



FAIR PRACTICE CODE

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(Version: V 10)



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Fair Practices Code

Policy Approval authority	Risk Management Committee Board of Directors
Policy Owner	Chief Compliance Officer
Policy Implementation Authority	Chief Product Officer Head – Operations & Customer Service
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Relevant Act/Rules/Regulations

Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 (“**RBC Directions**”)



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VERSION CONTROL

Version Control No.	Author	Approval Date	Effective Date	Version Description
V.1	Chief Financial Officer	15 September 2009	15 September 2009	-
V.2	Chief Financial Officer	19 April 2012	19 April 2012	Amended in line with Circular No. DNBS.CC.PD.No.266/03.10.01/2011-12 dated 26 March 2012
V.3	Chief Financial Officer	14 March 2013	14 March 2013	Amended in line with Circular No. DNBS.CC.PD.No.320/03.10.01/2012-13 dated 18 February 2013
V.4	Chief Financial Officer	15 May 2015	15 May 2015	Amended in light of commencement of SME Finance Business
V.5	Chief Operating Officer	08 August 2019	08 August 2019	Amendment inter-alia in line with RBI Circular No. DNBR (PD) CC.No.101/03.10.001/2019-20 dated 02 August 2019
V.6	Chief Operating Officer	6 February 2020	6 February 2020	Amendment to explicitly include (i) statement on responsibility of the Directors, (ii) details of the Grievance Redressal Officer, and (iii) details of the Nodal Officers/ Principal Nodal Officer
V.7	Chief Financial Officer	12 August 2020	12 August 2020	Amendment to update details of Grievance Redressal Officer / Principal Nodal Officer
V.7	Chief Operating Officer	4 February 2021	4 February 2021	Amendment to add reference of website for referring details of Nodal Officers and RBI Ombudsman.
V.8	Chief Compliance Officer	30 March 2024	30 March 2024	Various amendments and updates to align the code with Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulations) Directions, 2023 and various other circulars issued by the Reserve Bank of India
V.9	Chief Compliance Officer	13 August 2025	13 August 2025	Updating provisions arising from RBI Inspection
V.10	Chief Compliance Officer	9 February 2026	9 February 2026	Updates to align the FPC as per requirements set out in Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 (“RBC Directions”)



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I. INTRODUCTION AND APPLICABILITY OF THE CODE

The Reserve Bank of India (“RBI”) has prescribed broad guidelines on fair practices under Chapter III (*Responsible Lending Conduct*) of the RBC Directions, that are required to be framed and approved by the Board of Directors of all Non-Banking Financial Companies (“NBFCs”) and shall be published and disseminated on the website of the Company (*as defined herein below*), for the information of various stakeholders.

IndoStar Capital Finance Limited (hereinafter referred to as “ICF” or “the Company”) is a public limited company incorporated under the provisions of the Companies Act, 1956, validly existing under the provisions of the Companies Act, 2013, and is a Non-Banking Financial Company – Middle Layer, registered with RBI.

ICF is engaged in the business of corporate lending, vehicle financing and lending to small & medium enterprises. Further, ICF may carry on such other business as may be permitted to be carried out by an NBFC from time to time after obtaining necessary approvals. This Fair Practice Code (“the Code”) shall be applicable to all categories of products and services offered by the Company (currently offered or which may be introduced at a future date).

II. OBJECTIVES OF THE CODE

- Promote fair & transparent practices by setting minimum standards in dealings with the customers;
- Building customer confidence;
- To ensure compliance with the regulatory requirements with regard to customer interface;
- To strengthen mechanism for redressal of customer grievances.

III. APPLICATIONS FOR LOANS AND THEIR PROCESSING

- (a) Official language for all communications within the Company or with third parties shall be English.
- (b) All communications to the borrower shall be in English or in vernacular language / the language as understood by the borrower.
- (c) ICF will take a confirmation from the prospective borrower that he has understood all the communications made to him in the language known to him and understood by him.
- (d) Loan application forms of ICF 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 an informed decision can be taken by the borrower. The loan application form will indicate the documents required to be submitted with the loan application form.
- (e) ICF shall provide to the prospective borrower an acknowledgement for receipt of loan applications. The time frame within which the loan application complete in all respects will be disposed of, will be indicated in the acknowledgement. The Company would verify the loan applications within a reasonable period of time and if additional details / documents are required, it would intimate the borrowers immediately.

