

FAIR PRACTICES CODE

Capri Global Housing Finance Limited (CGHFL)

1. Introduction

In exercise of the powers conferred by sections 45K, 45L and 45M of the Reserve Bank of India Act, 1934 (Act 2 of 1934), and Sections 30, 30A, 32 and 33 of the National Housing Bank Act, 1987, hereby issues their Fair Practices Code guidelines vide notifications/Circular No. RBI/2020-21/73 DOR.FIN.HFC.CC. No.120/03.10.136/2020-21 dated 17th February 2021. The said code deals with promotion of good and fair practices, increased transparency, encouraging market forces, ensuring a fair and cordial relationship between borrower/Customer and the Company and to foster confidence of the customer in the housing finance system of the Company. The Code has the following key elements.

1.2 Objectives:

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

1.3 Application of the Code

This Code shall apply to all the products and services, whether they are provided by CGHFL, 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.

2. Applications for loans and their processing.

- 2.1 All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- 2.2 CGHFL would 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 interest / penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any reset clause and any other matter which affects the interest of the borrower. In other words, CGHFL shall disclose

'all in cost' inclusive of all charges involved in processing/sanctioning of loan application in a transparent manner. It would also be ensured that such charges/fees are non-discriminatory.

- 2.3** Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other HFCs 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.
- 2.4** The Company shall devise a system of giving acknowledgement for receipt of all loan applications. Preferably, the time frame within which loan applications will be disposed should also be indicated in the acknowledgement.

3. Loan appraisal terms/conditions and communication of rejection of loan application.

In accordance with CGHFL's prescribed risk-based assessment procedures, each loan application will be assessed, and suitable margin/security will be stipulated based on such risk assessment and CGHFL's extant guidelines, however without compromising on due diligence.

A. Loan appraisal & terms/conditions:

- a) Normally all particulars required for processing the loan application shall be collected by the CGHFLs 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) CGHFL 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 interest (if any) and keep the written acceptance of these terms and conditions by the borrower on its record.
- c) CGHFL shall mention the penal interest charged for late repayment in bold in the loan agreement.
- d) CGHFL shall invariably 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 CGHFL cannot provide the loan to the customer, it shall communicate in writing the reason(s) for rejection.

4. Disbursement of loans including changes in terms and conditions

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

- b) CGHFL shall give notice to the borrower in the vernacular language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, penal interest (if any), service charges, prepayment charges, other applicable fee/ charges etc. CGHFL 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, should be in consonance with the loan agreement.

CGHFL 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 CGHFLs 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 CGHFLs are entitled to retain the securities till the relevant claim is settled /paid.

4A. Loans sourced over Digital Lending Platforms

Outsourcing of any activity by CGHFL does not diminish their obligations, as the onus of compliance with regulatory instructions rests solely with the Company Wherever CGHFL engage digital lending platforms as their agents to source borrowers and/ or to recover dues, they must follow the following instructions:

- ✓ Names of digital lending platforms engaged as agents shall be disclosed on the website of CGHFL.
- ✓ Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer, the name of the CGHFL on whose behalf they are interacting with him.
- ✓ 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 CGHFL concerned.
- ✓ 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.
- ✓ Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by the HFCs
- ✓ Adequate efforts shall be made towards creation of awareness about the grievance redressal mechanism.

4B. Guidelines on Digital Lending

CGHFL shall comply with the instructions contained in circular on 'Guidelines on Digital Lending' dated September 02, 2022 as amended from time to time, applicable as and when such transactions are undertaken.

4C. Guidelines on Default Loss Guarantee (DLG) in Digital Lending

CGHFL shall comply with the instructions contained in Circular on ‘Guidelines on Default Loss Guarantee (DLG) in Digital Lending’ dated June 08, 2023 as amended from time to time, applicable as and when such transactions are undertaken.

5. Responsibility of Board of Directors:

- ✓ The Board of Directors of CGHFL should lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism should ensure 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.
- ✓ The Board of Directors of CGHFL should provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievance’s redressal mechanism at various levels of management. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.

