

# TALA

## FAIR PRACTICES CODE

### Revision & Approval History

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## TABLE OF CONTENTS

1. PREAMBLE	3
2. PRINCIPLES UNDERLYING FAIR PRACTICES CODE	3
3. OBJECTIVE	4
4. APPLICABILITY	4
5. LOAN APPLICATIONS AND THEIR PROCESSING	4
6. LOAN APPRAISAL AND TERMS & CONDITIONS	5
7. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS	6
8. GENERAL	6
9. GRIEVANCE REDRESSAL MECHANISM	7
10. REGULATION OF EXCESSIVE INTEREST RATE CHARGED	8
11. LOAN SOURCING THROUGH DIGITAL LENDING PLATFORMS	8
12. PERIODICAL REVIEW	9

## 1. PREAMBLE

- 1.1. This Fair Practices Code (“**Code**”) has been framed to provide borrowers of Talazen Finance India Private Limited (“**Company**”/ “**Tala**”) an effective overview of the practices followed by the Company and to enable borrowers to take informed decisions in respect of the financial facilities and services offered by the Company.
- 1.2. This Code has been prepared in compliance with the “Guidelines on Fair Practices Code for NBFCs” issued by the Reserve Bank of India (“**RBI**”). The Code covers the general principles on adequate disclosures on the terms and conditions of the loan and the procedures to be followed when dealing with the borrowers.
- 1.3. The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications, if any, necessary to this Code to conform to the standard so prescribed.

## 2. PRINCIPLES UNDERLYING FAIR PRACTICES CODE

- 2.1. The Company believes that the bedrock of any successful business is a relationship of trust with its customers. Relationships of trust last longer and are ultimately of greater value than transactional relationships - for both parties. In order to build relationships of trust with our customers, Tala will conduct business in the manner stated below:
  - a. **Respect for laws and regulations:** Tala’s products and services will always meet legal and regulatory requirements appropriate for the product in question.
  - b. **Building equitable relationships:** While Tala’s products will meet legal and regulatory requirements associated with the product / service in question, Tala will also attempt to facilitate outcomes that are equitable to our clients. This does not in any fashion preclude Tala from taking all such steps as may be required to ensure protection to itself and its other constituents from a risk management perspective.
  - c. **Clear, comprehensive, and transparent communication:** It is Tala’s intent to provide comprehensive, clear, and easily understandable communication concerning our products and services. These must, at a minimum, lay out all significant terms and conditions, highlight all costs and charges. Tala will communicate the impact of negative outcomes on customers in as transparent a manner as custom permits. Finally, Tala will, to the extent permissible under extant laws, attempt to make its contracts as easily accessible as permitted by custom/laws. It may, however, be noted that nothing in this paragraph precludes Tala from taking such steps as may be required to ensure the protection of its interests and that of its other constituents.
  - d. **Treating customers with respect and dignity:** Tala will treat its customers with respect and dignity. It will aim to resolve issues that arise - for example, default on a loan - by discussion with an aim to promote a culture of partnership. It may, however, be noted

that the above does not preclude Tala from taking any lawful steps to protect its interests.

- e. ***Ensuring swift resolution to grievances:*** Tala aims to provide industry-leading service quality to its customers. Tala will aim to meet and exceed industry benchmarks in this regard, on average. Outliers - for example, customers whose complaints are complicated or atypical - will be escalated and reported as appropriate.

### **3. OBJECTIVE**

3.1. This Code has been developed to:

- a. Promote good, fair, and trustworthy practices by setting minimum standards in dealing with the customers;
- b. Increase transparency to enable the customers to have a better understanding of what they can reasonably expect of the services;
- c. Encourage market forces, through competition, to achieve higher operating standards;
- d. Foster a fair and cordial relationship between the borrowers and the Company;
- e. Ensure compliance with regulatory requirements with regard to customer interface;
- f. Strengthen mechanisms for redressal of customer grievances.

### **4. APPLICABILITY**

- 4.1. The Code applies to all persons offering the products and services of the Company or interacting with the customers as an employee or otherwise in any manner and/or by any mode.
- 4.2. The Code is based on ethical principles of integrity and transparency, and all actions and dealings shall follow the spirit of the Code.
- 4.3. The Code shall be disclosed on the Company's website.

