



# Fair Practice Code

SEWA Grih Rin Limited

## 1. PREFACE

This document provides details of the practices which need to be followed by the Company to ensure fair and transparent dealings with its customers who approach it for obtaining a loan and for transactions with customers after the loan has been granted. This code will enable employees to provide better customer service and maintain transparency in business dealings with its customers. This code has been drafted in accordance to the Reserve Bank of India (RBI) guidelines on Fair Practices Code for Housing Finance Companies setting standards for fair business and corporate practices while dealing with their customers (Circular No. RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17,2021. The Code has the following key elements.

## 2. OBJECTIVES OF THE CODE

- a. To promote good and fair practices by setting minimum standards in dealing with customers;
- b. To increase transparency so that the customer can have a better understanding of what he/she can reasonably expect of the services;
- c. To encourage market forces, through competition, to achieve higher operating standards;
- d. To promote a fair and cordial relationship between the customer and the Company;
- e. To foster confidence in the housing finance system.

## 3. APPLICATION OF THE CODE

This code shall apply to all employees of the company and other persons authorized to represent it in the course of its business with respect to all products and services. whether they are provided by the Company across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method.

## 4. COMMITMENT

Company shall adhere to this code to act fairly and reasonably in all dealings, on the ethical principle of integrity and transparency, to meet the standard practices prevalent in the housing finance industry.

1. The Company will provide clear and transparent information to customers so as to enable them to understand:
  - i. Terms and conditions of the products and services offered including the interest rate and service charges;
  - ii. Benefits available to customers.
2. Products and services of the company will meet relevant laws and regulations in both letter and in spirit;

3. The Company will act quickly in correcting the mistakes and attend to complaints lodged by its customers in light of objectives of this code;
4. The Company shall not discriminate amongst its prospective/existing customers on the basis of age, race, caste, gender, marital status, religion or disability. However the restrictions, if any, as mentioned in the loan products, shall continue to apply;
5. The company shall:
  - a. provide existing and new customers with a copy of the Code;
  - b. make this Code available on request either over the counter or by electronic communication or mail;
  - c. make available this Code at every branch and on their website; and
  - d. ensure that the staff are trained to provide relevant information about the Code and to put the Code into practice.

## 5. DISCLOSURE AND TRANSPARENCY

Company would provide information on interest rates, common fees and charges through:

- i. Putting up notices in branches;
- ii. Providing tariff schedule as and when requested.

## 6. CONFIDENTIALITY

The Company shall collect personal information that it believes to be relevant and required to understand the customer's profiles and conduct its business. The Company shall treat all personal information of customers as private and confidential and shall not divulge any information to a third person unless required by any law or Government authorities including Regulators or Credit agencies or where the sharing of information is permitted by the customer or prior consent of customer shall be obtained. If company shall avail services of any third party for providing support services, Company shall require that such third parties handle customers' personal information with the same degree of confidentiality.

## 7. ADVERTISING, MARKETING AND SALES

- i. The Company shall ensure that all advertising and promotional material is clear, and not misleading. The code shall apply to Sales Associates/ representative of the company in dealing with customers to the extent it is applicable;
- ii. The Company may, from time to time, communicate to customers various features of their products availed by them. Information about their other products or promotional offers in respect of products / services may be conveyed to customers only if he / she has given his / her consent to receive such information / service;
- iii. In the event of receipt of any complaint from the customer that representative of the company/ DSA's has engaged in any improper conduct or acted in violation of this Code, appropriate steps shall be initiated to investigate and to handle the complaint and to make good the loss.

- iv. In any advertising in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate, the company shall also indicate whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request or on the website.
- v. Company shall provide information on interest rates, common fees and charges through putting up notices in their branches; through telephone or help-lines; on the company's website; through designated staff/ help desk; or providing service guide/ tariff schedule
- vi. Company need to prescribe a code of conduct for their Direct Selling Agencies (DSAs) whose services are availed to market products/ services which amongst other matters require them to identify themselves when they approach the customer for selling products personally or through phone.
- vii. The company to adopt the Model Code of Conducts for Direct Selling Agents (DSAs)/ Direct Marketing Agents (DMAs) with the approval of the Board.