6. Complaints and Grievance Redressal:

- ✓ CGHFL shall have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line. If a complaint has been received in writing from a customer, CGHFL 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 CGHFL 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.
- ✓ After examining the matter, CGHFL shall send the customer its final response or explain why it needs more time to respond and shall endeavor to do so within one month 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.
- ✓ CGHFL 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. CGHFL 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.

The Company has put up separate Customer Grievance Redressal Policy to the Board for approval.

Language and mode of communicating Fair Practice Code

Fair Practices Code (which shall preferably be in the vernacular language, or a language as understood by the borrower) shall be put in place by the Company. The same shall be put up on their website, for the information of various stakeholders.

7. Regulation of excessive interest charged by HFCs

- ✓ The Board of CGHFL shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. 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 of the CGHFL shall also have clearly laid down policy for penal interest/ charges (if any).
- ✓ The rates of interest and the approach for gradation of risks, and penal interest (if any) shall also be made available on the website of the companies 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.
- ✓ The rate of interest and penal interest (if any) must be annualized 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.

8. Excessive interest charged by HFCs

- ✓ Though interest rates are not regulated by the Bank, rates of interest beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. CGHFL shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal interest, 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. The Company is also advised to put in place an internal mechanism to monitor the process and the operations to ensure adequate transparency in communications with the borrowers.

8A: Penal Charges in Loan Accounts

These penal charges will be applicable wef January 01, 2024 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 June 30, 2024 whichever is earlier.

- ✓ 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 capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- ✓ CGHFL shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.

- ✓ CGHFL shall formulate a Board approved policy on penal charges or similar charges on loans, by whatever name called.
- ✓ 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 CGHFL to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as applicable, in addition to being displayed on CGHFL 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.

8B: Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans (including housing loans)

- a. At the time of sanction, CGHFL shall clearly communicate to the borrowers about the possible impact of change in interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels.
 - b. At the time of reset of interest rates, CGHFL shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan.
 - c. The borrowers shall also be given the choice to opt for (i) enhancement in EMI or elongation of tenor or for a combination of both options; and, (ii) to prepay, either in part or in full, at any point during the tenor of the loan. Levy of foreclosure charges/pre-payment penalty shall be subject to extant instructions.
 - d. All applicable charges for switching of loans from floating to fixed rate and any other service charges/administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/costs by CGHFL from time to time.
 - e. CGHFL shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.
 - f. CGHFL shall share/make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest / Annual Percentage Rate (APR) for the entire tenor of the loan. CGHFL shall ensure that the statements are simple and easily understood by the borrower.
- ✓ Apart from the equated monthly instalment loans, these instructions would also apply, mutatis mutandis, to all equated instalment based loans of different periodicities.
 - ✓ CGHFL shall ensure that the above instructions are extended to the existing as well as new loans suitably by December 31, 2023. All existing borrowers shall be sent a communication, through

appropriate channels, intimating the options available to them.

9. Advertising, Marketing and Sales

CGHFL shall:

- (a) Ensure that all advertising and promotional material is clear and factual.
- (b) In any of its advertisement in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate 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) provide information on interest rates, common fees and charges (including penal interest, 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 it avails of the services of third parties for providing support services, Company shall require that such third parties handle customer's personal information (if any available to such third parties) with same degree of confidentiality and security as the Company would.
- (e) 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 either by mail or by registering for the same on the website or on customer service number.
- (f) prescribe a code of conduct for the 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) adopt the Model Code of Conducts for Direct Selling Agents (DSAs) / Direct Marketing Agents (DMAs) the approval of their Board
- (h) in the event of receipt of any complaint from the customer that the Company's representative / courier agency 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.