### **5. LOAN APPLICATIONS AND THEIR PROCESSING**

- 5.1. Loan application forms issued by the Company shall include the necessary information that affects the interest of the borrower to enable the borrower to make an informed decision. The loan application form shall indicate the documents required to be submitted along with the loan application form.
- 5.2. The Company shall issue an acknowledgement receipt for all loan applications. The normal time frame within which loan applications, complete in all respects, will be disposed of would be indicated in the acknowledgement of loan applications.
- 5.3. If any additional details / documents are required, the same shall be intimated to the borrowers immediately.

- 5.4. All communications to the applicant or borrower shall be in the vernacular language or in a language understood by the applicant or borrower.

## **6. LOAN APPRAISAL AND TERMS & CONDITIONS**

- 6.1. The Company shall conduct due diligence on the creditworthiness of the borrower, which will be an important parameter for taking a decision on the application. The assessment would be in line with the Company's credit policies, norms, and procedures in respect thereof.
- 6.2. The borrower would be informed by means of a written sanction letter in the vernacular language, wherever applicable, or a language understood by the borrower, of the amount of the loan sanctioned or otherwise. The said letter shall contain the terms and conditions, including the annualized rate of interest, the annual percentage rate ("**APR**"), and the method of application thereof. The Company shall keep the acceptance of these terms & conditions by the borrower on its record.
- 6.3. The Company shall provide a Key Fact Statement ("**KFS**") to the borrower, as per the standardised format prescribed by the RBI. The KFS shall be written in the vernacular language or a language understood by the borrowers. Contents of KFS shall be explained to the borrower, and an acknowledgement shall be obtained that he/she has understood the same.
- 6.4. Further, the KFS shall be provided with a unique proposal number and shall have a validity period of at least 3 working days for loans having a tenure of 7 days or more.
- 6.5. The KFS shall also include a computation sheet of the annual percentage rate ("**APR**"), and the amortisation schedule of the loan over the loan term.
- 6.6. The Company shall not charge to the borrower any fees, charges, etc. that are not mentioned in the sanction letter and KFS during the term of the loan, without the explicit consent of the borrower.
- 6.7. The KFS shall also be included as a summary box to be exhibited as part of the loan agreement.
- 6.8. The Company shall furnish a copy of the loan agreement as understood by the borrower, along with a copy of each of all enclosures quoted in the loan agreement, to all the borrowers at the time of sanction or disbursement of loans.
- 6.9. The loan agreement shall specify instances wherein the Company shall have the right to recall or accelerate payment or performance under the loan agreement.
- 6.10. The Company shall charge any penal charges in accordance with its Interest Rate and Charges Policy. The Company shall mention the penal charges charged for late repayment in bold in the loan agreement.
- 6.11. Additionally, the quantum and reason for penal charges shall be clearly disclosed to the

customers in (a) the loan agreement and KFS, and (b) on the website of the Company under interest rates and service charges.

- 6.12. The Company shall ensure that adequate reminders are sent to the customers for repayment of loans. Whenever such reminders are sent to borrowers, the penal charges shall be specifically communicated. Further, in case penal charges have been levied on a customer owing to default in repayment by them, the same shall also be communicated as a part of the communication/ reminder, along with the reason thereof.
- 6.13. The Company shall provide the customer with a detailed repayment schedule specifying the exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, examples of Special Mention Account (SMA)/Non-Performing Advance (NPA) classification dates, etc. The repayment schedule shall form part of the loan agreement, and the borrower shall be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanction terms or loan agreement till full repayment of the loan.
- 6.14. For all the digital loans, the Company shall ensure that digitally signed documents such as KFS, summary of loan product, sanction letter, terms and conditions, privacy policies of the Company, and the relevant lending service provider shall automatically flow to the borrower on the registered and verified email/SMS upon execution of the loan agreement or terms and conditions.

## **7. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS**

- 7.1. The Company shall give a notice to the borrower in the vernacular language, or a language understood by the borrower, in case of any change in the terms and conditions, including the disbursement schedule, interest rates, service charges, pre-payment charges, etc.
- 7.2. The Company shall ensure that changes in interest rates and charges are effective from a prospective date. The loan agreement shall also carry an express stipulation in this regard.
- 7.3. Any decision to recall / accelerate payment or performance shall be in consonance with the loan agreement.

## **8. GENERAL**

- 8.1. The Company shall not interfere in the affairs of the borrower except for the purposes provided in the loan agreement unless new information not earlier disclosed by the borrower has come to the notice of the Company.
- 8.2. In case of receipt of a request from the borrower for transfer of borrowal account, the consent or otherwise, i.e., objection of the Company, if any, shall be conveyed within 21 days from the date of receipt of the request. Such transfer shall be as per transparent contractual terms in consonance with the law.