IV. LOAN APPRAISAL AND TERMS AND CONDITIONS

- (a) ICF shall convey in writing to the borrower in English or in vernacular language / the language as understood and confirmed by the borrower, by means of sanction letter, or otherwise the amount



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of loan sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof.

- (b) The acceptance of the terms and conditions communicated by the borrower shall be preserved by ICF on its record and a copy of the same shall be provided to the borrower.
- (c) ICF shall mention the penal charges charged for late repayment in bold, in the sanction letter and the loan agreement.
- (d) ICF will invariably furnish a copy of loan agreement along with a copy of each enclosure quoted in the loan agreement to all borrowers at the time of sanction/disbursement of the loan in English or in vernacular language / the language as understood by the borrower.

V. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS

- (a) ICF shall give notice to the borrower in English or in vernacular language / the language as understood by the borrower, of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. Changes in interest rates and charges shall be affected prospectively and a suitable condition in this regard shall be incorporated in the loan agreement.
- (b) Decision to recall / accelerate payment or performance under the agreement shall be in consonance with the loan agreement.
- (c) ICF 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 that ICF may have against borrower. If 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 ICF is entitled to retain the securities till the relevant claim is settled/paid.

VI. RELEASE OF MOVABLE/IMMOVABLE PROPERTY DOCUMENTS ON REPAYMENT/SETTLEMENT OF LOANS, WHEREVER APPLICABLE

- (a) ICF shall release all the original movable/ immovable property documents and remove charges registered with any registry within a period of 30 (thirty) days after full repayment/ settlement of the loan account.
- (b) The borrower shall be provided an option to collect the original movable/immovable property documents either from the outlet/branch where the loan account was serviced or any other office of ICF where the documents are available, as per the borrower's preference.
- (c) The timeline and place of return of original movable/immovable property documents shall be mentioned in the sanction letter issued by ICF to the borrower.
- (d) In the contingent event of demise of a sole borrower or joint borrowers, ICF shall return the original movable/ immovable property documents to the legal heirs of the borrower(s) as per the mechanism or process separately set out by ICF. ICF shall display the said procedure on its website along with other similar policies and procedures for customer information
- (e) In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 (thirty) days after full repayment/ settlement of loan, ICF shall communicate to the borrower the reasons for delay. In cases where the delay is attributable to the Company, it shall compensate the borrower at the rate of ₹5,000 for each day of delay.
- (f) 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



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movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (e) above. However, in such cases, an additional time of 30 (thirty) 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 (sixty) days).

VII. RESET OF FLOATING INTEREST RATE ON EQUATED MONTHLY INSTALMENTS ("EMI") BASED LOANS OR EQUATED INSTALMENT BASED LOANS OF DIFFERENT PERIODICITIES, WHEREVER APPLICABLE

- (a) At the time of sanction of EMI based floating rate loans or equated instalment based loans of different periodicities, ICF shall clearly communicate to the borrowers about the possible impact of any change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Any subsequent increase in the EMI and/or tenor on account of the above shall be communicated to the borrowers immediately through appropriate channels i.e. by way of sending messages, email and letters to the registered mobile number, email address and postal address, respectively.
- (b) At the time of reset of interest rates, ICF may (as its option), provide an option to the borrowers to switch over to a fixed rate as per the policy, as may be approved by the Board of Directors in this regard. The policy may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
- (c) The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and (ii) 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 the RBI's extant instructions in this respect. Whenever there is a reset of interest rates for an entire class of borrowers in a particular loan category, due to increase in the reference benchmark; ICF shall provide the following options to the borrowers: (i) either enhancement in EMI or elongation of number of EMIs, keeping the EMI unchanged or a combination of both options; (ii) Switch to fixed interest rate for the remaining portion of the loan, where such an option is provided by ICF; and (iii) To prepay, either in part or in full, at any point during the residual tenor of the loan.
- (d) 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 ICF from time to time. The applicable charges shall be as approved by the Board of Directors and shall be displayed on ICF's website.
- (e) The elongation of tenor in case of floating rate loan shall not result in negative amortization.
- (f) ICF shall share/make accessible to the borrowers, a statement at the end of each quarter which shall, enumerate 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. The statements shall be simple such that they are easily understood by the borrower.
- (g) The instructions as set out in this Para VII shall not apply to loans other than (i) EMI loans; and (ii) instalment-based loans of different periodicities, irrespective of whether they are linked to an external benchmark or an internal benchmark.
- (h) ICF has put in place the necessary information system to monitor transmission of changes in the benchmark rate to the lending rate.

