

FINANCIAL CUSTOMER PROTECTION FRAMEWORK



Version: 2.0

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SECTION A: PRELIMINARY

Title

“Policy & Procedures in relation to Financial Customer Protection Framework”

Authorization

This document sets out the standards on financial customer protection that Vallibel Finance PLC (hereafter referred to as “the Company”) shall adhere into.

This document has been prepared based on the provisions of the Direction on Financial Customer Protection Framework (Direction No. 01 of 2018) issued by the Monetary Board in accordance with the Section 12 of the Finance Business Act, No. 42 of 2011 and Financial Consumer Protection Regulations No. 01 of 2023 issued by the Monetary Board of the Central Bank of Sri Lanka as a supplement to the Financial Customer Protection Framework Direction No. 01 of 2018 and subject to the effective dates mentioned there in.

Scope of Application

Every Licensed Finance Company (LFC) shall ensure the adherence to the Financial Customer Protection Framework set out in the Finance Business Act Direction No. 1 of 2018 - Financial Customer Protection Framework.

Further Financial Consumer Protection Regulations No. 01 of 2023 is applicable to Financial Service Providers regulated by the Central Bank and shall comply with these Regulations to the extent such Regulations are relevant to LFC’s operations.

As a Licensed Finance Company, Vallibel Finance PLC is required to adopt the said standards of best practices which are expected by customers when they undertake transactions with us.

Objective

Objective of the Financial Customer Protection Framework is to safeguard the interests of customers, maintaining a healthy relationship and strengthening the customer confidence on the Company to ensure the stability and soundness of the Financial Sector.

In this regard the Company shall have financial consumer protection policies and procedures as appropriate to the Company.

SECTION B: GOVERNANCE

Responsibility of the Board of Directors;

The Board of Directors shall be responsible to strengthen its financial consumer protection framework by:

- a. approving and adopting financial consumer protection policies and procedures of the Company and overseeing and reviewing such policies and procedures in compliance with the applicable regulations or circulars, guidelines, codes of conduct.
- b. ensuring that an appropriate structure with procedures, systems and resources are in place for effective implementation of financial consumer protection policies, including internal controls and codes of conduct for employees and agents/ third parties appointed by the Company.
- c. appointing an officer from Key Management Personnel to oversee the financial consumer protection function and report to the Board periodically.
- d. ensuring that the Key Management Personnel monitors, evaluates the financial consumer protection activities, reports to the Board semi-annually and corresponds with the Central Bank; and
- e. ensuring that an appropriate monitoring mechanism is in place to assure compliance with above Directions and all employees and agents/ third parties appointed by the Company are adhering to the financial consumer protection requirements.

Financial customer protection should be an integrated part of the corporate governance, culture and strategic decision making of the Board.

Key Responsibilities of the Key Management Personnel appointed by the Board;

- a) implementation of suitable mechanisms to coordinate and collaborate among other internal business units to ensure that the financial consumer protection policies and procedures are in compliance with the applicable regulations or circulars, guidelines, codes of conduct.

- b) monitoring, evaluating and reporting on financial consumer protection activities, including complaint data and operational reports.
- c) overseeing and supervising the operations of any agent and/or third party who is providing financial products and/ or services to ensure financial consumer protection.
- d) identification of financial products and services that carry compliance risks on financial consumer protection and initiate actions to manage such risks
- e) ensuring deployment of staff who have sufficient knowledge and expertise in carrying out financial consumer protection activities and
- f) ensuring the provision of relevant training for employees, agents and third parties appointed by the Company, engaged with financial consumers on matters related to customer protection regulations, such as policies, procedures, systems, etc.

Responsibility of the Operational Management Personnel;

The operational management is responsible for the effective implementation of Financial Customer Protection Framework and ensures the protection of rights and interests of the financial customers and key responsibilities are;

- a. implementation of policies, procedures and systems relating to financial consumer protection adopted by the Company in compliance with the applicable regulations or circulars, guidelines, codes of conduct.
- b. maintenance of records and information on activities related to financial consumer protection and
- c. submission of periodic reports on activities related to financial consumer protection required by the Key Management Personnel or the Board.

It is the responsibility of every employee to carry out their duties in accordance with the Financial Customer Protection Framework.

SECTION C: CONSUMER PROTECTION STANDARDS

1 Disclosure and Transparency

The Company shall maintain an official website and update its contents in a timely manner ensuring adequate disclosure and transparency of its business activities, products and services.

The Company shall disclose or provide all the relevant information and documents at any stage of a contract, in a complete, clear, concise, accurate, not misleading and timely manner in the language preferred by the financial consumer either in Sinhala, Tamil or English and explain salient features of such information to the financial consumer.

The Company shall provide copies of the offer letter, agreement and other relevant legal documents to the financial consumer at the time of execution of such documents or within a reasonable time period giving due attention to perfection requirements provided by the law.

1.1 Key Information about the Product/Service

The Company shall provide accurate and not misleading information (whether written, oral or visual) in advertisements, marketing material or any material related to financial products or services.