- 8.3. In the matter of recovery of loans, the Company shall not resort to undue harassment like persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.
- 8.4. When a recovery agent is assigned to a customer or if there is a change in the recovery agent already assigned, the particulars of such recovery agent authorised to approach the borrower for recovery shall be communicated to the borrower through email or SMS before the recovery agent contacts the borrower for recovery.
- 8.5. The Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- 8.6. The Company shall not charge foreclosure charges and pre-payment penalties on all loans sanctioned to individual borrowers.
- 8.7. With respect to digital loans, in case a borrower exits the loan during the one-day cooling-off period provided by the Company, in terms of its Credit Policy, the Company shall not charge any prepayment penalty. However, the borrower shall be liable to repay the principal and proportionate APR, along with the one-time processing fee specified in the KFS.
- 8.8. The Company shall not discriminate in extending any loans to physically/visually challenged applicants on grounds of disability. The Company shall render all possible assistance to such persons for availing loans from the Company.
- 8.9. The training modules designed for training of employees having an interface with the customers shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions. Further, the Company shall ensure that grievances of persons with disabilities are redressed adequately under the Grievance Redressal Mechanism.

## **9. GRIEVANCE REDRESSAL MECHANISM**

- 9.1. The board of directors of the Company has laid down a grievance redressal mechanism within the organization as per the Grievance Redressal Policy of the Company which ensures that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level.
- 9.2. The board of directors of the Company has nominated [Shikha Gupta](#) as the Grievance Redressal Officer of the Company, and she shall be entrusted with the job of redressing the grievances raised by the customers.
- 9.3. The Company shall display the following information prominently, for the benefit of their customers, at its branches/ website or any other places where business is transacted:

- a. the name and contact details (telephone / mobile number(s) as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
  - b. Details for approaching the RBI Ombudsman, if the complaint is not redressed within a month by the Company, through any of the following:
    - the complaint management system of the RBI, for directly lodging complaints online on the complaints portal, i.e., <https://cms.rbi.org.in>
    - the Centralised Receipt and Processing Centre, 4<sup>th</sup> Floor, Reserve Bank of India, Sector 17, Central Vista, Chandigarh – 160017, for lodging complaints through postal mail and hand delivery
    - through email at [crpc@rbi.org.in](mailto:crpc@rbi.org.in) for complaints lodged through email
- 9.4. On achieving an asset size of INR 100 crores, the Company shall appoint Principal Nodal Officer in accordance with directions provided under the Reserve Bank – Integrated Ombudsman Scheme, 2021.

## **10. REGULATION OF EXCESSIVE INTEREST RATE CHARGED**

- 10.1. The Company has laid out appropriate internal principles and procedures to determine the interest rates and processing and other charges in its Interest Rate and Charges Policy.
- 10.2. The Company has adopted an interest rate model taking into account relevant factors to determine the rate of interest to be charged for loans and advances.
- 10.3. The rate of interest will be communicated explicitly in the sanction letter and KFS. The Interest Rate and Charges Policy, including the approach for gradations, shall also be made available on the website of the Company. The approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall also be explicitly disclosed to the borrower in the application form and the sanction letter. The information shall be updated whenever there is a change in the rates of interest.

## **11. LOAN SOURCING THROUGH DIGITAL LENDING PLATFORMS**

- 11.1. The Company shall, irrespective of whether it lends through its own digital lending platform or through an outsourced lending platform, adhere to the Fair Practices Code guidelines in letter and spirit.
- 11.2. The Company shall also meticulously follow regulatory instructions on the outsourcing of financial services and IT services.
- 11.3. Wherever the Company engages digital lending platforms as agents to source borrowers and/

or to recover dues, it shall follow the following instructions:

- a. Names of digital lending platforms engaged as agents shall be disclosed on the website of the Company.
- b. Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer the name of the Company on whose behalf they are interacting with him.
- c. Immediately after sanction but before execution of the loan agreement, the KFS and the sanction letter shall be issued to the borrower on the letterhead of the Company.
- d. A copy of the loan agreement, along with a copy of each of all enclosures quoted in the loan agreement, shall be furnished to all borrowers at the time of sanction/ disbursement of loans.
- e. Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the Company.
- f. Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

## **12. PERIODICAL REVIEW**

The policy is subject to annual review and updated to incorporate new RBI guidelines and industry best practices.

A periodical review of compliance with the Code and the functioning of the grievance redressal mechanism at various levels of management will be undertaken by the Compliance Audit function, and a consolidated report of such reviews shall be submitted to the board of directors of the Company on an annual basis.