



CENTRUM HOUSING FINANCE LIMITED
FAIR PRACTICE CODE

Document Title	Fair Practice Code
Approved by	Board of Directors at its meeting held on 7th December, 2016
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A) BACKGROUND

Centrum Housing Finance Limited (“**Company**” or “**CHFL**”), as a Housing Finance Company (“**HFC**”), is required to comply with the ‘Fair Practice Code’ prescribed by the Reserve Bank of India (“**RBI**”) under the “Non-Banking Financial Company- Housing Finance Company (Reserve Bank) Directions, 2021” (“**RBI HFC Directions**”).

In accordance with the directions of the RBI on Fair Practice Code, with the approval of its Board of Directors (“**Board**”), the Company has formulated this Fair Practice Code (“**FPC**” or “**Code**”).

B) OBJECTIVES OF THE CODE

The objectives of the Code are as under:

- (a) To promote good and fair practices by setting minimum standards in dealings with customers.
- (b) To increase transparency so that the customer can have a better understanding of the services.
- (c) Promote a fair and cordial relationship between customer and the Company. This Code is applicable to all the persons utilizing the services of the Company.

C) APPLICABILITY

This Code is applicable to all products and services, whether they are provided by the CHFL or 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 mode, except in the event of any force majeure. The Code is based on ethical principles of integrity and transparency and all actions and dealings shall follow the spirit of the Code. This version of the Fair Practice Code shall supersede all earlier versions of the Code adopted by the Company.

D) CODE

1. Applications for Loans and their Processing

- 1.1** All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- 1.2** In the application form, the Company shall include necessary information which affects the interest of the borrower, so that meaningful comparison with the terms and conditions offered by other HFCs can be made and an informed decision can be taken by the borrower. The Loan application form shall also indicate the list of documents required to be submitted with the application form
- 1.3** The Company shall transparently disclose to the customer 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, penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice versa, existence of any interest re-set clause and any other matter which affects the interest of the customer. Thusly, the Company will disclose ‘all in cost’ inclusive of all charges involved in processing/ sanctioning of loan application in a transparent manner. Further, the Company would also ensure that such charges/ fees are non-discriminatory.

- 1.4 The Company will provide acknowledgement for receipt of all loan applications, wherein the time frame, within which the loan application would be disposed of, shall be indicated.

2. Loan Appraisal and Terms/ Conditions

- 2.1 The Company, at the time of application, will collect all particulars required for processing the loan application. In case it needs any additional information, the customer shall be told immediately that he would be contacted again.
- 2.2 The Company will communicate, to the borrower, the sanction through a document containing various terms & conditions including amount of loan sanctioned, rate of interest applicable, method of application, EMI amount with structure if any, prepayment charges, penal interest etc. A duly accepted copy of such sanction terms will be kept on record.
- 2.3 The Company shall mention the penal interest charged for late repayment in bold in the loan agreement.
- 2.4 The Company will furnish a copy of the loan agreement along with the copy of other enclosures to the borrower on or before disbursement, against acknowledgement.
- 2.5 In case of rejection of a loan application, the Company will communicate the reasons for rejection of the loan proposal to the borrower.

3. Disbursement of loans including changes in terms and conditions

- 3.1 The Company will disburse the sanctioned amount in accordance with the terms & conditions mentioned in the loan agreement.
- 3.2 The Company will give notice to the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc.
- 3.3 If change in terms and conditions is to the disadvantage of the customer, he may within 60 days and without notice close his/ her account without having to pay any extra charges or interest.
- 3.4 Decision to recall/ accelerate payment or performance under the agreement or seeking additional securities, will be in consonance with the loan agreement.
- 3.5 The Company will release all securities on repayment of all dues or on realization of the outstanding amount subject to any legitimate right or lien for any other claim the Company may have against the borrower. If such right of set off is to be exercised, the Company will give notice to the borrower about the same with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities till the relevant claim is settled/ paid.

4. Guarantors

When a person is considering to be a guarantor to a loan, he/she will be informed about:

- (a) His/ her liability as guarantor;
- (b) The amount of liability that he/she will be committing himself/ herself to the Company;
- (c) Circumstances in which the Company may call on him/ her to pay up his/ her liability;
- (d) Whether the Company has recourse to his/her other monies/ securities available with 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;
- (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 will keep the guarantor informed of any material adverse change/s in the financial position of the borrower to whom he/she stands as a guarantor; and
- (h) In case the guarantor refuses to comply with the demand made by the Company, despite having sufficient means to make payment of the dues, such guarantor would also be treated as a wilful defaulter.