1.1.1 Advertisements Stage

- a) All advertisements made shall be in accordance with the general and product-specific advertising regulation and guidelines issued by the Central Bank of Sri Lanka from time to time.
- b) All advertisements made by the Company, in any form (whether written, oral or visual) should be; accurate, understandable and contain factual information on products/services offered in view of not misleading the customers. Clarification on any advertisements published should also be provided up on request.
- c) The information provided shall be in plain and comprehensible language in either Sinhala, Tamil or English, as preferred by the financial consumer.

- d) Any written communication provided by the Company shall:
 - i) be in a font, size, spacing and placement of content that makes communication easy to read for the financial consumer; and
 - ii) contain and highlight key features of the given financial product or service such as Annual Effective Rate of Interest (AER), tenor of the facility, fees charges and main risks
- e) The Company shall provide a financial consumer with documents, including Key Fact Documents, applications, offer letters, agreements, forms, receipts and statements relating to the financial product or service in writing, including electronic means.
- f) The Company shall provide clarifications if financial consumers have any query regarding the information provided or disclosed.
- g) The Company shall obtain a written confirmation from the financial consumer that the details of the products or services and their terms and conditions were received, explained and understood prior to accepting the offer.
- h) The Company shall notify affected financial consumers at least thirty (30) calendar days in advance of the amendments or alterations being made to the range of services it provides.
- i) The Company shall convey information in a clear and transparent manner via digital channels and Company shall be required to;
 - i) make available the key information prominent in digital channels, with secondary layers of information provided for further details;
 - ii) make available the offline channels to obtain further information and assistance;
 - iii) keep the order and flow of information provided via mobile channels to enhance transparency and comprehension;
 - iv) disclose pricing and key terms and conditions before the transaction is completed in digital transaction process; and
 - v) make available user interfaces via mobile apps/ channels that are user-friendly and easy to navigate with adequate security features.

1.1.2 Pre-contractual Stage

- a) The company should have a standardized document in the form of “**Key Facts Document**” in either printed or electronic form for its products/ services written in simple language in Sinhala, Tamil and English, which shall be made available to the prospective financial consumers and displayed on the corporate website.

This document should contain the following basic information for **Loan Products**:

- Key features of the product/service
- Procedures to be followed to obtain the product/service
- Main terms and conditions
- Applicable legal provisions
- Complaint handling procedure

This document should contain the following basic information for **Deposit Products**:

- Key features of the financial product/service
- Financial and other benefits to customers
- The minimum balance requirements
- Account opening/maintenance/closure fees, as applicable and
- Availability of deposit insurance coverage
- Any restrictions on opening/closing of accounts, premature withdrawals, transfer of funds by customers and policies and procedures on dormant accounts and abandoned properties
- Procedures for unauthorized or mistaken transactions, as applicable
- Complaint handling procedure

- b) Prospective customers should not be forced to enter into a contract and should be allowed a reasonable period to make an informed decision about the product/service.

1.1.3 Contractual Stage

- a) The Company should disclose the information on products/services as required by the relevant Acts/Directions, where applicable.
- b) The Terms and Conditions and features of the product/service should be clearly explained to the customers covering the following.

- Details of general charges such as interest rates, fees and commissions, if any, required to be paid by the customer including the method of computing interest charges.
- The Company's procedure for receiving complaints and the resolution mechanism.
- The course of recovery actions the Company may follow in the event of any default by the customer on his/her obligations and Company's expenses that will be claimed from the customer.
- Any restrictions on opening/maintaining/closing of accounts, transfer of funds by customer and policies and procedures on dormant accounts and abandoned property.
- Penalties and early settlement charges to be paid by the relevant customer in case of premature withdrawal/termination of participation in a product/ service by the customers.
- The rules regarding, reporting of suspicious transactions and above the threshold transactions to the Financial Intelligence Unit.
- The reporting procedure that the customer should follow in case of stolen financial instruments and liability of the Company and the customer.
- Disclosure of customer information to a party legally authorized to obtain such information.

Additionally followings shall be disclosed in the contractual documents in accordance with Section 36 of Financial Consumer Protection Regulations No. 01 of 2023,

- i. rights and responsibilities of the financial consumer;
- ii. rights and responsibilities of the Company;
- iii. key risks to the financial consumer;
- iv. notification to financial consumers on changes to the contract;
- v. penalties and other remedies in the event of a breach of contract;
- vi. contact information of the Company's financial consumer service;
- vii. terms and conditions that may lead to termination of the contract;
- viii. cancellation/ termination and portability procedures of financial products and services
- ix. any compensation/ charges/ penalty applicable in case of pre-mature withdrawal/ termination/ early settlement/ switching of a product or service by the financial consumer;
- x. procedure and latest contact details of the Company on handling complaints and alternate dispute resolution mechanisms such as Financial Ombudsman

