

Introduction

Kuhoo Finance Private Limited (the “Company”) is registered with RBI as a Base Layer NBFC. The company is primarily engaged in the retail lending activities primarily in the segment of student education.

As per the company’s strategy, its target markets are primarily students and its lending products include education loan for tuition fees, living expenses and other education related expenses, etc. .. For smooth functioning of its lending activity the company understands the requirement to adhere with RBI guidelines issued from time to time.

The company aims at providing its members an overview of practices, which will be followed by the Company in regard to the financial services being offered. The Company's main emphasis is to provide a fair and reliable service to its members while lending and collection of dues. Thus, this policy is prepared in line with the requirements prescribed by Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and various RBI notifications / directions [“RBI Regulations”] issued in this regard.

The objectives of the Code are:

1. Lay down a codified framework for best practices to be followed by the Company and all of its employees/ representatives in dealing with customers/ prospective customers.
2. Disseminate the policy guidelines in an effective manner to all stakeholders in general and to the Companies in the Group in particular.
3. Review & reinforcement mechanism to ensure high level of adherence to Fair Practices Code.
4. Establish a mechanism for constantly receiving feedback / grievances from Employees, Customers & Companies in the Group in order to improve the implementation of Fair Practices Code.

Scope

1. This Fair Practices Code applies to all categories of products and services offered by the Company, whether currently available or introduced in the future. It must be followed in both letter and spirit by all employees and representatives of the Company.
2. The commitments outlined in this Code are applicable under normal operating conditions. However, in the event of force majeure, the Company may be unable to fulfill these commitments.
3. In case of any discrepancies between this policy and executed agreements, the terms and conditions of the agreements, where they differ, shall take precedence over this Code.
4. Additionally, any directions issued by the RBI or other applicable authorities, as amended from time to time, will override the provisions of this policy.

Key Commitments

The company's Key Commitments are as under:

- 1.** The company is to act fairly and reasonably in all the dealings by:
 - Meeting the commitments and standards in this Fair Practices Code for the financial products and services offered, and the procedures and practices followed
 - Ensuring that the Company's products and / or services are in compliance with the relevant laws and regulations
 - Making the Company's dealings rest on ethical principles of integrity and transparency
 - Providing professional, courteous and speedy services
 - Providing accurate and timely disclosure of terms and conditions, costs, rights and liabilities as regards financial transactions.
 - Not engaging in unlawful and/ or unethical practices

- 2.** The company is to help understand how the financial products and/or services work by:
 - Ensuring that any advertising & promotional literature published is clear and is not misleading
 - Giving verbal information that is consistent with the literature shared
 - Explaining financial and legal implications of the transactions

- 3.** The company is to deal quickly and sympathetically with the complaints / queries by way of:
 - Offering channels to route the complaints/ queries.
 - Correcting mistakes / errors expeditiously.
 - Assisting stakeholders to take their complaints forward if they are not satisfied.
 - Reversing any charges that the company has applied erroneously, on an urgent basis.

- 4.** The company is to disseminate accurate information to
 - Allow the Customers to have clear information explaining the key features of the services and products
 - Inform the documents / necessary information the Company needs from them to establish true identity and address and other documents to comply with legal and regulatory requirements.
 - Give an exact idea on how the selected product or service will be implemented on the company's end and what all compliances need to be done on the customer's end.
 - Provide details regarding the charges for any service or product, before the company provides that service or product.

5. The company shall have copies of this code available for customers on request in English as well as vernacular / regional language (only on specific request of the customer).

TERMS & CONDITIONS FOR LOAN APPRAISAL

1. The Company shall communicate physically / digitally to the customer in English unless a declaration to the contrary is submitted by the customer on the app / website whereby the communication shall be in the language as understood by the customer by means of sanction letter or Key Fact Statement (KFS) or otherwise.
2. KFS will detail the amount of loan sanctioned along with the terms and conditions including annualized rate of interest and method of application thereof, Annual Percentage Rate(APR) and other key terms of the loan.
3. The application form of the company available on app / website shall also indicate the list of documents required to be submitted by the Customers for the Loan Appraisal.
4. The company shall in its application form or through the Key Fact Statement (for all the loans) share 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 an informed decision can be taken by the customer.
5. The company shall ensure that contents of KFS shall be explained to the customer (on specific request over call) and an acknowledgement shall be obtained that he/she has understood the same and kept on records.
6. The company has devised a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed of shall also be indicated in the acknowledgement
7. The Company will mention the penal charges in bold in the loan agreement.
8. The company will furnish a copy of the loan agreement / Sanction Letter / KFS as understood by the customer along with a copy each of all enclosures quoted in the loan agreement to all the customers at the time of sanction / disbursement of the loan
9. Appropriate internal principles and procedures for determining interest and other charges shall be laid down and be subjected to review keeping in view the business exigencies, regulatory and customer sentiments, market practices etc.
10. The acceptance of the terms and conditions of the agreement / sanction letter / KFS communicated (physically / Digitally) by the customer shall be preserved by the Company in its records.

