



## **FAIR PRACTICES CODE**

(Approved by Board of Directors at the meeting held on December 24, 2016 and further amended on August 01, 2019, May 27, 2021 and October 29, 2021)

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**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 17<sup>th</sup> 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 re-set 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/securities 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) CGHFLs 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. CGHFLs 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.
- e) 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.

#### **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 believes in providing the best of services to the customers. It is the endeavour of the Company to provide customers with easy access to information, products, and services, as well as the means to get their grievances redressed within the defined TAT. For any service-related issue including obtaining documents or in case of any complaint & grievance, the borrower may communicate in writing, orally, electronically through e-mail, website and telephonically.

The Borrower may contact the Office through any of the following channels:

##### **Step 1:**

1. By telephonic communication with our Call Centre at 1800-102-102-1 (toll free) between 10:-00am - 5:-00pm from Monday to Friday (Except Public Holidays).
2. By way of e-mail:- [carehl@caprihomeloans.com](mailto:carehl@caprihomeloans.com).
3. By way of written letter addressed to Customer Service - Home Loans, Capri Global Housing Finance Limited, 502, Tower A, Peninsula Business Park, Senapati Bapat Marg, Lower Parel, Mumbai 400013.
4. By way of visiting the nearest **Capri Global Housing Finance Ltd.** service branch and submit complaints/grievance in Complaint Register maintained at the branches from Monday to Friday (Except Public Holidays) during the working hours from 10:00 A.M to 5:00 P.M.

The Complaint would be responded within 15 working days.

**Step 2:**

In case no response is received within 15 working days or if the customer is not satisfied with the resolution to his query/concern, customer can write, mail or call the Nodal Officer of the company:

**Customer grievance redressal / nodal officer**

Harish Agrawal  
502, Tower – A, Peninsula Business Park,  
Senapati Bapat Marg,  
Lower Parel,  
Mumbai – 400013  
Telephone No: 022 40888100  
[e-mail : harishagrawal@caprihomeloans.com](mailto:harishagrawal@caprihomeloans.com)

After examining the matter, we shall send the customer our final response or explain why it needs more time to respond and shall endeavour to do so within 15 working days.

**Step 3:**

In case the complainant is dissatisfied with the response received or where no response is received, the complainant may directly approach the regulatory authority of Housing Finance Companies, National Housing Bank for redressal of their complaints at below address:

National Housing Bank,  
Department of Regulation and Supervision,  
(Complaint Redressal Cell)  
4th Floor, Core- 5A, India Habitat Centre,  
Lodhi Road, New Delhi- 110 003

The complainant can also approach the Complaint Redressal Cell in online mode by lodging its complaint at the link <https://grids.nhbonline.org.in>.

**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 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.

**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.

**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) shall 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) shall 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) shall adopt the Model Code of Conducts for Direct Selling Agents (DSAs) / Direct Marketing Agents (DMAs) as per Annex X with 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



- ✓ Letter/ Deed of Guarantee stating the terms of liability as guarantor.
- ✓ CGHFL shall keep him/her informed of any default in servicing of the loan by the borrower to whom he/she stands as a guarantor such as:
  - 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.

## **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.

**11.1** 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.

**11.2** 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 or 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 Bank has formulated the guidelines (as per Annex XI) 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
- 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 in the suggestive format as per Annex XII. 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 and on "Other Issues" as per Annex XII.
- 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. Complaints and Grievances Internal Procedures**

- The Company would endeavor to deal quickly and sympathetically to correct any mistake committed by its staff/system/process and would cancel any charges wrongly accrued due to such mistakes.
- The Company would provide suitable alternative avenues to alleviate problems arising out of technological failures.
- To redress customer grievances, he/she may write or call the Manager of the concerned Branch clearly stating the nature of Customer's grievance along with necessary documents, if any, and the customer will be provided a Complaint Reference Number.
- The Company would request customer to complain against representative/courier or Direct Selling Agent (DSA) or broker for sourcing deposits or any other agencies employed by The Company if they are engaged in any improper conduct or action in violation of the code. The company would ensure that the complaint is properly investigated, and proper action and redressal takes place.