- in Sri Lanka and the Central Bank;
- xi. interest rates, costs, commissions, fees and charges relevant to the product or service – as applicable
 - xii. method of computing interest charges;
 - xiii. the rules regarding:
 - a. reporting of suspicious transactions and above-the-threshold transactions to the Financial Intelligence Unit;
 - b. the reporting procedures that the financial consumer should follow in case of stolen financial instruments and the manner in which such liability to be accepted by the Company and by the financial consumer; and
 - xiv. the disclosure of financial consumer information to a party legally authorised to obtain such information.
- c) For loan products, every customer shall be provided with an application/Offer Letter/agreement and shall, at minimum, contain the following basic information;
- Name of the borrower
 - Contract number (loan reference no.)
 - Amount granted
 - Date granted and credit repayment period of the loan
 - Rate of interest and its basis (nominal or effective)
 - Annual Effective Rate of interest and basis (Fixed or Floating)
 - If floating, benchmark rate and frequency of rate revision
 - Repayment terms and frequency of the installment
 - Details of the security offered
 - Breakdown of the additional charges, commissions and other costs payable by the financial consumer such as insurance, valuation, documentation, registration, etc. (if applicable)
 - Penal rate (per annum) in the event of delayed payment
 - The recovery procedure in the event of default of the customer (repossession of assets, the costs involved in the process, procedure after repossession, the other charges applicable, etc.)
 - The conditions applicable for early settlement of loans
 - Liability of parties in the event of unauthorized transactions on their accounts or fraud involving a credit instrument
 - Terms and conditions of all tied or bundled financial products or services sold together with the credit facility

d) Provision of Account Statements

- The Company shall provide a financial consumer with:
 - i. a periodic statement of every account the Company operates for the financial consumer, free of charge, either in written or electronic form or according to the manner as agreed by the financial consumer when entering into the principal contract with the Company
 - ii. a closing statement when terminating or concluding a contract; and
 - iii. information on account balances upon request by the financial consumer.
- The frequency in which statements are provided shall commensurate with the type of financial product or service, its term and the type of clientele.
- The statement referred above (i) and (ii) shall contain the following information, as applicable:
 - i. all transactions (date, type and amount);
 - ii. opening and closing balances;
 - iii. due date;
 - iv. amount due/ payable;
 - v. annual effective rate of interest; and
 - vi. fees and penalty charged (rate or percentage).

1.1.4 Upon Request

A Product Statement should be provided for loan products upon request and should cover the following information:

- Detailed transactional information for the reporting period
- Effective interest rate and the interest charge for the period
- Fees charged for the period
- Due date and outstanding balance
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1.1.5 A written confirmation should be obtained from the customer that the details of the product/service and the terms and conditions were received, explained and understood.

1.1.6 All documents pertaining to the product /service should be duly completed and signed by the customer. Accepting incomplete documents and obtaining signatures on blank papers/documents is prohibited.

1.1.7 The customer should be encouraged to aware of all the terms and conditions in relation to the financial product / services before placing the signature on documents.

1.1.8 Any changes made by the Company to the agreed terms and conditions on products/services should be informed to the customers before the changes are made. In case if the Company is unable to communicate to the customers about changes done as a result of changes in regulatory provisions, customers should be informed within a reasonable time period, after the changes are made.

1.2 Settlement of Obligation

- The Company shall provide a financial consumer who has fully settled the financial obligations with a written declaration indicating the full settlement of the obligation.
- The Company shall take measures to release the documents related to the property that is subject to collateral of a credit facility to the financial consumer within seven (07) working days from the date of full settlement of the obligation.

1.3 Information on Deposit Accounts

- With regard to Fixed Deposit products, the customer shall be informed with required information, and periodic renewal statements shall be sent via registered post for renewals. With regard to Savings accounts, transactions details shall be obtained via updating the Savings Pass Book or requesting Saving Account Statement.
- The Company shall disclose the following information to the financial consumer in the application/ mandate/ certificate/ pass book/ renewal notice, information relating to:
 - i. balance of the account in an appropriate mode and frequency, as applicable;
 - ii. applicable annual effective interest rate;
 - iii. charges or fees for account opening and minimum balances, as applicable;
 - iv. account maintenance fees , as applicable;

- v. responsibility of the financial consumer to keep the account access information confidential, including Personal Identification Numbers and passwords linked to the account , as applicable;
- vi. limitations on the account functionality such as the number of withdrawals and transactions allowed free of charge, as applicable;
- vii. in the case of term deposits, a notice of renewal prior to the maturity date;
- viii. availability and coverage of the deposit insurance;
- ix. procedures and costs for the financial consumer to close the account; and
- x. conditions to be classified as an inactive or dormant account and the consequences of an account becoming inactive or dormant.

1.4 Notification of Changes in Terms and Conditions

- The Company shall notify a financial consumer in writing, within a reasonable time, prior to making changes to the agreed terms and conditions related to:
 - i. the annual effective rate of interest to be paid or charged on any account of the financial consumer;
 - ii. any non-interest charge on any account of the financial consumer; and
 - iii. any other key product/ service feature or previously agreed on terms or conditions such as procedure for cancellation, prepayment of loans and transfer of loan servicing.
- The Company shall be required to notify the financial consumer when his/ her accounts become inactive or dormant.

1.5 General Disclosures

The following information should be displayed in the business places (Head Office and all business points) of the Company:

- Finance Business License issued by the Central Bank of Sri Lanka.
- Set of latest audited financial statements of the Company.
- Credit rating of the Company with underlying specifications.
- Key contact details of person handling customer complaints.
- The contact details of the Financial Ombudsman.
- Business hours and holiday notices.

- Any other relevant information.

