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FairMoney Fair Practice Code (including Code for Collection of Dues)

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PURPOSE

The Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Non- Banking Financial Companies (NBFCs) via Reserve Bank of India ("RBI") Circular no. DNBR (PD) CC.No.054/03.10.119/2015-16 dated July 01, 2015, thereby setting standards for fair business and corporate practices while dealing with their customers. This Fair Practice Code is aimed to provide to all the stake holders, especially customers effective overview of practices followed by the company in respect of the financial facilities and services offered by the company to its customers.

FairMoney Technology Private Limited. ("the Company" or "FairMoney") hereby furnishes the Fair Practice Code ("the FPC") based on the guidelines issued by RBI which applies to all products and services of FairMoney distributed through the FairMoney Mobile Application ("the App") or FairMoney Website ("the Website"). The Company shall also make appropriate modifications in the FPC from time to time to confirm the standards that may be prescribed by RBI. The Fair Practices Code, as adopted herein below, is in conformity with the Guidelines on Fair Practices Code for NBFCs as contained in the aforesaid RBI Circulars.

The Company's business will be conducted in accordance with prevailing statutory and regulatory requirements, with due focus on efficiency, customer-orientation and corporate governance principles. In addition, the Company will adhere to the Fair Practices Code in its functioning, the key elements of which are as follows.

PREAMBLE

India being a digital-first economy particularly in Financial Services, such technology advancements can truly impact positively the lives of millions if a strong code of conduct is maintained to prevent the rise of unscrupulous practices that could cause harm to the market participants and customers.

FairMoney has put in place the FPC with an endeavor to achieve synchronization of best practices when the Company is dealing with its stakeholders such as customers, employees, vendors, etc. The Company's Fair lending practices shall apply across all aspects of its operations including marketing, loan origination, processing, and servicing and collection activities. The Company's commitment to the FPC would be demonstrated in terms of employee accountability, monitoring and auditing programs, training and technology.

The Company's Board of Directors and the Management are responsible for establishing practices designed to ensure that its operations reflect a strong commitment to fair lending and that all employees are aware of that commitment. FairMoney Management will also ensure monitoring compliance to the Fair Practice Code and putting in place necessary sanctions in case of non-compliance from any employee or third-party.

The Fair Practice Code should be made available at all times to the customers on the Company website <http://fairmoney.in>

KEY COMMITMENTS

The essence of the FPC lies in the following aspects that the Company shall strive to follow in spirit and in letter:

- a. To act fairly and reasonably in all the dealings with borrowers by ensuring that:
 - i. The Company's products, services, procedures and practices will meet the broad requirements and standards in the FPC;
 - ii. The Company's products and services will be in accordance with relevant laws and regulations as applicable for the time being in force concerning financial services and consumer protection, including without limitation all directions, guidelines, circulars and notifications issued by the Reserve Bank of India and other relevant statutory, regulatory or government bodies, as well as applicable laws and regulations in the field of communication and information technologies related to the protection of personal data;
 - iii. The Company's products and services will be transparent in their description, pricing and will not be misleading, deceptive or unclear;
 - iv. The Company's dealings with its borrowers including during collection activities will rest on ethical principles of honesty, integrity, and transparency.
- b. The Company will assist its customers in understanding as to what the broad features of its financial products and services are and what are the benefits and risks involved in availing the same by:
 - i. Providing information about the products and services in simple manner;
 - ii. Explaining the financial implications of using the products and services;
 - iii. Ensuring that marketing and advertising material and outreach to customers is not false, misleading or deceptive;
 - iv. Ensuring that the staff is adequately trained to deal with the customers in an appropriate manner;
 - v. Ensuring that FairMoney can make fair income and affordability assessments of customers;
 - vi. Having reasonable and lawful measures to recover its dues from defaulting customers, including use of persuasive methods for the purpose of collection of its dues.
- c. The Company will make every attempt to ensure that its customers would have trouble-free experience in dealing with it. However, in case of error of commission and/or omissions, it shall:
 - i. Deal with the errors promptly and effectively;
 - ii. Deal with the Grievances redressal in a quick and efficient manner and to the satisfaction of the customers;

- iii. Promptly handle Complaints;
- iv. Have Escalation process, in the event of dissatisfaction of the borrower in handling his complaint(s);

APPLICABILITY OF FAIR PRACTICE CODE

The FPC will be applicable to the following broad areas:

- A. Loan applications and processing thereof
- B. Loan appraisal and terms/conditions
- C. Disbursement of loans including changes, if any, in terms and conditions
- D. Post disbursement supervision/monitoring
- E. Collection of dues
- F. Other general provisions

SPECIFICS

1. PRODUCT GUIDANCE

1.1. PRODUCT TRANSPARENCY

1.1.1. Disclosure of terms, conditions, and obligations to customers

FairMoney aims at offering products and services that are not misleading, deceptive, or unclear. The Company ensures that the marketing and advertising material and outreach to customers is not false, misleading, or deceptive, and that the relevant information is displayed in a format and a language that we can assume the customers can reasonably understand.