10. Guarantors:

When a person is considered to be a guarantor to a loan, CGHFL shall inform him/her the following under acknowledgment

- 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 CGHFL will call on him/her to pay up his/her liability;
- d) whether CGHFL 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 are unlimited; and
- f) time and circumstances in which his/her liabilities as a guarantor will be discharged as also the manner in which CGHFL will notify him/her about this.
- g) In case the guarantor refuses to comply with the demand made by the creditor/lender, despite having sufficient means to make payment of the dues, such guarantor would

also be treated as a wilful defaulter.

The Company shall keep him/her informed of any material adverse change/s in the financial position of the borrower to whom he/ she stands as a guarantor.

11. Privacy and Confidentiality

All the customer/borrower's personal information shall be treated as private and confidential (even when he/she is no longer our customer) and shall be guided by the following principles and policies. The Company shall not reveal information or data relating to Customer accounts to anyone, including other companies in the 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 CGHFL's interests require them to give the information (for example, to prevent fraud) but 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 customers' permission / consent.
- e) If CGHFL is asked to give a reference about customers, they shall obtain his / her written permission before giving it.

The customer shall be informed the extent of his / her rights under the existing legal framework for accessing the personal records that an CGHFL holds about him /her.

CGHFL shall not use customer's personal information for marketing purposes by anyone including CGHFLs unless the customer specifically authorizes them to do so. In light of the above conditions, if the customer provides express consent for sharing of such information, the company may provide such information or share such information to CGHFL's Group /associates companies for the purpose of offering any other financial products and services for the benefit of the customer(s).

12. General:

12.1 CGHFL 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, which may come to the notice of CGHFL).

12.2 In case of receipt of request from the borrower for transfer of borrower account to other NBFC, bank of financial institution, the consent or otherwise i.e. objection of CGHFL, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms entered into with the borrower and in consonance with statutes, rules, regulations and guidelines as may be applicable from time to time.

12.3 CGHFL 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

12.4 In the matter of recovery of loans, CGHFL 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 company, CGHFL shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.

12.5 The Company has to adopt guidelines as formulated by NHB/RBI as applicable for engaging Recovery Agents, for adoption by the Company with the approval of their respective Boards.

12.6 CGHFL shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:

- ✓ Where the housing loan is on floating interest rate basis and pre-closed from any source.
- ✓ Where the housing loan is on fixed interest rate basis and the loan is pre- closed by the borrower out of their own sources

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.

12.7 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).

12.8 To facilitate quick and good understanding of the major terms and conditions of housing loan agreed upon between CGHFL and the individual borrower, CGHFL shall obtain a document containing the most important terms and conditions (MITC) of such loan in all cases as prescribed in the guidelines.. The document will be in addition to the existing loan and security documents being obtained by the Company. CGHFL is advised to prepare the said document in duplicate and in the language understandable by the borrower. Duplicate copy duly executed between CGHFL and the borrower should be handed over to the borrower under acknowledgement.

12.9 CGHFL shall display Service charges, interest rates, Penal interest (if any), services offered, product information, time norms for various transactions and grievance redressal mechanism, etc. on Notice Board at the branches/on the CGHFL's website/through Print and or other Media from time to time.

12.10 CGHFL shall display about their products and services in any one or more of the following languages.

Hindi, English or the appropriate local language

12.11 CGHFL shall not discriminate on grounds of sex, caste and religion in the matter of lending. Further, CGHFL 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 CGHFL from instituting or participating in schemes framed for different sections of the society.

12.12 To publicise the Code, CGHFL shall:

- ✓ Provide existing and new customers a copy of the Code.
- ✓ make this Code available on request either over the counter or by electronic communication or mail;
- ✓ Exhibit a copy of this Code on the Web site & Notice Board at Branches.
- ✓ ensure that staff are trained to provide relevant information about the Code and to put the Code into practice.

13. Review of Policy

The Policy will be reviewed as and when required or at least once in a year. In case of any regulatory development then for carrying on such amendments in the Policy, the Board Authorises the MD/CEO for such amendments. The onus of the policy review lies with the Compliance Group.