

**PIRAMAL CAPITAL & HOUSING FINANCE LIMITED**

**Policy:** Fair Practice Code

**First Approved Date:** October 7, 2021

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**Version:** 5

**Approving Authority:** Board of Directors

## **FAIR PRACTICE CODE**

### **I. Intent and Content**

This Code has been formulated by Piramal Capital & Housing Finance Ltd (“The Company/PCHFL”) pursuant to Chapter XIII “Fair Practice Code (FPC)” of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by Reserve Bank of India (“RBI”) vide RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17,2021.

PCHFL being a Housing Finance Company registered with the Reserve Bank of India shall adopt all the best practices prescribed by RBI/NHB from time to time and shall make appropriate modifications if any necessary to this Code to conform to the standards so prescribed. The Company’s policy is to treat all the clients consistently and fairly. The employees of the Company will offer assistance, encouragement and service in a fair, equitable and consistent manner.

The Company will ensure that the implementation of the FPC is the responsibility of the entire organization. The Company’s fair lending practices shall apply on all its products and services, whether they are provided by PCHFL, its subsidiaries or Digital Lending Platforms (self-owned and/or under an outsourcing arrangement) across the counter, over the phone, by post, through interactive electronic devices, on the internet or by any other method and across all aspects of its operations including marketing, loan origination, processing, servicing, and collection activities.

### **II. Objectives**

- a) Follow good, fair and transparent business practices by setting reasonable standards;
- b) Encourage market forces, through fair competition, to achieve higher operating standards;
- c) Relate to the customer in such manner so as to promote a fair and cordial relationship;
- d) Set such standards and practices so as to foster confidence in the housing finance system;
- e) Recovery and enforcement, where necessary, is conducted following due process of law;
- f) Promote a fair and cordial relationship between customer and the Company.

### **III. Application for loans and their processing**

- a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- b) The Company shall transparently disclose to the borrower all 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 charges/ 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. The Company shall disclose 'all in cost' inclusive of all charges involved in processing/ sanctioning of loan application in a transparent manner. It shall also be ensured that such charges/ fees are non-discriminatory.

- c) Loan application forms should include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other financial institutions can be made and informed decision can be taken by the borrower. The loan application form may indicate the list of documents required to be submitted with the application form.
- d) The Company shall provide acknowledgement for receipt of completed loan applications. The Company shall inform the borrower about its decision within a reasonable period of time from the time of all required information in full.

#### **IV. Loan appraisal, terms/ conditions and communication of rejection of loan application**

- a) Normally all particulars required for processing the loan application shall be collected by the Company at the time of application. In case it needs any additional information, the customer should be told immediately that he would be contacted again.
- b) The Company shall 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, penal charges (if any) and keep the written acceptance of these terms and conditions by the borrower on its record.
- c) The Company shall mention the penal charges for late repayment in bold in the loan agreement.
- d) The Company shall furnish a copy of the loan agreement along with a copy of each of the enclosures quoted in the loan agreement to every borrower at the time of sanction/ disbursement of loans, against acknowledgement.
- e) If the Company cannot provide the loan to the customer, it shall communicate in writing the reason(s) which, in the opinion of the Company after due consideration, have led to rejection of the loan applications. In case the proposal does not meet the internal risk parameters of the Company, the borrower would be intimated accordingly.

#### **V. Disbursement of loans including changes in terms and conditions**

- a) Disbursement shall be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.

- b) The Company should 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, penal charges (if any), service charges, prepayment charges, other applicable fee/ charges etc. The Company should also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard should be incorporated in the loan agreement.
- c) 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 without having to pay any extra charges or interest.
- d) Decision to recall / accelerate payment or performance under the agreement or seeking additional securities, shall be in consonance with the loan agreement.
- e) 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 the 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 are entitled to retain the securities till the relevant claim is settled /paid.

## **VI. Loans sourced over Digital Lending Platforms**

Outsourcing of any activity by PCHFL does not diminish its obligations, as the onus of compliance with regulatory instructions rests solely with the Company. Wherever PCHFL engage digital lending platforms as their agents to source borrowers and/ or to recover dues, it shall adhere to 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 customers, that they are interacting the name of the Company on whose behalf they are interacting with.
- c) Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the Company.
- d) A copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/ disbursement of loans
- e) Company shall ensure effective oversight and monitoring over the digital lending platforms engaged by it.
- f) Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.
- g) Company shall ensure that a suitable nodal grievance redressal Officer is appointed by it and the LSPs engaged by it which has customer interface to deal with FinTech/ digital lending related complaints/ issues raised by the borrowers. Contact details of grievance redressal officers shall be prominently displayed on the websites of the Company, its LSPs and on DLAs

- and also in the KFS provided to the borrower. Company shall also ensure that the facility of lodging complaint is made available on the DLA and on the website of the Company.
- h) The responsibility of grievance redressal shall continue to remain with the Company.