VIII. PENAL CHARGES IN LOAN ACCOUNTS

- (a) Penalty charged for non-compliance of material terms and conditions of the loan contract by the borrower shall be charged 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 penal charges charged to the

borrowers shall not be capitalised i.e. no further interest shall be computed on such penal charges. However, this will not affect the normal procedures for compounding of interest in the loan account.

- (b) The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan agreement without being discriminatory within a particular loan / product category.
- (c) 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.
- (d) The quantum and reason for penal charges shall be clearly disclosed by ICF to the customers in the loan agreement and Key Fact Statement (KFS) as applicable, in addition to being displayed on the Company's website under Interest Rate Policy.
- (e) Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefore shall also be communicated.
- (f) ICF shall not introduce any additional component to the rate of interest.
- (g) ICF has in place Interest Rate Policy approved by the Board Directors. ICF shall be guided by the said policy in respect to levy of penal charges by ICF.

IX. GENERAL

- (a) ICF 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 its notice.
- (b) In case of receipt of request from the borrower for transfer of the borrower's loan account, the consent or otherwise i.e., objection of ICF, if any, should be conveyed within 21 (twenty-one) days from the date of receipt of request. Such transfer shall be as per transparent contractual terms entered into with the borrower and in consonance with statutes, rules, regulations and guidelines as may be applicable from time to time.
- (c) In the matter of recovery of loans, ICF shall resort only to remedies which are legally and legitimately available to it and will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc. A Code of Conduct with regard to Collection Agents has been put in place as per the RBI Directions.
- (d) ICF's staff shall be adequately trained to deal with the customers in an appropriate manner.

X. REGULATION OF EXCESSIVE INTEREST CHARGED

- (a) ICF has adopted an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium to determine the rate of interest to be charged for loans and advances. 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 displayed on the website of ICF and/or published in the relevant newspapers. 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.

XI. LOAN FACILITIES TO THE PHYSICALLY/VISUALLY CHALLENGED

ICF shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of ICF shall render all possible assistance to such persons for availing of the various business facilities. ICF 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 its employees at all levels. Further, ICF shall ensure redressal of grievances of persons with disabilities under the grievance redressal mechanism already set up by them.

XII. PRE-PAYMENT CHARGES ON LOANS

- (a) In case of existing loans sanctioned or renewed on or before December 31, 2025, ICF shall not levy pre-payment charges on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- (b) ICF shall adhere to the following regarding levy of pre-payment charges on loans and advances sanctioned or renewed on or after January 1, 2026:
 - (1) For all floating rate loans granted for purposes other than business to individuals, with or without co-obligant(s), ICF shall not levy pre-payment charges.
 - (2) For all floating rate loans granted for business purpose to individuals and Micro and Small Enterprises (MSEs), as defined in Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, with or without co-obligant(s), ICF shall not levy any pre-payment charges on loans with sanctioned amount/ limit up to ₹50 lakh.
- (c) The provisions under paragraphs (a) and (b) above shall be applicable irrespective of the source of funds used for pre-payment of loans, either in part or in full, and without any minimum lock-in period.
- (d) In cases other than those mentioned at paragraphs (a) and (b) above, prepayment charges, if any, shall be as per the approved policy of the ICF. In case of term loans, pre-payment charges, if levied by the ICF, shall be based on the amount being prepaid.
- (e) ICF shall not levy any charges where pre-payment is effected at the instance of the ICF.
- (f) The applicability or otherwise of pre-payment charges shall be clearly disclosed in the sanction letter and loan agreement. Further, in case of loans and advances where Key Facts Statement (KFS) is to be provided, the same shall also be mentioned in the KFS. No pre-payment charges which have not been disclosed as specified herein shall be charged by ICF.
- (g) ICF shall not levy any charges / fees retrospectively at the time of prepayment of loans, which were waived off earlier by ICF.