In addition to the above, the current interest rates on all deposits products and current base interest rates and other charges on loan products (wherever possible) should be displayed in the corporate website and display the same in a prominently visible position at the public place of business.

2 Customer Education and Awareness

Appropriate mechanisms should be developed to improve the customer knowledge and understanding on the financial products/services which help them to make informed decisions.

2.1 Deliver Effective Financial Education Programs

- a) The Company either on its own or in partnership with industry associations shall develop specific financial literacy programs to improve the customer awareness on financial products/services. Financial education programs should be designed to meet the needs and financial literacy of the target audience.
- b) Financial education tools might include printed brochures, flyers, posters, training videos, interactive loan calculators, key messages.
- c) The customers should be educated on the applicable legal provisions related to the product/service, e.g. Finance Business Act, Finance Leasing Act, Mortgage Act, Pawning Ordinance, etc.

2.2 Promote Financial Discipline

Financial education and information provision should be enhanced to deepen the capability and the financial knowledge of the customer, especially for the vulnerable groups. Customers should be provided with the specific warnings related to over indebtedness, consequences of multiple borrowing and late repayments, etc.

3 Responsible Business Conduct

Employees and appointed agents should act professionally with due skill, care and diligence when dealing with customers and shall not employ or engage in unfair business practices to the detriment of financial consumers.

3.1 Unfair Business Practices

The Company shall not act in bad faith or negligently in providing financial products and services to financial consumers.

As per the Section 19.1 of Financial Consumer Protection Regulations No. 01 of 2023, “Unfair business practices” include;

- i. Abusive debt recovery practices;
- ii. Requiring payment of un-accrued (future) interest/ early settlement fees on credit facilities, exceeding the levels permitted by the Central Bank, if any;
- iii. Automatically increasing credit limits without prior consent of the financial consumer;
- iv. Imposing excessive fees, penalties, future interest, and charges compared to the cost involved;
- v. Imposing fees and charges without prior written notice;
- vi. Changing the agreed terms and conditions on financial products and services without written consent of the other party;
- vii. Deducting payments and fees automatically for credit facilities that are tied to deposit account(s) without written consent of the financial consumer, using clauses imposing an obligation on the financial consumer;
- viii. Bundling and tying practices on financial products or services unduly limiting financial consumers’ choices;
- ix. Unduly delaying processing of requests of financial consumers;
- x. Imposing any unfair terms and conditions at any time with respect to the rights and obligations of financial consumers; and
- xi. Preventing financial consumers from termination of contracts, change of the Financial Service Provider or financial product/ service.

3.2 Sales Practices

Thus Sales Practices shall cover the following;

- i. Formulating unambiguous and adequate sales policies and procedures for the sale of financial products and services;
- ii. Ensuring persons engaged in activities related to sales/ marketing/ promoting products and services are trained and knowledgeable in key features, risks, important terms and conditions and act fairly and reasonably adhering to its procedures, practices and codes of conduct;
- iii. Avoiding aggressive sales practices and reckless or negligent sale of unsuitable financial products or services to financial consumers, during the sales process;
- iv. Not understating or dismissing warnings or cautionary statements in any form of sales, including written sales materials;
- v. Taking all appropriate/ reasonable steps to identify and prevent or manage conflicts of interest between the Company and the financial consumer to prevent the adverse impact of such conflicts on financial consumers;and
- vi. Disclosing actual and potential conflict of interest to financial consumers, in the case of advisory services and third-party products.

3.3 Unfair Contract Terms

The contract terms shall be considered unfair where there is an imbalance in rights and obligations to the detriment of the financial consumer. Unfair contract terms shall cover the following;

- i. Termination of contracts or alteration of clauses by the Company without prior notice to the financial consumer in writing or through newspaper notice or any other appropriate way within a reasonable time before such changes are made;
- ii. Making unilateral change to a contract without stating the circumstances under which the change could be made;
- iii. Limiting the liability of the Company unfairly and disproportionately in the event of total or partial non-performance of contractual obligations;
- iv. Binding the financial consumer while the corresponding obligation on the Company is disproportionate;
- v. Excluding or limiting the liability of the Company to losses caused to the financial consumer by misrepresentation, negligence or misleading information on its

- products or services;
- vi. Excluding or limiting the liability of the Company with respect to actions or commitments undertaken by their employees, agents or third parties appointed by the Company;
 - vii. Giving the Company the ability to transfer its rights and obligations under the contract, without the consent of the financial consumer, where such action may reduce the rights of the financial consumer;
 - viii. Excluding or limiting the rights of the financial consumer to take legal action in the event of a breach of contract; and
 - ix. Implying clauses to waive any protection to the financial consumer provided by Acts, directions, Regulations, circulars, guidelines or codes of conduct.

It is required to provide all the contractual documents to the financial consumer within a reasonable time before signing the contract.