## **VII. Guarantors**

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

- a. his/her liability as guarantor.
- b. the amount of liability he/ she will be committing him/herself to the company;
- c. circumstances in which the Company will call on him/her to pay up his/ her liability;
- d. whether the Company has recourse to his/her other monies in the company if he/ she fail to pay up as a guarantor;
- e. whether his/her liabilities as a guarantor are limited to a specific quantum or are they unlimited; and
- f. time and circumstances in which his/ her liabilities as a guarantor will be discharged as also the manner in which the Company will notify him/ her about this.
- g. The Company shall keep him/her informed of any default in servicing of the loan by the borrower to whom he/she stands as a guarantor.
- h. The Company shall keep him/her informed that in case the guarantor refuses to comply with the demand made by the Company despite having sufficient means to make payment of the dues, he/she would also be treated as wilful defaulter.
- i. The Company shall keep him/her informed of any material adverse changes in the financial position of the borrower to whom he/she stands as a guarantor.

## **VIII. Rate of interest /policy**

- a) To be applicable to all persons offering the Products and Services of the Company as an employee or otherwise in any manner and/or by any mode. The Code is based on ethical principles of integrity and transparency and all actions and dealings shall follow the spirit of the Code.
- b) The rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter. The Board shall also have clearly laid down policy for penal charges/ charges (if any).
- c) The rates of interest and the approach for gradation of risks, and penal charges (if any) shall also be made available on the website of the PCHFL or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.
- d) The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- e) Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal.

**IX. Policy for Determining Interest Rates, Charged by the Company**

To ensure that the customers are not charged excessive interest, and charges on loans and advances by the Company the Company has adopted appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal charges, if any). In this regard the directions in the Fair Practices Code about transparency in respect of terms and conditions of the loans are to be kept in view. Further the Board of the Company or appropriate authority as authorized by the Board shall undertake periodical review of the said Policy for determining Interest Rates, Processing and Other Charges. The Company will also put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers.

**Penal Charges in Loan Accounts –**

Separate Board approved Policy on Framework for Penal Charges has been adopted by the Company.

**Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans (including housing loans) –**

Separate Board approved policy on Framework for Reset of Floating Interest Rate has been adopted by the Company.

**Fair Practices Code for Lenders – Charging of Interest dated April 29, 2024**

The Company shall ensure compliance with the aforementioned circular on charging of interest.

**X. Privacy and Confidentiality**

- i. All personal information of customers, both present and past, shall be treated as private and confidential and shall be guided by the following principles and policies.
- ii. The Company shall not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies/ entities in their group, other than in the following exceptional cases:
  - a. If the information is to be given by law.
  - b. If there is a duty towards the public to reveal the information.
  - c. If the Company interests require them to give the information (for example, to prevent fraud). However, it should not be used as a reason for giving information about customer or customer accounts (including customer name and address) to anyone else, including other companies in the group, for marketing purposes.
  - d. If the customer asks the Company to reveal the information, or with the customer's permission.
  - e. If the Company is asked to give a reference about customers, they shall obtain his/ her written permission before giving it.
- iii. The customer shall be informed the extent of his/ her rights under the existing legal framework for accessing the personal records that the Company holds about him/ her.
- iv. The Company shall not use customer's personal information for marketing purposes by anyone including the Company, unless the customer specifically authorizes them to do so.

## **XI. General**

- i. The Company shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).
- ii. 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.
- iii. 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 shall be followed for recovery of dues. The process will involve reminding the customer by sending him/her notice or by making personal visits and/or repossession of security if any.
- iv. In the matter of recovery of loans, the Company shall not resort to harassment viz. persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behavior from the staff of the companies, the Company shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- v. The Company shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
  - a) Where the housing loan is on floating interest rate basis and pre-closed from any source.
  - b) Where the housing loan is on fixed interest rate basis and the loan is pre-closed by the borrower out of their own sources.

The expression "own sources" for the purpose means any source other than by borrowing from a bank/ HFC/ NBFC and/or a financial institution.
- vi. All dual/ special rate (combination of fixed and floating) housing loans will attract the pre-closure norms applicable to fixed/ floating rate depending on whether at the time of pre-closure, the loan is on fixed or floating rate. In case of a dual/ special rate housing loans, the pre-closure norm for floating rate will apply once the loan has been converted into floating rate loan, after the expiry of the fixed interest rate period. This applied to all such dual/ special rate housing loans being foreclosed hereafter. It is also clarified that a fixed rate loan is one where the rate is fixed for entire duration of the loan.
- 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. To facilitate quick and good understanding of the major terms and conditions of housing loan agreed upon between the Company and the individual borrower, the Company shall obtain a document containing the most important terms and conditions (MITC) of such loan in all cases. The document will be in addition to the existing loan and security documents being obtained by the Company. The Company is advised to prepare the said document in duplicate and in the language understandable by the borrower. Duplicate copy duly executed between the Company and the borrower should be handed over to the borrower under acknowledgement.
- ix. Display of various key aspect such as service charges, interest rates, Penal charges (if any), services offered, product information, time norms for various transactions and grievance

