

**October 10, 2007**

All Non-Banking Financial Companies  
(including Residuary Non-Banking Companies)

Dear Sir,

**Guidelines on Fair Practices Code for Non-Banking Financial Companies**

Please refer to our Company Circular DNBS (PD) CC No. 80 / 03.10.042 / 2005-06 dated September 28, 2006 wherein guidelines were issued to NBFCs (including RNBCs) for framing the Fair Practices Code. In terms of paragraph (ii) of the Annex to the Company Circular it has been prescribed under 'Loan appraisal and terms/conditions', that the NBFCs should convey in writing to the borrower by means of sanction letter or otherwise, the amount of loan 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 borrower on its record.

2. It is understood that in a few cases, borrowers at the time of sanction of loans are not fully aware of the terms and conditions of the loans including rate of interest, either because the NBFC does not provide details of the same or the borrower has no time to look into detailed agreement.

3. In this connection, we advise that not furnishing a copy of the loan agreement or enclosures quoted in the loan agreement is an unfair practice and this could lead to disputes between the NBFC and the borrower with regard to the terms and conditions on which the loan is granted.

4. NBFCs are, therefore, advised to invariably furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to all the borrowers at the time of sanction / disbursement of loans.

Yours faithfully

( P. Krishnamurthy)  
Chief General Manager – in – Charge