3.4 Timely Response and Contacting a Financial Consumer

- The Company shall respond to a financial consumer's request for information clearly, timely and in writing or electronically, through the preferred communication channels and either in Sinhala, Tamil or English, as preferred by the financial consumer, within a reasonable time period.
- Employees or appointed agents should visit the customer by giving reasonable notice and such visits should be made during the daytime.
- The Company shall maintain a record of the financial consumer site visits for recovery purposes, including date and time of the visit, names of the officers who visited and the financial consumer's response in brief.
- When making telephone contact with a financial consumer, the person shall introduce himself or herself, the name of the Company on whose behalf the financial consumer is contacted and the purpose of contacting.
- The Company shall maintain call recordings and a call register of call centers and shall retain such records considering the data retention requirements.
- When obtaining a physical signature, the Company shall obtain a signature for security/ contractual documents outside the premises of the place of business only if a reasonable circumstance arises upon request of a financial consumer and in the presence of an authorised officer from the Company.

3.5 Advertisement and Sales Promotion

The Company shall:

- i. advertise/ promote suitable financial products or services based on financial consumers' needs and capabilities;
- ii. avoid misuse of footnotes, disclaimers, or fine prints to prevent a financial consumer from reading relevant information fairly. Such items should be of sufficient size and of sufficient duration to enable an average viewer to understand;
- iii. ensure advertisement and sales materials do not contain misleading or false information or omit information that is important for the financial consumer to make a decision;
- iv. be liable for the statements made in advertising and sales materials;
- v. not use marketing strategies which may harm financial consumers by taking advantage of the financial consumers' condition;
- vi. provide financial consumers with actively opt-in to receiving marketing materials, and easy means to opt-out from receiving marketing materials at a later point in time; and
- vii. include the contact details of the Company and credit rating (if available) and state that the respective Company is supervised by the Central Bank, in all advertisements and marketing materials.

The remuneration of employees and agents attached to marketing/ sales shall not be solely based on the sales volume/ target but give consideration to encourage responsible business conduct, interests and circumstances of the financial consumer.

3.6 Product Suitability and Design

Knowing the Customer and Suitability

The Company shall have the necessary resources and procedures in place for safeguarding the best interests of the customers and to cater the product to meet the appropriate financial and non-financial needs of the customer. In this regard the Company should:

- a) **Know the Customer:** gather and record sufficient information prior to recommending, offering or providing appropriate product/service to the customer. The level of information gathered should be appropriate to the nature of the complexity of product/service being sought by the customer.
- b) **Assess the Suitability:** consider whether product/service meets the customer's needs and objectives and customer is financially able to bear the risk associated with the product/service & assess the financial consumer's ability to fulfil terms and conditions associated with the financial product or service .
- c) **Prevention of Over-Indebtedness**
 - o When offering a new credit product or service the customer's credit worthiness should be properly assessed and conduct appropriate customer repayment capacity analysis to ensure that customer is likely to meet the financial obligation associated with the product.
 - o Board and senior management of the Company should be aware and concerned about the risk of over-indebtedness of the customer.
A maximum Debt service/Income Ratio (i.e. percentage of financial consumer's disposable income that can be allocated to service debt) should be identified & to assess the risk of over-indebtedness of a financial consumer by using sources such as the Credit Information Bureau (CRIB), etc.; and.
 - o The Company should limit providing new loans to settle the existing loan facilities given by another financial institution in order to prevent the over-exposure beyond the existing credit worthiness of the customer.
 - o The Company should use credit risk management systems that support prevention of over indebtedness such as Credit Information Bureau (CRIB).
- d) Based on the aforementioned information and criteria, the Company should determine that a financial product or service is suitable for the particular financial consumer before entering into a contract.
- e) The Company shall:
 - i. offer financial products or services that are suitable to the varying needs, risk profiles and interests of the types of financial consumers for whom they are intended (the target market), having regard to the characteristics of that target market;
 - ii. not alter, bundle, or modify financial products to distort the features of the

- product which can place the financial consumer in a disadvantageous position; and
- iii. offer rates/ fees/ prices commensurate with the market-related rates/ fees/ prices, cost structure of the Company, regulatory requirements, etc.

3.7 Sale or Transfer of Debt or Any Other Product or Service

The Company shall take the following actions, where the sale or transfer of debt or any other financial product or service without borrowers' consent is permitted by law or the Company intends to cease operating, merge with, or transfer all or part of its operations to another party:

- i. notify the affected financial consumer of a sale or transfer within a reasonable number of days and the remaining debt obligation or outstanding position of the product/ service;
- ii. provide the financial consumer with information as to where to make payments; and
- iii. provide the financial consumer with the acquirer's or purchaser's, or transferee's contact information.

3.8 Conduct of an Agent or Third Party Appointed by the Company

- a. Where the Company appoints an agent/ third party, it shall enter into a formal agency or thirdparty contract and comply with these Regulations, as applicable.
- b. The Company shall be legally liable for the actions and omissions of their agents and third parties.
- c. The Company shall be required to perform due diligence before contracting any agent or thirdparty.
- d. The Company shall be required to continuously monitor the performance of their agents andthird parties.
- e. The Company shall enter into a non-disclosure agreement with the agents/ third parties deployed in its businesses to preserve the duty of secrecy of the information of financial consumers.
- f. The Company shall provide a financial consumer upon request with details of agents and third parties appointed for financial consumer services and the code of conduct issued to them requiring them to refrainfrom doing any of the following but not limited to:

- i. harassing financial consumers;
- ii. disclosing financial consumer information to unauthorized parties;
- iii. giving false or misleading information about products/ services; and
- iv. undue influence on financial consumers or the general public to buy or get involved in the products/ services of the Company.