XIII. TRAINING OF STAFF AND RECOVERY AGENTS

- (a) The conduct of employees of ICF and system for their recruitment, training and monitoring shall be as per policy as may be approved by the Board of Directors from time to time. Such policy shall, inter alia, lay down minimum qualifications for the staff and shall provide necessary training tools to deal with the customers. Training to employees shall include programs to inculcate appropriate behaviour towards customers. Conduct of employees towards customers shall also be incorporated appropriately in their compensation matrix.



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- (b) Recovery shall be made by ICF at a designated/ central designated place decided mutually by the borrower and ICF. However, field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.
- (c) ICF or its agent shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh: (1) Use of threatening or abusive language (2) Persistently calling the borrower and/ or calling the borrower before 9:00 a.m. and after 6:00 p.m. (3) Harassing relatives, friends, or co-workers of the borrower (4) Publishing the name of borrowers (5) Use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation (6) Misleading the borrower about the extent of the debt or the consequences of non-repayment.
- (d) ICF shall maintain due diligence process in place for engagement of recovery agents, which shall, inter alia, cover individuals involved in the recovery process. ICF shall ensure that the recovery agents engaged by them carry out verification of the antecedents of its employees, which shall include police verification. ICF shall also decide the periodicity at which re-verification of antecedents shall be resorted to.
- (e) ICF shall provide the details of recovery agents to the borrower while initiating the process of recovery. The agent shall also carry a copy of the notice and the authorisation letter from ICF along with the identity card issued to him/her by ICF or the agency.
- (f) Where the recovery agency is changed by ICF during the recovery process, in addition to ICF notifying the borrower of the change, the new agent shall carry the notice and the authorisation letter along with his/her identity card.
- (g) The notice and the authorisation letter shall, among other details, also include the contact details of the recovery agency and ICF.
- (h) The up-to-date details of the recovery agencies engaged by ICF shall also be hosted on the ICF's website.

XIV. RESPONSIBILITY OF BOARD OF DIRECTORS - GRIEVANCE REDRESSAL MECHANISM

- (a) As a part of putting in place an appropriate grievance redressal system, the Board of Directors has constituted a Grievance Redressal Committee ("GRC"). The GRC has been delegated with the responsibility of (i) carrying out functions for the redressal of the borrowers and clients' complaints; (ii) periodically reviewing the customer grievance redressal mechanism to ensure that process deficiencies, if any, are addressed; and (iii) periodically reviewing the statement of complaints received, resolved and pending, along with reasons for the same. The GRC shall ensure that all disputes arising out of the decisions of ICF' functionaries are heard and disposed of at least at the next higher level.
- (b) If a customer is not satisfied with the resolution provided by ICF, the customer can escalate the complaint to the grievance redressal officer & principal nodal officer of the Company as per the details mentioned in the grievance redressal mechanism of the Company available on the website of the Company.
- (c) In respect of customer complaints relating to digital lending, ICF shall ensure that the Lending Service Providers (LSP) engaged by ICF shall have suitable nodal grievance redressal officer to deal with digital lending related complaints/issues raised by the borrowers. Such grievance redressal



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officer shall also deal with complaints against their respective Digital Lending Apps (DLA). Contact details of grievance redressal officers shall be prominently displayed on the websites of the Company, its LSPs and on DLAs and also in the Key Fact Statement (KFS) provided to the borrower. Further, the facility of lodging complaint shall also be made available on the DLA and on the website as stated above. It is reiterated that responsibility of grievance redressal shall continue to remain with ICF.

XV. REPOSSESSION OF VEHICLES FINANCED

ICF shall disclose necessary re-possession disclosures in the loan agreement with the borrower which shall be legally enforceable. To ensure transparency, the terms and conditions of the loan agreement shall contain provisions regarding: (a) providing notice and a reasonable time 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 form part of the loan agreement and shall be made available to the borrowers.

XVI. PERIODIC REVIEW

The Board of Directors of ICF shall periodically (at least once a year) review the compliance of the Code and the functioning of the GRC. A consolidated report of such reviews shall be submitted to the Board of Directors at regular intervals, as may be prescribed by it.

Note: In compliance with the guidelines on 'Fair Practices Code', ICF shall publish and disseminate the Code on the website of the Company and the same shall also be available at all of its branches.

XVII. LINKS TO OTHER DOCUMENTS

- Interest Rate Policy for Vehicle Finance and Micro LAP Segment
- Interest Rate Policy for SME & CL
- Customer Grievance Redressal Mechanism