FairMoney gives access on the App or the Website to terms and conditions applicable to the products and services as well as to a standard loan agreement that customers can consult before taking a loan and outlines the obligations and commitments of the customer like the obligation to repay the loan and the consequences of non-payment or delayed payment.

FairMoney also ensures that the lender of record is clearly identified by the borrower in the App, or on the Website, as well as in the standard loan agreement available to customers on letterhead of the lender of record.

1.1.2. Disclosure of all costs to customers

FairMoney commits to displaying clearly list all costs and fees arising from the financial product or service offered, including all upfront fees, processing fees, interest costs, insurance costs, registration fees, provisions, re-arrangement fees, late fees, pre-payment fees or penalties and any other costs charged to the customer. The illustration of all costs, including any contingent or default costs and expenses, must be explicit and clear and provided in a manner that any customer could understand.

A repayment schedule with detailed repayment information and due dates will also be provided in a clear manner.

1.2. PRICING AND COST OF CREDIT

1.2.1. Predatory pricing

FairMoney commits to not designing any pricing models that could ever be considered "predatory" or "usurious", including but not limited to:

- a) Any element of deception in the presentation of costs or fees;
- b) Cost or fee structures that are needlessly confusing, complex and designed to extract maximum revenue without consideration of customer understanding.

1.2.2. Interest rate policy

RBI has advised that Boards of Non-Banking Finance Companies (NBFC's) lay out appropriate internal principles and procedures in determining interest rates, processing, and other charges.

FairMoney should always be read in conjunction with RBI guidelines, directives, circulars, and instructions. The company will apply best industry practices so long as such practice does not conflict with or violate RBI guidelines.

To ensure its standards of transparency, in conformity with the stipulations of the RBI's directives, the Company has adopted the following interest rate policy for determining Interest Rates, Processing and Other Charges. This Policy applies to clients whose loans are booked in the Company.

Interest Rate calculation components

- **Tenor of the Loan** – The interest rate charge will depend on the term of the loan; structure of the loan; terms of payment of interest.

- **Internal cost loading** – The interest rate charged will also consider costs of doing business.
- **Internal and External Costs of Funds** - The rate of interest charged is also affected by the rate at which the funds necessary to provide loan facilities to customers are sourced, normally referred to as the Company's external cost of funds. Internal cost of funds being the expected return on equity issued, is also a relevant factor. The interest rate charged will also consider costs of doing business.
- **Credit Risk** – As a matter of prudence, bad debt provision cost should be factored into all transactions. This cost is then reflected in the final interest rate quoted to a customer. The amount of the bad debt provision applicable to a particular transaction depends on our internal assessment of the credit strength of the customer.
- **Other Factors** – The rate of interest shall be based on the cost of borrowed funds, matching tenor cost, market liquidity, RBI policies on credit flow, offerings by competition, tenure of customer relationship, market reputation, cost of disbursements, inherent credit and default risk in the products and customer per se arising from customer segment, profile of the customers, stability in earning and employment, deviations permitted, ancillary business opportunities, future potential, group strength and overall customer yield, nature and value of primary and collateral securities, past repayment track record of the customers, external ratings of the customers, industry trends, switchover options, canvassed accounts etc.

The company may adopt discrete interest rate model whereby the rate of interest for same product and tenor availed during same period by customers would not be a standardized one but could be different for different customers depending upon consideration of any or combination of a few or all factors listed out above.

FairMoney will disclose the effective interest with regards to the loan tenure selected by the customer, alongside loan amount and tenure so that customers can reasonably calculate the total cost of credit.

1.2.3. Late fees and fines

FairMoney will provide clear information related to the amount and mechanism of imposing fines in the event of a delay. Such information should be disclosed upfront to the customer on or before the conclusion of the contract for financial product or service. Late payment penalties will be reasonable, will not compound, and will have a cap as a portion of the due principal.

