

CapitalXB Finance Private Limited – Lenders’ Fair Practices Code

B. Background

CapitalXB is in the business of providing different types of factoring solutions to its customers.

In accordance with the RBI – Master Direction on Non-Banking Financial Company – Scale Based Regulation, 2023, CapitalXB has put in place the Fair Practice Code (FPC) duly approved by its Board. The Fair Practice Code sets out the principles for fair practices/ standards while dealing with its customers.

The Company will adopt this Fair Practices Code (“the Code”) and implement it. The Code applies to all categories of products and services offered by the Company (currently offered and which may be introduced in future).

1. Key Commitments

The Company's key commitments to customers –

- Act fairly and reasonably in all their dealings with customers by:
 - Meeting the commitments and standards specified in the Code, for the products and services which the Company offers and, in the procedures and practices it follows;
 - Making sure that Company's products and services meet relevant laws and regulations;
 - Company's dealings with customers will rest on ethical principles of integrity and transparency.
- Help customers understand how company's product work by:
 - Explaining their financial implications
- Deal quickly and sympathetically with things that go wrong by:
 - Correcting mistakes;
 - Handling customer's complaints;
 - Telling customers' how to take their complaint forward if they are still not satisfied.
- Publicize the Code, put it on Company's website and have copies available for customer on request.

2. Information

- Helping customer choose products and services, which meet their needs and give them clear information explaining the key features of the services and products they are interested in.
- Inform customers about the documents and information the Company needs from them to establish customer's true identity and address and, other documents to comply with legal and regulatory requirements.

3. Applications for credit facilities and their processing

- All communications to the customer shall be in the vernacular language or a language as understood by the customer;
- The credit application forms of the Company will include necessary information which affects the interest of the customer, 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 customer. The credit application form will indicate the documents required to be submitted with the application form;

- The Company will have a system of giving acknowledgement for receipt of credit applications. The time frame within which credit applications will be disposed of will be indicated in the acknowledgement;

4. Credit appraisal and terms/conditions

- The Company will convey in writing to the customer /borrower in vernacular language or a language as understood by the borrower by means of sanction letter or otherwise, the amount of credit sanctioned along with the terms and conditions including annualised rate of interest and method of application thereof and keep the acceptance of these terms and conditions by the customer / borrower on its record.
- The Company will furnish a copy of the loan agreement preferably in vernacular language or in a language as understood by the borrower along with a copy each of all enclosures quoted in the loan agreement at the time of sanction / disbursement of credit facility.
- The exact due dates for repayment of a credit facility, frequency of repayment, breakup between principal and interest, examples of SMA/NPA classification dates, etc. shall be communicated to the borrower at the time of credit sanction and also at the time of subsequent changes, if any, to the sanction terms/ loan agreement till full repayment of the credit facility. In cases of credit facilities with moratorium on payment of principal and / or interest, the exact date of commencement of repayment shall also be communicated to the borrower.

5. Disbursement of credit facility including changes in terms and conditions

- The Company will give notice to the borrower in the vernacular language, or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. The Company will also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard will be incorporated in the loan agreement.
- Decision to recall / accelerate payment or performance shall be recorded in the loan agreement and will be done in accordance with the loan agreement.
- The Company will release all securities on repayment of all dues or on realisation of the outstanding amount of credit subject to any legitimate right or lien for any other claim the Company may have against the borrower. If such right of set off is to be exercised, the Company shall give notice about the same with full particulars to the borrower.

6. Interest and Penal Charges:

- The Company shall clearly indicate the interest chargeable on the loan/ facility and also the terms and conditions, including charges for conversion of a floating interest loan into a fixed interest and vice versa. The Key Facts Statement shall give all the particulars to the borrower, as may be required in accordance with the RBI regulations, from time to time.
- The Company shall share a statement, through appropriate channels at the end of each quarter, indicating the principal and interest recovered till such date, the Annual Percentage Rate for the entire tenor of the loan and such other details. The details shall be in simple and understandable.
- The Company will mention the penal charges that may be imposed for late repayment and / or any other default on the part of the customer, in the loan agreement . The penal charges will not be capitalized. This will not prohibit the normal compounding of interest. The penal charges shall commensurate the non-compliance and shall be in accordance with the board approved policy. The Company shall not introduce any other component to the interest rate, and shall comply with the RBI guidelines on charging of penal charges.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Any instance of levy of penal charges and reason therefor shall also be communicate.

7. General

- The Company 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 the notice of the Company)
- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the Company, if any, will 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.
- In the matter of recovery of credit facility, the Company will not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. To avoid rude behavior from the staff of the Company, the Company shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner.
- The Company shall not charge foreclosure charges/ pre-payment penalties on floating rate term loans sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- Levy of pre-payment charges shall be subject to extant RBI regulations.

8. Grievance Redressal

- A Board shall provide periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews will be submitted to the Board at regular intervals.
- The following information shall be displayed prominently, for the benefit of the customers, at all branches/ places of the Company, where business is transacted:
 - the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached for resolution of complaints against the Company.
 - If customer's complaint/concern is not redressed within a period of 30 days, customer can lodge a complaint on RBI CMS portal - <https://cms.rbi.org.in>

Or send complaint form to the below mentioned address:

Centralised Receipt and Processing Centre, Reserve Bank of India,

4th Floor, Sector 17, Chandigarh – 160017

Tollfree Number- 14448

9. Ombudsman Scheme for Non-Banking Financial Companies

- Reserve Bank – Integrated Ombudsman Scheme, 2021
 - Under the Ombudsman Scheme, the Company has appointed Principal Nodal Officer (PNO) who shall be responsible for representing the Company and furnishing information to the Ombudsman in respect of complaints filed against the Company. The Nodal Officers (NO) appointed by the Company will assist the PNO.
 - For the benefit of the customers, at the branches/ places where business is transacted, the name and contact details (Telephone/ Mobile number and email) of the PNO along with the details of the complaint lodging portal of the Ombudsman (<https://cms.rbi.org.in>) will be displayed.
 - The salient features of the Scheme shall be displayed prominently in English, Hindi and Regional languages at all the offices and branches in such a manner that a person visiting the office or branch has adequate information on the Scheme.
 - The salient features of the Ombudsman Scheme along with the copy of the Scheme and contact details of the Principal Nodal Officer shall be prominently displayed and updated on the website.

- Appointment of Internal Ombudsman
 - In accordance with the RBI guidelines on 'Appointment of Internal Ombudsman by Non-Banking Financial Companies' dated November 15, 2021, the Company will appoint Internal Ombudsman when applicable and shall adhere to the corresponding guidelines.

10. Hosting on Website

Fair Practices Code, in vernacular languages shall be put up on the website of the Company for the information of various stakeholders.

11. Regulation of excessive interest charged

- The Board of Directors has adopted an interest rate model for determining the rate of interest to be charged on loans (including any other credit facility) and advances, processing and other charges taking into account relevant factors such as, cost of funds, margin and risk premium, etc. 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.
- The rates of interest and the approach for gradation of risks shall also be made available on the web- site of the company. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- 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.