## **8. APPLICATION FOR LOANS AND THEIR PROCESSING:**

- i. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- ii. The company through the loan agreement discloses the rate of interest charged from customer as also the other information about fees/ charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/ disbursed, pre-payment options and charges, if any, penal interest/ penalty for delayed repayment, if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any interest reset clause and any other matter which affects the interest of the borrower. In other words, the Company will disclose 'all in cost' inclusive of all charges involved in processing/ sanctioning of loan application in a transparent manner. The Company will ensure that such charges/ fees are non-discriminatory.
- iii. The company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal interest, if any).
- iv. The company shall disclose customers the rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers in the application form and communicated explicitly in the sanction letter, if any. The rate of interest and penal interest (if any) must be annualised rate so that the borrower is aware of the exact rates that would be charged to the account. Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal.
- v. The Company shall also lay down policy for penal charges (if any). It shall also be made available on website and shall be updated periodically. Considering the same and RBI Circular RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24, dated 18<sup>th</sup> August 2023, company has formulated a policy on the same. The same has been annexed herewith as Annexure-1.
- vi. The company shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
  - i. Where the housing loan is on floating interest rate basis and pre-closed from any source.

- ii. Where the housing loan is on fixed interest rate basis and the loan is pre-closed by the borrower out of their own sources.
- vii. The Company shall not impose foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).
- viii. Acknowledgement will be given for receipt of all loan applications within 48 working hours;
- ix. The Company would verify the loan applications within a reasonable period of time;
- x. Normally all particulars required for processing the Loan Application will be collected by the Company at the time of application. In case it needs any additional information, the customer will be informed to provide the same;
- xi. The Company will convey in writing to the borrower in the vernacular language or a language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure, prepayment charges and keep the written acceptance of these terms and conditions by the borrower on its record;
- xii. The Company shall mention the penal charges charged for late repayment in bold in the loan agreement.
- xiii. In case of rejection of loan sanction/disbursement, the decision will be communicated to the borrower in writing. The reason for rejection in the opinion of the Company after due consideration, which has led to rejection of the loan applications would also be communicated in writing. In case the proposal does not meet the internal product parameters of the Company, the borrower would be intimated accordingly;
- xiv. Before taking a decision to recall/accelerate payment or performance under the agreement or seeking additional securities which is in consonance with the loan agreement, the Company shall give notice to the borrower(s) in consonance with the Loan Agreement.;
- xv. Borrower shall be entitled to a copy of the Loan Agreement along with a copy each of all enclosures quoted in the Loan Agreement at the time of sanction / disbursement of loans;
- xvi. Company at its discretion shall process requests for transfer of a loan account, either from the borrower or from a bank/financial institution, in the normal course. 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, shall 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.
- xvii. The Company shall 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, other applicable fee/ charges etc. The Company will ensure that changes in interest rates and charges are effected only prospectively. If such change is to the disadvantage of the customer, he/she may within 60 days and without notice close his / her account or switch it;
- xviii. The Company shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim that company may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under

which the company is entitled to retain the securities till the relevant claim is settled / paid.

## 9. GUARANTORS

When a person is considered to be a guarantor to a loan, company shall inform him/her the following under acknowledgement:

- a. Letter/ Deed of Guarantee stating the terms of liability as guarantor;
- b. Company shall keep him/her informed of any default in the servicing of the loan by the borrower to whom he/she stands as a guarantor.
- c. Company shall keep him/her informed about any changes in the terms and conditions of the Loan.

## 10. CREDIT BUREAU/ REFERENCE AGENCIES

The Company may give information to Credit Bureau/ Reference agencies about the personal debts, the customer owes to it if:

- a. The customer has fallen behind with his / her payments;
- b. Legal proceedings have been initiated against the customer to recover the dues;
- c. Debts settled through legal recourses against the customer;
- d. It is mandated by law to provide the information of all such customers to such agencies. A clause to this effect has been included in the Loan Agreement seeking the customer's consent to share information on his loan with Credit Bureaus approved by NHB.