3.9 Compensation from withdrawal/cancellation of products/services by the Company

In the event if the Company seeks to withdraw/terminate a product/service already in operation, especially deposit products, customers have the right to receive a reasonable time with an exit mechanism and compensation scheme and if necessary such withdrawal/termination should be disclosed in advance.

3.10 Levying Penal Rates

Policy on penal interest should be governed by fairness, incentive to service the debt and due regard to genuine difficulties of customers.

3.11 Debt Recovery

- The Company shall ensure that the debt recovery processes are transparent, courteous and fair, devoid of undue pressure, intimidation, harassment, humiliation or threat on the financial consumer.
- The Company shall ensure that sales proceeds from foreclosure assets are immediately applied on recovery of the credit facility, and the financial consumers shall be informed and refunded with the balance, if any subject to other provisions in applicable laws. Further, the Company shall provide a report on the sale of collateral, which includes but not limited to the process involved, total sales proceeds, all incidental expenses/ costs and the net proceeds, to the financial consumer within reasonable time period from date of sale/ transfer of title of the asset.
- The Company shall not engage in any of the following:
 - i. Contacting friends, employer, relatives or neighbours of a financial consumer for any information other than information or verification of

employment status, telephone numbers or address, except where:

- a. the person has guaranteed the loan; or
 - b. the person has been nominated to be contacted by the financial consumer.
- ii. Requiring any persons listed in the (i) above to offset the debt, except where the person has acted as a guarantor.
 - iii. Unnecessary or excessive contact or communication with a person, beyond what is reasonable in the circumstances.
 - iv. Disclosing the existence of a debt to a third party (including friends, family, etc.).
 - v. Making any misrepresentation in connection with a debt, such as its characteristics, the amount owed, the Company's legal rights or the potential legal consequences for any person if the debt is not paid.
 - vi. Public shaming.
 - vii. Calling or visiting the work place of the financial consumer to seek repayment, except with the prior consent of the financial consumer.
 - viii. Threatening to harm or harming any person.
 - ix. Threatening to seize, or seizing, property which has not been provided as collateral.
 - x. Threatening to damage, or damaging property.
 - xi. Making contact with financial consumers in person or by other means such as telephone between the hours of 9.00 pm and 6.00 am, for the purpose of debt recovery.

3.12 Monitoring of the Employees and Appointed Agents

The Company should have a mechanism of rigorous and regular monitoring of the conduct of employees and appointed agents, who directly interact with the customers to prevent inappropriate business conduct and unreasonable risk taking.

3.13 Employee Training

Employees of the Company and appointed agents (especially those who interact directly with customers such as credit officers, recovery officers, marketing officers, complaint handling officers, customer service representatives) should be properly trained and qualified.

3.14 Remuneration Policy

- a) Board approved remuneration policy should be developed for employees and appointed agents, if any, those who interact directly with customers to encourage responsible business conduct and to discourage unreasonable risk taking.
- b) Employees should be given sales targets which are realistic and should be within the personal capacity of such employees.
- c) The Company should ensure that employees and appointed agents are not remunerated solely on sales performance but consider non financial factors such as customer satisfaction, loan repayment performance, customer retention, compliance with regulatory requirements/best practices guidelines and codes of conduct which are related to best interests of the customers, as far as practicable and give consideration to encourage responsible business conduct, interests and circumstances of the financial consumer.

4 Complaint Handling and Redress Mechanism

The customers should have access to adequate complaint handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient.

4.1 Policy and Procedures

In this regards the Company shall have a clear written policy and procedures ensuring appropriate mechanisms are in place to receive, resolve with fair redress, compensation and respond to individual grievances and complaints of financial consumers, including retention of such records.

The Company shall have a complaint handling mechanism or unit independent from business units and supervised by a Key Management Personnel.

The Company shall conduct root cause analysis on complaint data and use such analysis to improve financial products and services, as a part of operational risk mitigating strategies.

4.2 Complaint Handling Procedure of the Company

- a) The mechanism for receiving complaints shall have multiple channels with clear procedures, including help desk assistance, telephone numbers, dedicated email/postal addresses and online web forms.
- b) This mechanism shall be free of charge, fair, accessible, transparent and independent from business operations.
- c) Customers should be encouraged to seek recourse through the internal complaints handling process of the Company before opting for external support.
- d) The Company shall acknowledge the complainant in writing, with contact details of the officer/ officers handling the complaint, within a reasonable time [preferably within five (05) working days].
- e) An officer should be assigned in each business place, with the responsibility of handling and facilitating the resolution of complaints made by customers. If it is unresolved it is the responsibility of such officer/s to escalate it to the next decision-making authority until it is resolved.
- f) Establish a database to record all customer complaints and assign an officer in charge of the database. Such officer should be responsible to report unresolved customer complaints periodically to the senior management of the company. Senior management should take prompt corrective action on the unresolved matters.
- g) At the business place customer should be directed to the officer assigned to resolve such complaints.
- h) Customer complaints forwarded by regulatory authorities should be directed to relevant decision-making authority.
- i) Facilitate receiving complaints verbally or in writing and the Company should not insist that complaints be necessarily made only in writing.
- j) At any point of the complaint handling process, customers should not be treated unjustly.