**14. Storage of customers KYC and Critical documents in branch**

- ✓ CGHFL shall ensure that its staff not to take blank cheque or put company name on immediate basis on cheque received from customer. Further branch hygiene needs to be checked on periodical basis by branch manager
- ✓ Storage of rejected files, SPDC and FRFC key must be done in locked drawer.

**15. Fire Extinguisher:**

Fire extinguisher duly filled must be available in every branch along with details like date of filling / expiry.

**16. Branch Closure / Shifting:**

Company shall give at least three months public notice prior to the date of closure of any of its branches/ offices in, at least, one leading national newspaper and one leading local vernacular (covering the place of branch/ office) newspaper indicating therein the purpose

**17. Display of Fair Practices at Branch:**

**CGHFL shall display below documents on Dashboard at Branch entrance**

- ✓ Fair Practice Code
- ✓ KYC & AML Policy certificate
- ✓ NHB Certificate

- ✓ MITC
- ✓ Shop Establishment
- ✓ Holiday List
- ✓ Nodal Officer
- ✓ Maternity Leave
- ✓ COI (Certificate of Incorporation)
- ✓ GST Certificate
- ✓ NHB/DRS Policy/ Circular no 70 /2014-15
- ✓ Complaint Register
- ✓ Professional Tax Certificate

**18. Important Key points to be mandatorily followed at Branch:**

- ✓ All the required statutory certificate/license/circular must be displayed at all branches notice board.
- ✓ All the applicable expired license should be renewed and displayed at branch as required by law.

**Annex X**

**Model Code of Conduct for Direct Selling Agents (DSAs)/ Direct Marketing Agents (DMAs) of Housing Finance Companies.**

**1. Preamble**

Model Code of Conduct for the Direct Selling Agents (DSAs)/ Direct Marketing Agents (DMAs) is a code of conduct for adoption by housing finance companies (HFCs) in respect of DSAs/ DMAs operating as their Agents. The Code is a set of guidelines designed to ensure that DSAs/ DMAs of HFCs act and conduct in conformity with the laid down policies and procedures as set in the Code.

**2. Applicability**

Upon adoption and inclusion as part of agreement between HFCs and the DSA/ DMA, this Code will apply to person/ legal entity involved in marketing and distribution of any loan or other financial products or services of HFCs. The DSA/ DMA or/and its employees/ representatives must agree to abide by this Code prior to undertaking any direct marketing operation and distribution on behalf of the HFC. Any employee/ representative of DSA/ DMA found to be violating this Code may be blacklisted and such action taken be reported to the HFC from time to time by the DSA/ DMA. Failure to comply with this requirement may result in permanent termination of business of DSA/ DMA with HFCs and may even lead to permanent blacklisting. A declaration-cum-undertaking to be given by DSA/ DMA to HFC and be obtained from its employees/ representatives by the DSAs/ DMAs before assigning them duties is annexed to this Code as Appendix X (a).

**3. Tele-calling a Prospect (a prospective customer)**

**3.1. Unsolicited Commercial Communications - National Do Not Call Registry (NCND)-  
HFC shall –**

- 3.1.1.** not engage Telemarketers (DSAs/ DMAs) who do not have any valid registration certificate from Department of Telecommunication (DoT), Government of India, as telemarketers; HFCs shall engage only those telemarketers who are registered in terms of the guidelines issued by TRAI, from time to time, for any kind of engagement with customers;
- 3.1.2.** furnish the list of Telemarketers (DSAs/ DMAs) engaged by them along with the registered telephone numbers being used by them for making telemarketing calls to TRAI;
- 3.1.3.** ensure that all agents presently engaged by them register themselves with DoT as telemarketers.

**3.2. A prospect is to be contacted for sourcing an HFC's product/ service or HFC related product/ service only under the following circumstances:**

- a. When a prospect has expressed desire to acquire any loan or other financial product or services through the HFCs' internet site/ digital platforms including mobile applications/ call centre/ branch or through the Relationship Manager at the HFC or has been referred to by another prospect/ customer or is an existing customer of the HFC who has given explicit consent in writing/ digitally for accepting calls on other products/ services of the HFC.

b. When the prospect's name/ telephone number/ address is available and obtained after taking his/ her explicit consent in writing/ digitally on a separate document.