## 11. COLLECTION OF DUES

- i. Whenever loans are given, the Company shall explain to the customer the repayment process by way of amount, tenure and periodicity of repayment. However if the customer does not adhere to repayment schedule, a defined process in accordance with the laws of the land and the customer's contract with the Company will be followed for recovery of dues. The process will involve reminding the customer by sending him / her a notice or by making personal visits and / or repossession of security if any;
- ii. Company staff or any person authorized shall identify himself through ID card or by any other medium while representing the company for collection of dues or / and security repossession;
- iii. Company shall provide customers with all the information regarding dues and shall endeavour to give sufficient notice for payment of dues;
- iv. All assistance shall be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner;
- v. During visits to customer's place for dues collection, decency and decorum shall be maintained;
- vi. In the matter of recovery of loans, the Company would not resort to undue harassment or use of force.

## 12. COMPLAINTS AND GRIEVANCES

- I. The Company would strive for customer satisfaction within the framework of law, adopted policies and procedures and lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances as per the Reserve Bank of India Guidelines.
- II. In case of any grievance, the customer may approach the In- Charge of the business location where he / she had his / her account and register the complaint in the 'Complaint Register' available with the In-Charge. On registering the complaint, the customer should obtain complaint number and date for future reference;
- III. company shall also set up procedure for receiving online complaints.
- IV. If a complaint has been received in writing from a customer, the company shall endeavour send him/ her an acknowledgement/ response within a week. The acknowledgement should contain the name & designation of the official who will deal with the grievance. If the complaint is relayed over phone at company's designated telephone helpdesk or customer service number, the customer shall be provided with a complaint reference number and be kept informed of the progress within a reasonable period of time.
- V. After examining the matter, the Company shall send the customer its final response or explain why it needs more time to respond and Company shall endeavour to resolve the complaint within 6 weeks of receipt of complaint. He/ she should be informed how to take his/ her complaint further if he/ she is still not satisfied.
- VI. The company shall publicize its grievance redressal procedure (e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) for lodging the complaints by the aggrieved borrower and ensure specifically that it is made available on its website.
- VII. The company shall clearly display in all its offices/ branches and on the website that in case the complainant does not receive response from the company within a period of one month or is dissatisfied with the response received, the complainant may approach the Complaint Redressal Cell of National Housing Bank by lodging its complaints online on the website of NHB or through post to NHB, New Delhi.

## 13. GENERAL

- I. The Company may verify the details mentioned by the customer in the loan application by contacting him/her at his/her residence and/or on business telephone numbers and/or physically visiting his/her residence and/or business addresses through agencies appointed for this purpose, if deemed necessary;
- II. The customer will be informed to co-operate if the Company needs to investigate a transaction on the customer's account and with the police/other investigative agencies. If the customer acts fraudulently, he/she will be responsible for all losses on his/her account and that if the customer acts without reasonable care and this causes losses, the customer may be responsible for the same.
- III. The Company will be reviewed half yearly by the Board of Director for Compliances to the Fair

Practices Code and the functioning of the grievances redressal mechanism at the various level of management. A consolidated report of such reviews may be submitted to the Board.

### **Annexure-1**

#### **Policy for Penal Charges**

With Regards to RBI Circular RBI/2023-24/53 DoR.MCS.REC.28/01.01.001/2023-24, dated 18<sup>th</sup> August 2023, on Fair Lending Practice - Penal Charges in Loan Accounts, the Company is proposing the following norms.

- Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as ‘penal charges’ and shall not be levied in the form of ‘penal interest’ that is added to the rate of interest charged on the advances.
- There shall be no capitalization of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account.
- Sewa Grih Rin Ltd (SGRL or Company) shall not introduce any additional component to the rate of interest.
- The quantum of penal charges shall 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.
- The penal charges in case of loans sanctioned to ‘individual borrowers, for purposes other than business’, shall not be higher than the penal charges applicable to non-individual borrowers for similar non-compliance of material terms and conditions.
- The quantum and reason for penal charges shall be clearly disclosed by the Company to the customers in the loan agreement and most important terms & conditions, in addition to being displayed on the Company’s website under Interest Rates and Service Charges.
- Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the applicable penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.
- These norms shall come into effect from January 1, 2024. The Company shall carry out appropriate revisions in their policy framework and ensure implementation of the instructions in respect of all the fresh loans availed/ renewed from the effective date. In the case of existing loans, the switchover to new penal charges regime shall be ensured on next review or renewal date or before 18<sup>th</sup> February 2024, whichever is earlier.
- Authority to waive-off penal charges, rests with the Managing Director who may delegate it further to any official of the Company as deemed appropriate.