4.3 Transparency of Complaint Handling Procedure of the Financial Service Provider

The Company shall provide financial consumers with information on the latest mechanisms for handling complaints in the contractual documents. Further, the Company shall publish the complaint handling procedure and other relevant

information on handling complaints, indicating the latest modification date to the complaint handling procedure, if any, on the official website of the Company.

The information shall include:

- i. available channels for submitting complaints, including contact details;
- ii. timeline for complaint resolution;
- iii. responsibility of the complainant at each stage of the process;
- iv. obligations of the Financial Service Provider;
- v. process of escalation to various levels, if not satisfied; and
- vi. details of alternative dispute resolution mechanisms (Financial Ombudsman of Sri Lanka, Central Bank, as applicable).

4.4 Conflict of Interests

The Company shall avoid conflicts of interest when handling complaints of financial consumers.

An officer shall not be involved in the processing of a complaint if such officer is a party to or a direct supervisor to the relevant officer or has an interest in the complaint or complainant.

4.5 Timeframe for Resolving Financial Consumer Complaints

The Company shall, upon receipt of a complaint from the financial consumer, resolve such complaint within 21 calendar days. However, if the Company is unable to resolve a complaint within 21 calendar days, shall notify the complainant before the expiration of 21 calendar days, giving reasons for the extension [maximum of three (03) months] and measures taken to resolve the matter so far.

However, the Company shall make all necessary arrangements to resolve complaints which require urgent action within the earliest possible time, considering the impact, urgency and risk of both the Company and the financial consumer.

In the event the Company is unable to provide redress for the complaint, the Company's position shall be clarified to the complainant within the timelines stipulated above.

5 Equitable and Fair Treatment of Customers

5.1 Equitable and Fair Treatment

All customers should be treated equitably, honestly and fairly at all stages of their relationship with the Company irrespective of their social status, physical ability, marital status, race, cast, religion, language, gender, age, financial literacy, etc.

5.2 Special attention and Care

Special attention and care should be dedicated to the needs of customers such as elderly, physically disabled, low income or customers with low financial literacy who have the right to receive special attention to facilitate them to have fair access to financial services.

5.3 Formulation of Accessibility Policy

- An accessibility policy should be formulated and implemented with a view to enhance fair and equal access to financial products and services, irrespective of the social status, physical ability, marital status, race, caste, gender, age, religion and financial literacy of the financial consumer. Accessibility policy should be available to the general public in accessible formats.
- Any policies or circulars should not be issued by the Company that may encourage discrimination or inaccessibility.

5.4 Infrastructure

- The Company shall comply with general laws regarding accessibility, such as facilitating differently abled and elderly financial consumers, when constructing new buildings and physical infrastructure.
- The Company shall take necessary actions to improve accessibility in installing and processing automated equipment by enabling screen reader and other accessibility features, where necessary.

5.5 Signature Verification

It shall be ensure that the signature of the financial consumer including electronic means of signature is unambiguous and acceptable for verification purposes. Thumbprint is also should be treated equally to the conventional signature.

5.6 Web Accessibility

- All web contents shall be perceivable, operable, understandable and robust.
- Web accessibility shall include but not limited to:
 - i. Font size, colour and colour contrast adjustability.
 - ii. Full navigability and ability to function with the keyboard.
 - iii. Full readability with screen readers.
 - iv. All web elements shall be appropriately labelled or alternative text shall be used.
 - v. All security, protection or safety features shall be provided in text and audio options.
 - vi. Adequate time shall be provided to perform all functions.

5.7 Information Accessibility

- All necessary documents should be provided in accessible formats at the request of the financial consumer.
- Financial consumers are permitted to have assistance from a person who has been authorised by the financial consumer by way of a letter of authority, a power of attorney or a board resolution, as the case may be.
- The Company shall provide adequate facilities to use assistive technology and equipment.

6 Protection of Financial Consumers' Assets and Information

6.1 Fraud and Misuse of Financial Consumer Assets

- The Company shall have adequate policies and procedures in place to protect financial consumers' deposits and other assets from internal or external fraud or misuse and to manage potential risk of such fraud and misuse.
- The Company shall have clear policies and procedures to resolve cases of suspected fraud or misuse involving financial consumers' deposits and other assets.

6.2 Safeguarding Financial Consumer Assets

The Company shall:

- i. be liable for the financial consumer's loss due to fraud, misappropriation and misuse of the financial consumer's assets, unless proved that the loss occurred due to financial consumer's negligence or fraudulent behavior;
- ii. take disciplinary action against employee(s) involved in a fraud, misappropriation and misuse of financial consumer's assets and report to the respective regulatory department/s of the Central Bank;
- iii. continuously create awareness on fraudulent practices and financial consumers' responsibility and measures to be taken to safeguard against such threats;
- iv. require financial consumers to update their records regularly and as and when the need arises to ensure data accuracy and ultimately to enhance protection; and
- v. Create a convenient avenue through which financial consumers can make the required updates.

