



FAIR PRACTICE CODE

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(Version: V9)



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Fair Practices Code

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Policy Owner	Chief Compliance Officer
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Relevant Act/Rules/Regulations

Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ("SBR Master Direction")



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I. INTRODUCTION AND APPLICABILITY OF THE CODE

The Reserve Bank of India (“RBI”) has prescribed broad guidelines on fair practices 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 and validly existing under 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) ICFL 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 shall indicate the documents required to be submitted with the loan application form.
- (f) ICF shall provide to the prospective borrower an acknowledgement for receipt of loan application. 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



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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/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, the fate of the loan application by means of sanction letter, [most important terms and conditions] or otherwise. In case of sanction of the loan, the sanction letter [and the most important terms and conditions] shall contain the amount 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) In cases of financing of vehicles by the Company, the loan agreement shall contain a legally enforceable re-possession clause and also contain provisions regarding notice period before taking possession, circumstances under which the notice period can be waived, the procedure for taking possession of the security, a provision regarding final chance to be given to the borrower for repayment of loan before sale/auction of the property, the procedure for giving repossession to the borrower and procedure for sale/auction of the property.
- (d) 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, wherever applicable.
- (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 or in case of loss/damage to original movable/immovable property documents, either in part or in full, ICF shall follow the process set out in the guidelines issued by RBI on fair practices. 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.
- (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 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 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).

VII. RESET OF FLOATING INTEREST RATE ON EQUATED MONTHLY INSTALMENTS ("EMI") BASED LOANS, 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 shall 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.
- (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.
- (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.
- (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.

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 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 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 ICFL 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 therefor shall also be communicated.

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.



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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. (Refer Reg 45.7.2)
- (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 shall be in place as per RBI Scale Based Regulations.
- (d) ICF's staff shall be adequately trained to deal with the customers in an appropriate manner.
- (e) ICF 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).

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



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at all levels. Further, ICF shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them, as referred to in paragraph (X).

XII. RESPONSIBILITY OF BOARD OF DIRECTORS - GRIEVANCE REDRESSAL MECHANISM

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. Grievance Redressal Committee 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.

ICF will display on its website and at its branches or places where business is transacted the name and contact details of the Grievance Redressal Officer, details of Nodal Officers of the Company and Ombudsman in terms of Integrated Ombudsman Scheme, 2021 issued by RBI, who can be approached for resolution of complaints against the Company.

ICF will also display at its branches or places where business is transacted, the contact details of the Regional Office of Department of Non-Banking Supervision of RBI, under whose jurisdiction the registered office of ICF falls, which can be approached if the complaint / dispute is not redressed within a period of one month by ICF.

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.

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 fintech/ digital lending related complaints/issues raised by the borrowers. Such grievance redressal officer shall also deal with complaints against their respective DLAs. 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 ICFL.

XIII. 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.



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XIV. Periodic Review

The Board of Directors of ICF shall periodically (atleast once in a year) review the compliance of the Fair Practices Code and the functioning of the Grievances Redressal Committee. A consolidated report of such reviews shall be submitted to the Board 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 Fair Practices Code on the website of the Company and the same shall also be available at all our branches.