**3.3.** DSA/ DMA or/and its employees/ representatives should not call a person whose name/ number is flagged in any "Do Not Disturb" list.

#### **4. When you may contact a prospect on telephone.**

**4.1.** DSA/ DMAs must introduce themselves and before calling must share their contact details through message or any other written mode including his/ her name, contact number, DMA/ DSA they are employed with and the HFC they are representing.

**4.2.** Telephonic contact must normally be between 09:30 hours and 19:00 hours. However, it may be ensured that a prospect is contacted only when the call is not expected to inconvenience him/ her;

**4.3.** Calls earlier or later than the prescribed time period may be placed only when the prospect has expressly authorized the DSA/ DMA or/and its employees/ representatives to do so either in writing or orally;

**4.4.** Residence/ Business/ Office address visit must normally be limited between 09:30 hours and 19:00 hours. Visit earlier or later than the prescribed time period may be made only when prospect has expressly authorized DSA or/and its employees/ representatives to do so either in writing or orally.

#### **5. Respect prospect's privacy**

DSA/ DMA or/and its employees/ representatives should respect a prospect's privacy and his/ her interest may normally be discussed only with the prospect and with any other individual/ family member such as prospect's accountant/ secretary/ spouse only when authorized to do so by the prospect.

#### **6. Leaving messages and contacting persons other than the prospect**

Calls must first be placed to the prospect. If the prospect is not available, a message may be left for him/ her. The aim of the message should be to get the prospect to return the call or to check for a convenient time to call again. Ordinarily, such messages may be restricted to:

"Please leave a message that XXXXXX (name of officer) representing YYYYYYY (name of the HFC) called and requested to call back at ZZZZZZ (phone number)". As a general rule, the message must indicate that the purpose of the call is regarding selling or distributing a product of an HFC.

#### **7. DSA/ DMA or/and its employees/ representatives should not:**

- a. Mislead the prospect on any product/ service offered by an HFC;
- b. Mislead the prospect about their business or organization's name or falsely represent themselves as HFC's employee;
- c. Make any false/ unauthorized commitment on behalf of an HFC for any facility/ loan/ service.

#### **8. Telemarketing Etiquettes**

##### **8.1. Pre-Call**

- a. No calls prior to 09:30 hours or post 19:00 hours unless specifically requested;
- b. No serial calling;
- c. No calling on lists unless list is cleared by the DSA/DMA leader.

##### **8.2. During Call**

- a. Identify yourself, your company and your principal;

- b. Request permission to proceed;
- c. If denied permission, apologize and politely disconnect;
- d. State reason for your call;
- e. Always offer to call back on landline, if call is made to a cell number;
- f. Never interrupt or argue;
- g. To the extent possible, talk in the language which is most comfortable to the prospect/ customer;
- h. Keep the conversation limited to business matters;
- i. Check for understanding of “Most Important Terms and Conditions” by the prospect/ customer if he plans to buy the product;
- j. Reconfirm next call or next visit details;
- k. Provide your telephone no, your supervisor’s name or the HFC’s officer contact details if asked for by the prospect/ customer;
- l. Thank the prospect/customer for his/ her time.

### **8.3. Post Call**

- a. Prospects/ Customers who have expressed their lack of interest for the offering should not be called for the next 3 months with the same offer;
- b. Provide feedback to the HFC on prospects/ customers who have expressed their desire to be flagged “Do Not Disturb”;
- c. Never call or entertain calls from customers regarding products already sold;
- d. Advise them to contact the Customer Service Staff of HFC.

### **9. Gifts or Bribes**

DSA/ DMA or/and its employees/ representatives will

- a. not accept gifts or bribes of any kind from prospects/ customers. Further, if he/ she is offered a bribe or payment of any kind by the prospect/ customer, it must be reported to his/ her management.
- b. not offer any gifts/ gratitude in cash or in kind to the prospect/ customer to solicit business.