6.3 Confidentiality, Security and Integrity of Personal Information

- The Company shall formulate and implement policies and procedures to ensure confidentiality, security, and integrity of the personal information of financial consumers.
- The Company shall not misuse and ensure that any of its employees or any

other party acting on its behalf does not misuse personal information of financial consumers.

- The Company shall have appropriate policies and procedures, data protection measures and staff training programs to prevent unauthorized access, alteration, disclosure, accidental loss or destruction of financial consumer data.

Responsibility of Employees

As required by the Section 61 of the Finance Business Act No. 42 of 2011, the Company should take necessary steps to protect customer data and privacy in line with the provisions of the Act as follows:

- a) Every director, manager, officer, employee and agent of the Company should maintain strict secrecy in respect of all transactions of the Company, its customers and the state of accounts of any person and all matters relating thereto and shall not reveal any such matter except;
 - When required to do so by a court of law or by the person to whom such matter relates, in the performance of the duties of such director, manager, officer, employee and agent; or
 - In order to comply with any of the provisions of Finance Business Act or any other written law.
- b) Every employee of the Company should sign a declaration (contains in the appointment letter) pledging himself to maintain strict secrecy.
- c) The above should not prohibit the Company from providing in good faith to another finance company on request, an opinion or reference relating to a customer in accordance with customary practices in the finance industry.

6.4 Protection of Financial Consumer Personal Information

The Company shall be required:

- i. to have appropriate security and control measures to protect financial consumers' personal information and retain it for a minimum period of six years from the termination/ expiration of contract, unless otherwise required by any other law;
- ii. not to share financial consumer's personal information with a third party except with the financial consumer's consent or as required by the law;
- iii. to retain key information, contractual documents and history of all the transactions for a minimum of six years from the termination/ expiration of contract; and

- iv. to retain all the source documents for a minimum of six years from the transaction date unless otherwise required by any other law.

6.5 Collection and Use of Data

- The Company shall collect financial consumer's personal information within the limits of any law, direction, or guideline, only using lawful and fair means; and only for specified, explicit and legitimate purposes.
- The Company shall have a policy and procedures for collecting and using personal information, including means, purposes, and types of data that may be collected and retained, consistent with these Regulations and other applicable laws.
- Personal information should be collected, retained, and used in compliance with, in addition to these Regulations, any other applicable laws, including Prevention of Money Laundering and Countering the Financing of Terrorism in Sri Lanka and Data Protection.
- The Company shall comply with data privacy and confidentiality requirements that limit the use of financial consumer data exclusively for the purpose for which data is collected.
- The Company may only use financial consumer's personal information:
 - for purposes that are consistent with the original purpose for which they were collected, provided that it was reasonably apparent to, or would be reasonably expected by, the financial consumer; or
 - with the informed consent of the financial consumer; or
 - as otherwise required or permitted by these Regulations or any other law.
- Financial consumers shall have a right to maintain his/ her privacy on disability (special needs).
- The Company shall not use information related to any disability (special needs) of the financial consumer for any purpose other than facilitating the financial consumer or protecting financial consumer's rights.
- The Company shall not reveal information on financial consumer's disability (special needs) or health status to any other party without prior consent of the financial consumer.

6.6 Sharing of Financial Consumer Information

- The Company shall not share financial consumers' information with a third party for any purpose, including marketing, promotion and advertisement, unless:
 - i. the information is being disclosed for the purpose for which it was originally collected, provided that it was reasonably apparent to, or would be reasonably expected by, the financial consumer; or
 - ii. with the informed consent of the financial consumer; or
 - iii. as otherwise required or permitted by these Regulations, a court of law or any other written law.

6.7 Financial Consumers' Right to Access and Rectify their Personal Information

- Upon request from a financial consumer, the Company shall provide them, except to any extent prohibited by law, with access to any personal information about the financial consumer that is held by the Company. Such access must be provided:
 - i. in a form that is likely to be understandable to the financial consumer;
 - ii. within a reasonable time; and
 - iii. at minimal or no cost to the financial consumer.
- In the event where a financial consumer claims that any personal data held by the Company is inaccurate or incomplete, the Company shall take appropriate steps within a reasonable time, to review the claim, rectify it and inform any third party with whom the information had been shared previously.

6.8 CRIB Reporting System and Data Sharing

Customers should be appropriately/fully informed regarding the sharing of personal data related to them with CRIB and the exact purpose and conditions of collection, processing and distribution of data held about them and on the related confidentiality rules adopted.

SECTION D: INTERNAL CONTROLS

The Company shall have effective internal controls to ensure that financial consumer protection policies, procedures and systems are implemented throughout the business in compliance with the applicable regulations or circulars, guidelines, codes of conduct. and consistent with business strategy, including the risk profile and structures.

The Company shall have proper mechanisms for identifying, recording, monitoring, controlling and reporting issues relating to financial consumer protection.

The Company shall have a proper mechanism to comply with the requirements of complaint handling procedure stipulated under the Financial Consumer Protection Regulations.



Review of the Document

This policy document will be reviewed at least once in every two years according to the changes in operating environment and complexity in the operational activities of the Company. Further, the policy will also be updated on an ongoing basis in line with regulatory developments and changes.