redressal mechanism, etc. is required to promote transparency in the operations of the Company. The Company shall follow the instructions on “Notice Board”, “Booklets/ Brochures”, “Website”, “Other Modes of Display” and on “Other Issues” as mentioned in the Master Direction NBFC- HFC Direction 2021.

- x. The Company shall display about their products and services in any one or more of the following languages: Hindi, English or the appropriate local language.
- xi. The Company shall not discriminate on grounds of sex, caste and religion in the matter of lending. Further, the Company shall also not discriminate visually impaired or physically challenged applicants on the ground of disability in extending products, services, facilities, etc. However, this does not preclude the Company from instituting or participating in schemes framed for different sections of the society.

## **XII. Complaints and Grievances Redressal**

- a) The Company has a grievance redressal mechanism in place to resolve complaints and grievances. Such a mechanism ensures that all disputes arising out of the decisions of lending institution’s functionaries are heard and disposed of at least at the next higher level.
- b) The Company has a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line.
- c) If a complaint has been received in writing from a customer, the Company shall endeavor to 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 the 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.
- d) After examining the matter, the Company shall send the customer its final response or explain why it needs more time to respond and shall endeavor to do so within six weeks of receipt of a complaint and he/ she should be informed how to take his/ her complaint further if he/ she is still not satisfied.
- e) The Company shall publish the updated Customer Grievance Redressal Mechanism on its website and each of its branches which will provide 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.
- f) 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 in prescribed format at following address:  
The Officer-in Charge,  
Complaint Redressal Cell  
Department of Supervision  
National Housing Bank,  
4th Floor, Core-5A, India Habitat Centre, Lodhi Road,  
New Delhi - 110 003.



### **XIII. Advertising, Marketing and Sales**

- a) The Company shall ensure that all advertising and promotional material is clear, and factual.
- b) 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.
- c) The Company shall provide information on interest rates, common fees and charges (including penal charges, if any) 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.
- d) If the Company avails services of third parties for providing support services, the Company will endeavour that such third parties handle customer's personal information (if any available to such third parties) with the same degree of confidentiality and security as the Company would.
- e) The Company will, if felt appropriate, communicate to customers various features of their products availed by them from time to time. 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 either by mail or by registering for the same on the website or on customer service number.
- f) Company has prescribed 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.
- g) In the event of receipt of any complaint from the customer that the Company's representative/ courier or DSA 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.

### **XIV. Process for release of securities/property documents in the event of demise of sole/joint borrowers**

In case of contingent event of demise of sole/joint borrower, the Company shall return original property documents to the nominee/legal heirs.

In case of obtaining original documents of deceased customers, the following documents of nominee/legal heirs shall be verified by the Company:

- i. Customers Death certificate
- ii. Document establishing relationship as per existing KYC norms.
- iii. Legal Heir Certificate/Succession Certificate/Letter of Administration
- iv. Nominee /legal heir photo ID proof
- v. Nominee/Legal Heir Photo & Signature ID proof
- vi. If all legal Heirs are not present at the time of document collection: POA from each of them to be obtained in format as desired by the company.

### **XV. Guidelines on conduct towards microfinance borrowers**

In addition, the Company shall also abide by the extant guidelines on conduct towards microfinance borrowers detailed as Annexure I as required under RBI's Master Direction – Reserve

Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038 dated 14<sup>th</sup> March 2022.

**XVI. Review of the Code**

The Board of Directors shall conduct annual review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management.

In addition to Fair Practice Code formulated by Piramal Capital & Housing Finance Ltd (“The Company/PCHF”) pursuant to Chapter XIII “Fair Practice Code (FPC)” of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 issued by Reserve Bank of India (“RBI”) vide RBI/2020-21/73 DOR.FIN.HFC.CC.No. 120/ 03.10.136 /2020-21 dated February 17,2021, the Company shall also abide by the following Code of Conduct detailed as under pursuant to RBI’s Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022 RBI/DOR/2021-22/89 DoR.FIN.REC.95/03.10.038 dated 14<sup>th</sup> March 2022

### **Application for loans and their processing**

The Company extends microfinance loan i.e., collateral-free loan to a household having annual household income up to ₹3,00,000 irrespective of end use and mode of application/ processing/ disbursal (either through physical or digital channels). The household shall mean an individual family unit, i.e., husband, wife, and their unmarried children.