1.3. LENDING WITHIN APPROPRIATE AFFORDABILITY LIMITS

FairMoney ultimate motive is to make fair income and affordability assessments of customer and ensure that financial product and services, including the loan and all charges and fees, are not in excess of a customer's capacity to pay. FairMoney has been developing and deploying anonymized and technology-based algorithms for those assessments, the result being a complete assessment of the financial condition of the customer to assess the eligibility and suitability for the loan or other financial product offered. FairMoney also ensures the accuracy of the data and information provided by a customer.

2. COLLECTION OF DUES

2.1. INFORMATION ABOUT AN ONGOING LOAN

FairMoney customers can access at any time the information about loan payments due and outstanding loan amounts in the App. In case of a query for information, customers can reach out to FairMoney

2.2. COLLECTION CODE

The below collection code encapsulates minimum requirements that FairMoney adheres to while contacting a customer for overdue payments. The requirements are aligned to minimum standards set forth by regulatory authorities.

In essence, FairMoney will ensure that there is no undue harassment or intimidation (physical or verbal) of customers, including practices such as calling (or threatening to call) any family member of the customer or any person associated with the customer. FairMoney will ensure that its staff, agents, and representatives are adequately trained to deal with the customers in an appropriate manner and are not rude or humiliating in their dealings with the customer.

All customers (including those customers who are late in making their payments or have defaulted in their payment schedule) must be treated with respect, dignity, courtesy and fairness in debt collection efforts. FairMoney believes that this is not only the right thing to do, but also the most effective thing to pursue as well. The below code applies to all the employees of FairMoney, vendors/agents or its employees which are hired or retained to collect dues and over dues from FairMoney customers.

2.2.1. Governing principles

- Customers treatment with dignity:** FairMoney agents or representatives from third parties should always professionally interact with customers over the phone or during visits. No verbal threats or abusive language can be permitted.
- FairMoney employees' and representatives' treatment with dignity:** in case of misplaced behavior from a customer, every employee or representative of FairMoney will escalate the same incident to his manager for appropriate resolution. In case of a severe misplaced behavior or abusive language from a customer towards a FairMoney employee or representative, the company reserves the right to take necessary legal actions.
- Auditability of collection activities:** as per regulatory bodies requirements, all calls made to FairMoney customers are recorded for a duration of 90 days and can be audited in case of a complaint from either side.

- d) **Professionalism of interactions:** every FairMoney employee or representative is thoroughly trained to follow a set of rules and verbatims when interacting with a customer. Specifically, every collection interaction should begin with (i) FairMoney employee or representative clearly identifying himself and the company, (ii) making sure he's talking to the right customer before disclosing confidential information about the dues, (iii) clearly explaining the purpose of the call with all necessary information, amongst which the date when loan was sanctioned, due date of the loan or installment, number of days late, amount due.
- e) **Confidentiality of information between FairMoney and the borrower:** no information about the borrower's ongoing facilities should be disclosed to anyone else than the borrower himself or the guarantor he appointed during the loan application.
- f) **Reachability of customers:** FairMoney employees and representative should only be calling customers between 07:00am and 07:00pm. Under exceptional circumstance customers can be called between 07:00pm and 09:00pm if they have not returned any FairMoney calls for more than 48 hours or if customer has explicitly requested for a callback at a particular hour outside the regular 07:00am to 07:00pm calling hours.
- g) **Right to information:** customers' queries should be answered in full by any FairMoney representative they interact with. If at any point in time the representative is not able to provide the right answer, the query will be escalated internally as per FairMoney internal escalation process. If customer requests to speak to a supervisor in FairMoney the same request shall be positively answered.
- h) **Access to information:** every call by a FairMoney employee or representative should be made in a language that the customer reasonably understands. In case of a language barrier, the call may be paused or dropped until a FairMoney employee or representative is able to interact with the customer in the most understandable language for the customer that FairMoney can arrange.
- i) **Safety:** if safety of the customer is at risk during a call (e.g. while driving), the call may be paused or dropped and a call back will be arranged at a later date

2.2.2. In case of non-reachability of customer

If a customer has not been reachable in the case of a payment delay:

- a) FairMoney reserves the right to use alternative methods to recover his due, including contacting the guarantor contact number indicated by the borrower during the loan application process
- b) FairMoney reserves the right to try to contact the customer and/or his designated guarantor between 07:00pm and 09:00pm
- c) FairMoney may impose late fees on the amount due as per the pricing policy laid out to the customer when taking the loan
- d) FairMoney will report defaulting customers and late payments to Reference Credit Bureaus (Transunion CIBIL, Experian, Equifax, CRIF) as per the Reserve Bank of India guidelines
- e) FairMoney may hinder future loan offers made to the borrower or reject any further loan request in case of significant delay in payment
- f) FairMoney reserves the right to take possible actions in last resort

