

FAIR PRACTICE CODE

Policy Name	Fair Practice Code
Version	V3
Approved By	Board of Directors on June 14, 2024

This Fair Practice Code (**Code**) is formulated in accordance with the RBI Guidelines on Fair Practices Code for NBFCs (under the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023), updated from time to time. The code was documented and placed before the Board of Directors of Progfin Private Limited (Formerly known as Hytone Holdings Private Limited/the Company) for its approval.

APPLICABILITY

This Code is aimed to provide to all the stakeholders, especially customers, an effective overview of practices followed by the Company in respect of the financial facilities and services offered by the Company to its customers.

OBJECTIVES

The objectives of the Code are as follows:

- (a) To promote good practices and ensure good practices in dealing with borrowers of the Company (“**Customers**”);
- (b) To promote a fair relationship between the Customer and the Company;
- (c) To ensure compliance with legal norms in matters relating to recovery of advances;
- (d) To strengthen mechanisms for redressal of customer grievances.

APPLICATIONS FOR LOANS AND THEIR PROCESSING

- (a) All communications to the Customers shall be in the vernacular language or a language as understood by the Customer.
- (b) Loan application forms issued by the Company shall include necessary information, which affects the interest of the Customers in order to facilitate a meaningful comparison with the terms and conditions offered by other NBFCs and an informed decision can be taken by the Customer.
- (c) The Company shall devise a system of giving acknowledgment for receipt of all loan applications. The time frame within which loan applications shall be disposed of shall also be indicated in the acknowledgment.
- (d) The loan application form shall indicate the documents required to be submitted along with the application form.
- (e) If any additional details/ documents are required, the same shall be intimated to the Customers immediately.
- (f) Loan products advanced through DLAs and/or LSPs are subject to further disclosures / requirements as mentioned below:
 - (A) A key fact statement in the format provided in the Digital Lending Guidelines dated September 2, 2022 issued by the RBI in respect of the digital loan product shall be provided to the Customer prior to sanctioning and disbursing the loan;
 - (B) An all-inclusive cost expressed in ‘annualized percentage rate’ (“**APR**”) shall be provided to the Customer of the digital loan product. APR is the effective annualized rate charged to the borrower of a digital loan. APR shall be based on an all-inclusive cost and margin including cost of funds, credit cost and operating cost, processing fee, verification charges, maintenance charges, etc., and exclude contingent charges like penal charges, late payment charges, etc.;
 - (C) The Company shall disclose the names of the LSPs, DLA on its website, digital loan product information, details of LSPs acting as collection agents, etc.;
 - (D) The Company shall conduct due diligence and periodic review of the LSPs;
 - (E) No information (including personal information or data of the borrowers) shall be collected by LSPs / DLAs without the prior explicit consent of the borrowers;
 - (F) The Company shall ensure that the LSPs / DLAs put in a place a comprehensive policy compliant with applicable laws and associates regulations in relation to collection of data (including personal data and information) in respect of the borrowers;
 - (G) All data collection by the Company is stored in the servers located in India.

LOAN APPRAISAL AND TERMS & CONDITIONS

- (a) The Company shall conduct a due diligence on the creditworthiness of the Customer, which will be an important parameter for taking the decision on the processing of the loan application. The assessment would be in line with the Company's internal policies, norms, and procedures in respect thereof.
- (b) The Company, upon approval of the loan, shall convey the applicant through an agreement cum sanction letter or otherwise indicating the amount of loan, the annualized rate of interest applicable, along with the terms and conditions.
- (c) The Company shall obtain an acceptance from the Customers for the loan terms and maintain a record of such acceptance.
- (d) The Company shall mention the applicable penal interest in bold in the loan agreement.
- (e) The Company shall furnish a copy of the loan agreement to the Customers along with all the enclosures quoted in the loan agreement to the Customers at the time of disbursement of loans.
- (f) In relation to the digital loan products, the Company shall ensure the following:
 - (A) The Company shall capture the economic profile of the Customers (age, occupation, income, etc.), before extending any loan over their own DLAs and/or through LSPs engaged by them, with a view to assessing the Customer's creditworthiness in an auditable way;
 - (B) The Company shall ensure that there is no automatic increase in credit limit unless explicit consent of Customer is taken on record for each such increase.

DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS & CONDITIONS

- (a) The Company shall give notice to all its Customers of any change in the terms and conditions of the loan including but not limited to: (i) disbursement schedule; (ii) interest rates; (iii) service charges; (iv) prepayment charges; etc.
- (b) The Company shall also ensure that changes in interest rates and charges are effected only prospectively, and the same shall be recorded in the loan agreement. Any changes to the interest rates and charges shall be made available on the website of the Company or notify electronically or email or notice sent to the Customer on their available address
- (c) All securities created in favour of the Company pursuant to the loan would be released on receipt of full and final payment of the loans, subject to any legitimate right or lien, and set-off for any other claim that the Company may have against the Customers. If such right of set-off is to be exercised, the Customers 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 until the relevant claim is settled/paid.

INTEREST CHARGED

- (a) The Company has laid down appropriate internal principles and procedures in determining interest rates and processing and other charges.
- (b) The Company would adopt an interest rate model taking into account relevant factors such as cost of funds, margin, and risk premium, etc. and determine the rate of interest to be charged for loans and advances.
- (c) Digital loan products offered by the Company may require disclosure of the interest and all other costs and charges as an APR.
- (d) Further information in relation to interest rate charged by the Company is mentioned in the Interest Rate Policy adopted by the Company and available on the website of the Company.