Disbursement Of Loan Including Change In Terms And Conditions And Penal Charges

1. The Company shall give notice to the customer, in the agreed language of understanding by the customer at the time of Loan Application, of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
2. The disbursement shall be done upon compliance of all terms and conditions (including submission of pre-disbursal documents) of the sanction by the customer;
3. The Company shall ensure that changes in interest rates and other charges are affected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement and FAQ segment of website / application
4. The decision of the Company to recall / accelerate payment or performance shall be in consonance with the terms of the loan agreement signed by the customer.
5. Without prejudice to the compounding of interest in the loan account, any penalty charged for non-compliance with the material terms and conditions of the loan contract by the customer shall be categorized as 'penal charges,' as specified in the KFS/Loan Agreement and determined by the Board from time to time. The Company will ensure that no penal charges will be levied in the form of 'penal interest' or any similar nature, such as 'additional interest.'
6. A detailed list of Penal Charges for each non-compliance shall be highlighted in the KFS / Loan Agreement form along with the quantum of penal charges, as determined by the board based on following guidance of RBI:
 - a. The charges shall at all times be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
 - b. The penal charges in case of loans sanctioned to 'individual customers, for purposes other than business, shall not be higher than the penal charges to nonindividual customers for similar non-compliance of material terms and conditions.
7. The reason and circumstances for charging of penal charges shall also be highlighted in loan agreement / revised KFS.
8. The company shall ensure that reminders for non-compliance of material terms and conditions of loan sent to customers shall be accompanied with the penal charges.
9. Appropriate communication to the customer shall be made on any instance of levy of a penal charge with appropriate description of default.

Reset of floating interest rate on Monthly Instalments (MI) based Education loans

(i) At the time of sanction, the Company shall clearly communicate to the borrowers about the possible impact of change in Retail Prime Lending rate on the loan leading to changes in MI and/or tenor or both. Subsequently, any increase in the MI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.

(ii) At the time of reset of interest rates, the Company shall provide the option to the borrowers to switch over to a fixed rate (If applicable) as per this policy.

(ii) The company shall resort to elongation of tenor of the borrower on reset of floating rate products. Only upon specific request received by the borrower for enhancement of MI or a combination of enhancement of MI and tenor, the company may make such modifications to the repayment schedule.

(iii) The customer shall have the option to prepay the loan, either in part or in full, at any point during the tenor of the loan subject to applicable foreclosure charges/ prepayment penalty, if any.

(iv) 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 the Company from time to time.

(v) Company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

(vii) The Company shall share/ make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest/Annual Percentage Rate (APR) for the entire tenor of the loan. The Company shall ensure that the statements are simple and easily understood by the borrower.

(vi) The Company shall, upon request, provide borrowers with a statement detailing the principal and interest repaid, EMI amount, number of EMIs remaining, and ensuring clarity and simplicity

Release Of Movable/Immovable Property Documents On Repayment/ Settlement Of Personal Loans

A detailed SOP for release of movable / immovable property documents will be implemented based on below framework:

- The process shall be laid down in the agreement / FAQ section of the website / application for reference and awareness of customers.
- The company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.
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- The timeline and place of return of original movable/immovable property documents shall be mentioned in the KFS / loan sanction letters issued on or after the effective date.
- In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the company shall communicate (physically / digitally) to the customer reasons for such delay along with compensation to the customer at the rate of ₹5,000 for each day of delay.
- In case of loss/damage to original movable/immovable property documents, either in part or in full, the company shall assist the customer in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as determined above.
The company shall take time of 30 days to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- The compensation provided under these directions shall be without prejudice to the rights of a customer to get any other compensation as per any applicable law

General

1. The Company will refrain from interfering in the affairs of its customer except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the Customer, has been noticed)
2. In case the receipt of the request from the customer for transfer of a borrowal account, the consent or otherwise i.e. objection of the Company, if any, should 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.

3. In the matter of recovery of loan, the company shall not resort to undue harassment viz; persistently bothering the customers at odd hours, use muscle power for recovery of loans etc. The Company shall ensure that the staff are adequately trained to deal with the Customer in an appropriate manner.
4. The Company shall not charge interest rate beyond a certain level which may be seen as excessive or not sustainable or not conforming to normal financial practices
5. In case of movable/immovable property received as collateral, the Company shall ensure that the entire process of enforcing its security, valuation and realization thereof is fair and transparent. Further, all personal information of customer and information related to the transactions with the Company shall be treated confidential, shall not be reveal to anyone, except with customer's prior written consent and/or required by Digital Lending Guidelines of RBI and other laws and regulations.

Regulation of Rate of Interest

1. The Board of Directors shall adopt an interest rate model for determining the rate of interest to be charged on loans and advances, processing and other charges taking into account relevant factors such as cost of funds, margin and risk premium, etc.
2. The rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of customers shall be disclosed to the customer or customer in the application form / website and communicate explicitly through sanction letter / KFS (physically /digitally) applicable interest rate.
3. The information published in the website or otherwise published, if any, should be updated whenever there is a change in the rates of interest.
4. The rate of interest should be annualized rates so that the customer is aware of the exact rates that would be charged to the account.

Responsibilities Of Board Of Directors

- a. There will be a periodical review of the compliance of the Fair Practices Code at the senior level of management. A consolidated report of such reviews will be submitted to the Board at regular intervals, as may be prescribed by it.

Exception Handling

The policy shall always be updated with extant regulatory provisions. However, in case of conflict between the Policy and regulations, the regulatory provisions shall always supersede the policy.

The updated policy shall be adhered to at all times and exceptions if any to the policy shall be approved by the board of directors after recording a reason in writing.