For any cash transaction made by the customer towards his loan account – Effective January 1, 2024	Rs. 100 per Transaction, Inclusive of GST, if applicable.
8	Penal Interest / Charges for delayed payment Penal Interest - Till 31 March 2024 or such other date stipulated by the regulator. Penal Charges - From 1 April 2024 or such other date stipulated by the regulator.	3% PM (36% PA) plus GST, if applicable on the delayed amount for delayed period. (to be charged at monthly intervals)
9	MOD registration expenses and other related expenses	Actuals to be borne by the customer plus GST, if applicable.
10	Encumbrance Certificate	Actuals to be borne by the customer plus GST, if applicable.
11	Stamp duty	Actuals to be borne by the customer plus GST, if applicable.
12	Insurance premium	Actuals to be borne by the customer plus GST, if applicable.
13	DD for Disbursement of Loan	Actual charge for DD issue plus GST, if applicable.
14	Legal/Other charges/pertaining to Collections/Recovery/Arbitration etc.	Actuals to be borne by the customer plus GST, if applicable.
15	Pre-closure charges	Within 12 months of disbursal, 1% on Outstanding loan amount plus GST, if applicable Beyond 12 months of disbursal, no pre-closure charges.

The Company will provide a copy of this Code, at request, to the customer. The Code will also be displayed and made available on its website and at its Corporate and branch offices.