Furthermore, such microfinance loans shall not be linked with a lien on any deposit account of the borrower.

### **Privacy and Confidentiality**

The Company shall mandatorily submit information regarding household income to the Credit Information Companies (CICs) and the reasons for any divergence between the already reported household income and assessed household income shall be specifically ascertained from the borrower/s before updating the assessed household income with CICs.

The Company will ensure to provide timely and accurate data to the CICs and use the data available with them to ensure compliance with the level of indebtedness. Besides, the Company shall also ascertain the same from other sources such as declaration from the borrowers, their bank account statements and local enquiries.

### **Rate of interest /policy**

The Company shall put in place a board-approved policy regarding pricing of microfinance loans which shall, inter alia, cover the interest rate model/ approach for arriving at the all-inclusive interest rate, delineation of the components of the interest rate such as cost of funds, risk premium and margin, etc., the range of spread of each component for a given category of borrowers; and a ceiling on the interest rate and all other charges applicable to the microfinance loans. The Company will make certain that the applicable interest rates and other charges/ fees on microfinance loans will not be usurious.

The Company shall disclose pricing related information to a prospective borrower in a standardised simplified factsheet which will contain critical details related to the microfinance loan, any other collateralized loan and fees to be charged to the microfinance borrower. There shall be no pre-payment penalty on microfinance loans.

The Company shall prominently display the minimum, maximum and average interest rates charged on microfinance loans in all its offices, in any literature issued by it for related loans and on its website.

The Company shall inform any change in interest rate or any other charge well in advance to the borrower and these changes shall be effective only prospectively.

### **Disbursement of loans including changes in terms and conditions**

The Company shall design a standard form of loan agreement for microfinance loans in a language understood by the borrower.

The Company shall provide a loan card to the borrower in a language understood by the borrower containing the following information:

- (i) Information which adequately identifies the borrower;
- (ii) Simplified details related to pricing of the loan
- (iii) All other terms and conditions attached to the loan;
- (iv) Acknowledgements towards all repayments including instalments received and the final discharge; and
- (v) Details of the grievance redressal system, including the name and contact number of the nodal officer

The Company shall ensure that any issuance of non-credit products shall be done with full consent of the borrowers and fee structure for such products shall be explicitly communicated to the borrower in the loan card itself.

### **General**

It is implied that outsourcing of any activity by the Company will not diminish its obligations and the onus of compliance with these directions shall rest solely with the Company.

The Company shall have a policy regarding the conduct of employees and system for their recruitment, training and monitoring which shall lay down guidelines on the minimum qualifications for recruitment and necessary training tools to carry out day to day activities. The Conduct of employees towards customers shall also be incorporated appropriately in their compensation matrix. Additionally, the staff shall be trained on assessment / enquiries regarding the income and existing debt of the household of the prospective borrowers of Microfinance loans. Any training offered to the borrowers, shall be free of cost.

### **Complaints and Grievances Redressal**

The Company shall proactively inform the details of the grievance redressal system, including the name and contact number of the nodal officer to the borrower of such loans.

The Company shall put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.

The Company shall have a dedicated mechanism for redressal of recovery related grievances and the details of this mechanism shall be provided to the borrower at the time of loan disbursement.

The Company will agree vide a declaration in the loan agreement / displayed in its website /offices / branch premises, that they shall be accountable any inappropriate behaviour by its employees or employees of the outsourced agency and shall provide timely grievance redressal to any such matters that are brought to its notice.

### **Recovery of Loans**

The Company shall put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.

The recoveries of such loans be made at a designated/ central designated place decided mutually by the borrower and the Company. The field staff shall be allowed to make recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated/ central designated place on two or more successive occasions.

The Company or its agent shall not engage in any harsh methods towards recovery and will follow the guidelines laid down in the Company's Policy for recoveries of dues in general while engaging with such borrowers. It shall be ensured that:

- i. There is no use of threatening or abusive language
- ii. Recovery Agent shall not persistently call the borrower and/ or call the borrower before 9:00 a.m. and after 6:00 p.m.
- iii. Recovery Agent shall not harass relatives, friends, or co-workers of the borrower
- iv. Shall not publish the name of borrowers
- v. There is no use or threat of use of violence or other similar means to harm the borrower or borrower's family/ assets/ reputation
- vi. Recovery Agent shall not mislead the borrower about the extent of the debt or the consequences of non-repayment

The Company shall have a due diligence process in place for engagement of recovery agents. The Company shall ensure that the nominated recovery agents engaged by them carry out verification of the antecedents of their employees.

The recovery agent shall carry a copy of the notice and the authorization letter from the Company along with the identity card issued to him.

The Company shall host a detailed list of recovery agencies engaged by them on their website which will be updated on periodical basis.