### **10. Precautions to be taken on visits/ contacts.**

DSA/ DMA or/and its employees/ representatives should:

- a. respect personal space, maintain adequate distance from the prospect/ customer;
- b. ensure that prospect/ customer is not visited within a period of 3 months of expression of lack of interest for the offering by him/ her.
- c. not enter the prospect’s/ customer’s residence/ office against his/ her wishes;
- d. prospect’s/ customer’s residence/ business is visited by not more than one employee/ representative of DSA/ DMA and one supervisor, if required;
- e. respect the prospect’s privacy;
- f. end the visit with a request for the prospect to call back, if the prospect/ customer is not present and only family members/ office persons are present at the time of the visit;
- g. provide his/ her telephone number, name of the supervisor or the concerned HFC officer’s contact details, if asked for, by the prospect/ customer; and
- h. limit discussions to prospects of the business and maintain a professional distance

### **11. Appearance and Dress Code**

DSA/ DMA or/and its employees/ representatives must be in proper formal attire while meeting up with prospect/ customer.

## **12. Handling of letters and other communication**

Any communication sent to the prospect shall only be in the mode and format approved by the HFC.

## **13. Qualifications for DSA/ DMA**

While there is no specific qualification requirement for individuals, corporate entities depending upon the nature of the entity, shall ensure that the Partnership Deed, Memorandum of Association or any other document evidencing the constitution of the entity shall contain as one of its main objects soliciting or procuring DSA business.

## **14. Empanelment of DSA/ DMA**

DSA/ DMA seeking of engagement/ empanelment with the HFC shall submit the application for empanelment in the illustrative format given at Appendix X (b).

## **15. Outsourcing Agreement**

The terms and conditions governing the contract between the HFC and the service provider should be carefully defined in written agreements and vetted by HFC's legal counsel on their legal effect and enforceability. Every such agreement should address the risks and risk mitigation strategies. The agreement should be sufficiently flexible to allow the HFC to retain an appropriate level of control over the outsourcing and the right to intervene with appropriate measures to meet legal and regulatory obligations. The agreement should also bring out the nature of legal relationship between the parties – i.e., whether the agent, principal or otherwise. Some of the key provisions of the contract should be the following:

- 15.1.** The contract should clearly define what activities are going to be outsourced including appropriate service and performance standards;
- 15.2.** The HFC must ensure it has the ability to access all books, records and information relevant to the outsourced activity available with the service provider;
- 15.3.** The contract should provide for continuous monitoring and assessment by the HFC of the service provider so that any necessary corrective measure can be taken immediately;
- 15.4.** A termination clause and minimum period to execute a termination provision, if deemed necessary, should be included;
- 15.5.** Controls to ensure customer data confidentiality and service providers' liability in case of breach of security and leakage of confidential customer related information should be incorporated;
- 15.6.** There must be contingency plans to ensure business continuity;
- 15.7.** The contract should provide for the prohibition of further outsourcing by the service provider for all or part of an outsourced activity;
- 15.8.** It should provide the HFC with the right to conduct audits on the service provider whether by its internal or external auditors, or by agents appointed to act on its behalf and to obtain copies of any audit or review reports and findings made on the service provider in conjunction with the services performed for the HFC;
- 15.9.** Outsourcing agreements should include clauses to allow the National Housing Bank or persons authorised by it, to access the HFC's documents, records of transactions, and other necessary information given to, stored or processed by the service provider, within a reasonable time.



- 15.10.** Outsourcing agreement should also include a clause to recognise the right of the National Housing Bank, to cause an inspection to be made of a service provider of an HFC and its books and account by one or more of its officers or employees or other persons.
- 15.11.** The outsourcing agreement should also provide that confidentiality of customer's information should be maintained even after the contract expires or gets terminated.
- 15.12.** The outsourcing agreement should provide for the preservation of documents and data by the service provider in accordance with the legal/ regulatory obligation of the HFC in this regard.

#### **16. Termination of Agreement**

A termination clause and minimum period to execute a termination provision, should be included. The agreement shall automatically be terminated unless renewed by a fresh contract by the HFC immediately after the expiry of the period of agreement. No DSA/ DMA shall be allowed to do any fresh business on behalf of the HFC after termination of agreement until and unless renewed by a fresh agreement.