2.2.3. Frequency of the calls

The purpose of the calls is to bring to the customer's notice the information about a delayed payment, the obligation to pay and the consequences of a late payment or non-payment. FairMoney representatives are trained to understand the reason explaining why the borrower may have delayed his payment and seek the most appropriate resolution. Once a payment date has been mutually verbally agreed between FairMoney and the borrower, subsequent calls may happen at the given date to follow-up if the commitment is not forthcoming or has been broken.

In case of delayed payment or default by the borrower, the frequency of calls will be automatically and reasonably set by FairMoney systems or any third party the Company has partnership with for collections of due. The frequency defined will take into account amount due, loan product, ageing of debt and account history.

3. PROCESSING / DOCUMENTATION AND OTHER CHARGES

All processing / documentation and other charges recovered are expressly stated at the loan offer step before client accepts the loan. They vary based on the loan product, geographical location, customer segment and generally represent the cost incurred in rendering the services to the customers, including costs incurred by FairMoney when using third-party solution for KYC, scoring, or any other purpose linked to the rendering of the services.

- The practices followed by other competitors in the market would also be taken into consideration while deciding the charges.
- GST and other applicable taxes shall be charged as per the guidelines issued by the Government.

4. DATA USAGE AND SHARING

FairMoney follows a consent-based architecture for data capture with informed consent provided by the customer following a explanation in the App of the data being captured and used (including sharing of such data with third parties).

FairMoney practice good faith in the collection, storage, use and sharing of personal data of customers

FairMoney shall not:

- a) Intentionally collect personal data that is not relevant to the services that will be provided to the customer;
- b) Collect personal data outside the data that has been agreed to be given by the customer;
- c) Use personal data for purposes that have not been notified or purposes that are different from what was previously notified to the customer;
- d) Sell personal data of customers to third parties without explicit consent from the customer;
- e) Share personal data of the borrower outside of FairMoney systems and the underlying NFBC providing the loan without notification or consent of the customer;
- f) Use a customer's contact list for contacting any third parties, family members of the customer or persons associated with the customer for any communication related to the customer's loan;
- g) Use the personal data in any manner which is likely to cause physical harm or injury to any customer, their family member or any person associated with the customer.

5. CONSEQUENCES OF LATE PAYMENT / NON-PAYMENT

In case of late payment or non-payment from the borrower with regards to an ongoing facility availed with FairMoney:

- a) FairMoney may collect penal interest / late payment charges for any delay or default in making payments of any dues. These penal interest / late payment charges for different products or facilities would be decided by the Company from time to time
- b) FairMoney will report defaulting customers and late payments to Reference Credit Bureaus (Transunion CIBIL, Experian, Equifax, CRIF) as per the Reserve Bank of India guidelines
- c) FairMoney may hinder future loan offers made to the borrower or reject any further loan request in case of significant delay in payment
- d) FairMoney reserves the right to take legal actions in last resort

6. CUSTOMER COMPLAINTS AND GRIEVANCE MANAGEMENT

The Company believes in speedy redressal of grievances of the borrower and guides its borrowers who wish to lodge a complaint and also provide guidance on what to do in case the borrower is unhappy with the outcome.

FairMoney provides to customers, including by publishing on the Website or App, details of how the customer can contact customer service / concerned compliance officer or seek redressal of customer complaints. After examining the matter, the Company sends a response as soon as possible; The Company has laid down the Grievance Redressal Mechanism for the speedy disposal/ remedy of its Customer's Complaints/ Grievance.

In case of any complaint/grievances of the borrowers, the same shall be intimated by them in writing to the Grievance Redressal Officer. The Grievance Redressal Officer shall immediately make all efforts to redress the grievances within the time frame mentioned in the Grievance Redressal Mechanism.

7. FORCE MAJEURE

The various commitments outlined and made by the Company shall be applicable under the normal operating environment. In the event of any Force Majeure circumstances, the Company may not be able to fulfil the objectives under the FPC to the entire satisfaction of the borrowers, the stakeholders, and the public in general.

8. PERIODIC REVIEW

In order to enhance the value and relevance to the borrowers, the Board of Director of the Company shall annually review the compliance with this Fair Practice Code, adopted by the Board.

Document issued in April 2021, verified and validated by FairMoney Technology Private Limited Board