REPOSSESSION

The Company has included the repossession clause in the loan agreement with the Customers that would be legally enforceable. To ensure transparency, the terms and conditions of the loan agreement will include 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 the final chance to be given to the Customers for repayment of the loan before the sale/auction of the asset;
- (E) The procedure for giving repossession to the Customer; and
- (F) The procedure for sale/auction of the property.

GRIEVANCE REDRESSAL MECHANISM

- (a) The Company aims to provide the best customer service and is consistently striving on creating a robust and efficient customer service platform in accordance to the grievance redressal mechanism policy approved by the Board.
- (b) The details of various contact points for the grievance redressal mechanism shall be published on the website for the benefit of the customers.
- (c) The Company shall ensure that the DLAs / LSPs appoint a suitable nodal grievance redressal officer to deal with fintech/digital lending related complaints/ issues raised by the borrowers. The name and details of such officer along with the process of grievance redressal shall be set out on the website of the LSPs / DLAs.

TECHNOLOGY

In line with the mandate of RBI, the Company has adopted and implemented the following requirements:

- (a) The Company shall ensure that LSPs/DLAs engaged by them do not store personal information of the Customers except some basic minimal data (*viz.*, name, address, contact details of the customer, *etc.*) that may be required to carry out their operations.
- (b) The Company shall carry out the responsibility of ensuring that the LSPs and DLAs maintain data privacy and security of the Borrower's personal information.
- (c) The Company shall be provided with an option to give or deny consent for use of specific data, restrict disclosure to third parties, data retention, revoke consent already granted to collect personal data and if required, make the app delete/ forget the data.
- (d) The Company shall ensure that any collection of data by their DLAs and LSPs is need-based and with prior and explicit consent of the Customers having audit trail. The Company shall also ensure that DLAs desist from accessing mobile phone resources like file and media, contact list, call logs, telephony functions, etc.
- (e) The Company shall ensure that the Customer shall be provided with an option to give or deny consent for use of specific data, restrict disclosure to third parties, data retention, revoke consent already granted to collect personal data and if required, make the app delete/ forget the data.
- (f) The purpose of obtaining borrowers' consent needs to be disclosed at each stage of interface with the borrowers.
- (g) Explicit consent of the borrower shall be taken before sharing personal information with any third party, except for cases where such sharing is required as per statutory or regulatory requirement.
- (h) The Company shall ensure that clear policy guidelines regarding the storage of customer data including the type of data that can be stored, the length of time for which data can be stored, restrictions on the use of data, data destruction protocol, standards for handling security breach, etc., are put in place and also disclosed by DLAs of the REs and of the LSP engaged by the Company prominently on their website and the apps at all times.
- (i) The Company shall ensure that no biometric data is stored/ collected in the systems associated with the DLA of the Company / their LSPs, unless allowed under extant statutory guidelines.
- (j) The Company shall ensure that they and the LSPs engaged by them comply with various technology standards/ requirements on cybersecurity stipulated by RBI and other agencies, or as may be specified from time to time, for undertaking digital lending.
- (k) All data (including personal data and information of the Customers) shall be stored in India.

GENERAL

- (a) The Company shall not interfere in the affairs of the Customers except for the purposes provided in the Loan Agreement unless new information not earlier disclosed by the Customers, has come to the notice of the Company;
- (b) In case of receipt of a request from the Customers for transfer of the borrowal account, the consent for the same shall be communicated by the Company not later than 21 (twenty one) days from the date of receipt of the request. The transfer shall be in accordance with the loan agreement and the applicable law;
- (c) In the matter of recovery of loans, the Company shall follow the usual measures as per the laid down guidelines and existing provisions and would operate within the legal framework and in compliance with the applicable laws and regulations.
- (d) The Company would not resort to undue harassment, viz., persistently bothering the Customers at odd hours, use of muscle power for recovery of loans etc. In this regard, the Company has an established code of conduct for debt collection wherein the Company's staff or any person authorized to represent the Company in collection of dues are extensively trained;
- (e) The Company's collection policy is built on courtesy, fair treatment and persuasion. We believe in customer confidence and long-term relationship. Our staff or any person authorized to represent us in collection of dues or/and security repossession will identify himself/herself and interact with our customers in a courteous manner;
- (f) The Company shall provide all their Customers with all the information regarding dues and will give sufficient notice for payment of dues. All Customers will be contacted ordinarily at the place of their choice, in the absence of a specified place at the residence of the Customers and if the Customer is unavailable at the residence, at the Customer's place of business/occupation;
- (g) The Company will respect the privacy of all their Customers and all the interactions will be in a civil manner. All assistance will be provided to our customers to resolve differences or disputes in a mutually acceptable manner, if any, regarding the dues.
- (h) The Company shall not charge foreclosure charges and/or pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual Customers, with or without co-obligors.

REVIEW

1. A periodical review of the Fair Practices Code and the functioning of the grievance redressal mechanism policy at various levels of management would be undertaken by the Company;
2. 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;
3. The Company shall put the above Fair Practices Code outlined hereinabove on its website, for the information of various stakeholders. The Company would also review and refine the Code, as may be required periodically – based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard.

IMPLEMENTATION

This Policy shall be effective from the date of adoption by the Board.

AMENDMENT

This Policy shall be amended and/or restated and updated from time to time and such amendments and/or restatements and updation shall be effective from the date of adoption by the Board.