#### **17. Training to DSA/ DMA or/and its employees/ representatives**

Where DSA/ DMA is seeking of engagement/ empanelment with the HFC, it or/and its employees/ representative will have to go through two-day preliminary training and a day training every year which shall be organized by the HFC. HFC shall also maintain record of training provided by them

#### **18. Maintenance of Database of DSAs/ DMAs**

HFCs availing the services of DSA/ DMA shall maintain up-to-date database of DSAs/ DMAs engaged/ empaneled with them. HFC shall keep the inspection report of the inspection conducted in terms of the provisions of the agreement entered into with the DSA/ DMA, and action taken report (ATR) thereon.

#### **19. General**

- 19.1.** HFCs should, at least on an annual basis review the financial and operational conditions of the service provider to assess their ability to continue to meet their outsourcing obligations. Such due diligence reviews, which can be based on all available information about service provider, should highlight any deterioration or breach in performance standard confidentially and security, and in business continuity preparedness.
- 19.2.** HFCs should have in place a management structure to monitor and control the outsourcing activities. It should ensure that outsourcing agreements with the service providers contain provisions to address their monitoring and control of outsource activities.
- 19.3.** Regular audits by either the internal auditors or external auditors of the HFC should assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the HFC's compliance with its risk management framework and the requirements of these guidelines.
- 19.4.** In the event of termination of the agreement for any reason, this should be publicized so as to ensure that the customers do not continue to deal with that service provider.
- 19.5.** HFCs should constitute a Grievance Redressal Machinery within the company and give wide publicity about it through electronic and print media. The name and contact number of the designated Grievance Redressal Officer of the HFC should be made known and widely publicized. The designated officer should ensure that genuine grievances of customers are redressed promptly without involving delay. It should be clearly indicated that HFC's

Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.

- 19.6.** Generally, a time limit of one month may be given to the customers for preferring the complaints/grievances. The grievance redressal procedure of the HFC and the time frame fixed for responding to the complaints should be placed on the HFC's website
- 19.7.** No payment to DSAs/ DMAs shall be made in cash. The fee, incentive etc. shall be made only by way of direct credit to their bank account
- 19.8.** HFC may prescribe the operational area for DSA/ DMA within which they can work.
- 19.9.** The lead shall be shared by the DSA/ DMA in the illustrative format given at Appendix X (c).
- 19.10.** By virtue of contract/ agreement, the DSA/ DMA or/and its employees/ representatives may have access to personal and business information of HFCs and/or HFC's customer. DSA/ DMA shall ensure the preservation and protection of the security and confidentiality of the customer information or data which are in the custody or possession.
- 19.11.** DSA/ DMA should acknowledge that he/ she/ it has read the said Model Code of Conduct and has fully understood all the terms and conditions mentioned there in and declare that the DSA/ DMA shall agree to abide by the said Code of conduct in letter and spirit.
- 19.12.** The DSA/ DMA shall report the fraud committed by erring employees/ representatives periodically to HFCs and consolidated data/ information on the same shall be submitted by HFCs to NHB. The information shall include name of the person, address, name of the DSA associated with and nature of fraud. Such employees/ representatives shall be barred permanently for doing the business of DSA/ DMA in future with HFCs.

## **Annex XI**

### **Guidelines for engaging Recovery Agents by Housing Finance Companies**

1. HFCs, as principal, are responsible for the action of their agents. Hence, they should ensure that their agents, engaged for recovery of their dues should strictly adhere to these guidelines and instruction including the fair practice code for HFCs, while engaging in the process of recovery of dues

Agents' for the purpose of these guidelines would include agencies engaged by the HFCs and the agents/ employees of the concerned agencies.

It is expected that the HFCs would, in the normal course, ensure that their own employees also adhere to these guidelines during the loan recovery process.

#### **2. Engagement of Recovery Agents**

HFCs should have a due diligence process in place for engagement of recovery agents, which should be structured to cover, among others, individuals involved in the recovery process. HFCs should also ensure that the agents engaged by them in the recovery process, carry out verification of the antecedents of their employees, which may include pre-employment police verification, as a matter of abundant caution and HFCs may decide the periodicity at which re-verification of antecedents should be resorted to.

#### **3. Training of Recovery Agents**

- 3.1 HFCs should ensure that, among others, the recovery agents are properly trained to handle with care and sensitivity, their responsibilities, in particular aspects like hours of calling, privacy of customer information etc.
- 3.2 HFCs should ensure that over a period of one year, all their recovery agents undergo the training as prescribed by Indian Institute of Banking and Finance (IIBF) and obtain the certificate from the institute. Further, the service providers engaged by HFCs, should also employ only such personnel who have undergone the above training and obtained the certificate from the IIBF.

#### **4. Intimating borrowers about Recovery Agents**

- 4.1 HFC shall prominently display the list of recovery agency firms/ companies/ individual as the case may be, empanelled with it including name and period of empanelment on its website, branches/ offices, mobile applications, or any other platform which is being used for engagement with customer.
- 4.2 To ensure due notice and appropriate authorization, HFCs should inform the borrower, the details of recovery agency firms / companies while forwarding default cases to the recovery agency.
- 4.3 Further, in some of the cases, the borrower might not have received the details about the recovery agency due to refusal/ non-availability/ avoidance. To ensure identification, it would be appropriate if the agent also carries a copy of the notice and the authorization letter from the HFC along with the identity card issued to him by the HFC or the agency firm/ company. Where the recovery agency is changed by the HFC during the recovery process, in addition to the HFC notifying the borrower

of the change, the new agent should carry the notice and the authorization letter with his identity card.

- 4.4** The notice and the authorization letter should, among other details, also include the telephone numbers of the relevant recovery agency. HFCs should ensure that there is a tape recording of the content/ text of the calls made by the recovery agents to the customers and vice-versa, with the knowledge of the customer. HFCs may take reasonable precautions such as intimating the customer that the conversation is being recorded, etc.

## **5. Incentives to Recovery Agents**

Stiff targets or high incentives may induce agents to use intimidatory and questionable methods for recovery of dues. HFCs are, therefore, advised to ensure that the contracts with the recovery agent do not induce adoption of uncivilised, unlawful and questionable behavior or recovery process.

## **6. Methods followed by Recovery Agents**

All the members of the staff or any person authorised to represent the HFC in collection or/and security repossession should follow the guidelines set out, such as:

- a. Customer would be contacted ordinarily at the place of his/ her choice and in the absence of any specified place at the place of his/ her residence and if unavailable at his/ her residence, at the place of business/ occupation
- b. Identity and authority to represent the HFC should be made known to the customer at the first instance.
- c. Customer's privacy should be respected.
- d. Interaction with the customer shall be in a civil manner.
- e. HFCs' representatives shall contact customers between 0700 hours and 1900 hours, unless the special circumstances of the customer's business or occupation requires otherwise.
- f. Customer's request to avoid call at a particular time or at a particular place shall be honoured as far as possible.
- g. The time and number of calls and contents of conversation should be documented.
- h. All assistance should be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- i. During visits to customer's place for dues collection, decency and decorum should be maintained.
- j. Only employees of the Recovery Agency shall visit the borrower's premises for the recovery/ collection activity and no other person shall accompany such Recovery Agent.
- k. Inappropriate occasions such as bereavement in the family or such other calamitous occasion, or marriage functions, festivals etc. should be avoided for making calls/ visits to collect dues
- l. The written communication sent by the collection agent to the borrower should have the approval of the HFC.
- m. HFCs shall interact only with the customer/ borrower or the guarantor (only if so required) and shall not approach any other relatives/ contacts of the borrower.

## **7. Taking possession of property mortgaged to HFCs**

- 7.1** It has been observed by the Hon'ble Supreme Court that we are governed by rule of law in the country and the recovery of loans or seizure of asset could be done only through legal means. It is emphasised in this context that HFCs may rely on legal remedies available under the relevant statutes while enforcing security interest without intervention of the courts. In this context, it may be mentioned that the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) and the Security Interest (Enforcement) Rules, 2002, framed thereunder have laid down well-defined procedures not only for enforcing security interest but also for auctioning the movable and immovable property after enforcing the security interest.
- 7.2** Where HFCs have incorporated a pre-possession clause in the contract with the borrower and rely on such pre-possession clause for enforcing their rights, they should ensure that the pre-possession clause is legally valid, complies with the provisions of the Indian Contract Act in letter and spirit, and ensure that such prepossession clause is clearly brought to the notice of the borrower at the time of execution of the contract. The terms and condition of the contract should be strictly in terms of the disclosed recovery policy and should contain provisions regarding:
- Notice period before taking possession;
  - circumstances under which the notice period can be waived;
  - the procedure for taking possession of the security;
  - a provision regarding final chance to be given to the borrower for repayment of loan before the sale/ auction of the property;
  - the procedure for giving repossession to the borrower; and
  - the procedure for sale/ auction of the property

## **8. Use of forum of Lok Adalat's**

The Honorable Supreme Court has also observed, inter alia, that loans, personal loans, credit card loans and housing loans with less than ₹10 lakh can be referred to Lok Adalat's. HFCs are encouraged to use the forum of Lok Adalat's for recovery of housing loans with less than ₹10 lakh as suggested by Honorable Supreme Court.

## **9. Utilisation of Credit Counsellors**

HFCs should have in place an appropriate mechanism to utilize the service of credit counsellors for providing suitable counselling to the borrowers where they become aware that the case of a particular borrower deserves sympathetic consideration.

## **10. Complaints against the HFC/ its Recovery Agents**

- 10.1** Complaints received by NHB regarding violation of the above guidelines and adoption of above practices followed by recovery agents of HFCs would be viewed seriously. Supervisory actions could be attracted when the High Courts or the Supreme Court pass strictures or impose penalties against any HFC or its Directors/ Officers/ agents with regard to policy, practice and procedures related to the recovery process.
- 10.2** Where a grievance/ complaint has been lodged, HFCs should not forward cases to recovery agencies till they have finally disposed of any grievance/ complaint lodged by the concerned borrower. However, where the HFC is convinced, with appropriate proof, that the borrower is continuously making frivolous/ vexatious complaints, it may continue with the recovery proceedings through the Recovery Agents even if a

grievance/ complaint is pending with them. In case where the subject matter of the borrower's dues might be sub judice, HFCs should exercise utmost caution, as appropriate, in referring the matter to the recovery agencies, depending on the circumstances.

- 10.3** Each HFC should have a mechanism whereby the borrower grievances with regards to the recovery process can be addressed. The details of the mechanism should also be furnished to the borrower while advising the details of the recovery agency as at Paragraph 4 above.

### **11. Periodical review, monitoring and control**

HFCs engaging recovery agents are advised to undertake a periodical review of the mechanism to learn from experience, to effect improvement and to bring to the notice of the Bank suggestion for improvement in the guideline

### **12. General**

- 12.1** HFCs should, at least on an annual basis, review the financial and operation condition of the service providers to assess their ability to continue to meet their outsourcing conditions. Such due diligence reviews, which can be based on all available information about the service provider should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.
- 12.2** The outsourcing agreement should provide for the prohibition of further outsourcing by the service provider for all or part of an outsourced activity;
- 12.3** HFCs should have in place a management structure to monitor and control its outsourcing activities. It should ensure that outsourcing agreement with the service providers contain provisions to address their monitoring and control of outsourced activities.
- 12.4** Regular audits by either the internal auditors or external auditors of the HFC should assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the HFC's compliance with its risk management framework and the requirements of these guidelines.
- 12.5** In the event of termination of the agreement for any reason, this should be publicized so as to ensure that the customers do not continue to deal with that service providers.
- 12.6** HFCs should constitute a Grievance Redressal Machinery within the company and give wide publicity about it through electronic and print media. The name and contact number of designated grievance redressal officer of the HFC should be made known and widely publicised. The designated officer should ensure that genuine grievances of customers are redressed promptly without any delay. It should be clearly indicated that HFCs Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.
- 12.7** Generally, a time limit of one month may be given to the customer for preferring their complaints/ grievances. The grievance redressal procedure of the HFC and the time frame fixed for responding to the complaints should be placed on the HFCs website



## **Annex XII**

### **Display of Information by HFCs & Most Important Terms and Conditions**

In order to promote transparency in the operations of HFCs, the following instructions are issued to HFC.

#### **1. Notice Boards**

- 1.1** The minimum size of the board may be 2 feet by 2 feet as the board of such a size would facilitate comfortable viewing from a distance of 3 to 5 meters. HFCs are advised to display the information in the notice boards of their branches/ offices as per the format given in the Appendix XII (a) for the comprehensive notice board.
- 1.2** While displaying the information in the notice board, HFCs may also adhere to the following principles:
  - 1.2.1.** The notice board may be updated on a periodical basis and the board should indicate the date up to which the board was updated (incorporated in the display board).
  - 1.2.2.** Though the pattern, colour and design of the board is left to the discretion of the HFCs, yet the display must be simple and readable.
  - 1.2.3.** The language requirements (i.e., bilingual in Hindi speaking states and trilingual in other states) may be taken into account.
  - 1.2.4.** The notice board shall specifically indicate wherever recent changes have been done. For instance, if there is a recent change in the home loan products offered by the HFC, the information on the home loan products may be displayed as 'We offer home loans/ products (changed on.....)'; and
  - 1.2.5** The notice board may also indicate a list of items on which detailed information is available in booklet form.
- 1.3** Further, in addition to the above board, the HFCs should also display details such as 'Name of the HFC/ branch/ office, Working Days, Working Hours and Weekly Off-days' outside the branch/ office premises.

#### **2. Booklets/ Brochures**

- 2.1** The detailed information as indicated in Paragraph 1.2.5 above may be made available in various booklets/ brochures as decided by the HFC. These booklets/ brochures may be kept in a separate file/ folder in the form of 'replaceable so as to facilitate copying and updation. In this connection, HFCs may also adhere to the following broad guidelines:
  - 2.1.1.** The file / folder may be kept at the customer lobby in the branch or at the 'May I Help you' counter or at a place that is frequented by most of the customers.
  - 2.1.2.** The language requirements (i.e. bilingual in Hindi speaking states and trilingual in other states) may be taken into account.
  - 2.1.3.** While printing the booklets it may be ensured that the font size is minimum Arial 10 so that the customers are able to easily read the same; and
  - 2.1.4.** Copies of booklets may be made available to the customers on request.

#### **3. Website**

- 3.1.** The detailed information as indicated in Paragraph 1.2.5 above may also be made available on the HFC's web-site. HFCs should adhere to the broad guidelines relating to dating of material, legibility etc., while placing the same on their websites.



- 3.2.** HFCs should display on their website the interest rate range of contracted loans for the past quarter for different categories of advances granted to individual borrowers along with mean interest rates for such loans.
- 3.3.** The total fees and charges applicable on various types of loans to individual borrower should be disclosed at the time of processing of loan as well as displayed on the websites of HFCs for transparency and comparability and to facilitate informed decision making by customers.
- 3.4.** HFCs should publish Annual Percentage Rate (APR) or such similar other arrangement of representing the total cost of credit on a loan to an individual borrower on their websites so as to allow customers to compare the costs associated with borrowing across products and/or lenders.
- 3.5.** In this context, HFCs are also advised to ensure that the customers are able to easily access the relevant information from the Home Page of the HFC's websites. Further, there are certain information relating to service charges, fees and grievance redressal, for which latest updated information are to be posted compulsorily on the websites of the HFCs.
- 3.6** A format has been devised for display of information relating to interest rates and service charges which would enable the customer to obtain the desired information at a quick glance. The format is given in the Appendix XII (b). HFCs are advised to display the information as per the format given in the Appendix on their web-sites. HFCs are however free to modify the format to suit their requirements, without impairing the basic structure or curtailing the scope of disclosures.

#### **4. Other Modes of Display**

HFCs may also consider displaying all the information that have to be given in the booklet form in the touch screen by placing them in the Information Kiosks, Scroll Bars, Tag Boards and/or other options available. The above broad guidelines may be adhered to, while displaying information using these modes.

#### **5. Other Issues**

- 5.1.** HFCs are free to decide on their promotional and product information displays. However, the mandatory displays may not be obstructed in anyway. As customer interest and financial education are sought to be achieved by the mandatory display requirements, they should also be given priority over the other display boards. Information relating to Government sponsored schemes as applicable location-wise may be displayed according to their applicability.
- 5.2.** HFCs should provide a clear, concise, MITC, as per prescribed format in Appendix XII (b), to all borrowers at every stage of the loan processing as well as in case of any change in any terms and conditions. The same may also be included as a summary box to be displayed in the credit agreement.