5. Privacy and Confidentiality

All personal information of customers, present and past, shall be treated as private and confidential, and shall be guided by the following principles and policies:

5.1 The Company will not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies/entities in its 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's interests require to give the information (for example, to prevent fraud) but the same will not be used by the Company, as a reason for giving information about customer or customer accounts [including customer's 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 the customers, his/her written permission will be taken before giving it.

5.2 The customer will 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.

5.3 The Company will not use customer's personal information for marketing purposes by anyone unless the customer specifically authorizes the Company to do so.

6. Credit Information Companies ("CICs") and other verifications

6.1 Whenever a customer applies for a loan from it, the Company may share details of his/ her application with any of the Credit Information Companies (CICs) and may conduct any check/ due diligence with any third party as per its own discretion.

6.2 The Company shall share required information, as per the extant regulatory requirements, with the CICs about the loan(s)/ credit(s) availed by the customer from it.

6.3 The Company shall verify the details mentioned by him/ her in the loan application by contacting him/ her at his/ her residence and/ or on business telephone numbers and/ or physically visiting his/ her residence and/ or business addresses through agencies appointed for this purpose, if deemed necessary by the Company.

7. Rate of interest, Fees and other Charges

- 7.1** The Company, with approval of its Board, shall adopt an interest rate policy/ 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/ customer in the application form and communicated explicitly in the sanction letter. Such policy shall also cover policy for penal interest/ charges, if any.
- 7.2** The Company shall adopt appropriate internal principles and procedures in determining interest rates and processing & other charges (including penal interest, if any), keeping the spirit of the applicable RBI Directions in this regard. The Company shall put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers.
- 7.3** The benchmark reference rate/ prime lending rate, range of rate of interest offered along with the approach for gradation of risks, and penal interest, if any, shall also be made available on the website of the Company. Whenever there is a change in the benchmark reference rate/ prime lending rate and range of rate of interest, the Company shall ensure updation of the same on its website.
- 7.4** The rate of interest and penal interest (if any) shall be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.
- 7.5** Instalments collected from borrowers shall clearly indicate the bifurcation between interest and principal.

8. Collection/ Recovery of Dues

- 8.1** The Company shall adopt the 'Guidelines for engaging Recovery Agents' prescribed by the RBI which needs to adhered while engaging any recovery agent.
- 8.2** The Company, by way for loan agreement/ documentation or otherwise, shall explain the terms of repayment including instalment amount, tenure and periodicity of repayment to the borrower. However, if the customer does not adhere to the terms of repayment, a process in accordance with the 'Guidelines for engaging Recovery Agents' prescribed by the RBI, and applicable laws shall be followed for recovery of dues. The process will include reminding the customer by sending him/ her notice or by making personal visits and/ or repossession of security, if any.
- 8.3** The Company will also make a borrower aware of the charges to be borne by the borrower in case of default in repayment, charges of the recovery agency if recovery action is handed over to a recovery agent.
- 8.4** The Company, by way of the loan agreement or otherwise, will also inform the course of action to be adopted by it for recovery of dues from a borrower, in case of default.
- 8.5** The Company's staff or authorized representative for collection of dues and/ or security repossession shall identify himself/ herself and upon request, display his/ her identity card issued by the Company or under the authority of the Company.
- 8.6** For 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. To ensure that there is no rude behaviour against its customers, the Company shall arrange to train its staff is adequately to deal with the customers in an appropriate manner. The

Company, with the approval of its Board, shall adopt the guidelines prescribed by the RBI for engaging recovery agents.

9. Complaints and grievances

- 9.1** The Company shall have a Grievance Redressal Mechanism for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line.
- 9.2** Grievance Redressal Mechanism of the Company will also deal with the customer's issues relating to services provided by the Company through such third-party service providers/ outsourced agencies.
- 9.3** The Customer shall be told where to find details of the Company's procedure for handling complaints, fairly and quickly.
- 9.4** If a complaint has been received in writing from a customer, the Company shall endeavour 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 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.
- 9.5** After examining the matter, the Company shall send the customer its final response or explain why it needs more time to respond and shall endeavour 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.
- 9.6** The Company shall publicize its Grievance Redressal Procedure/ Mechanism (including e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) by displaying the same on its website and offices/ branches. The Grievance Redressal Procedure/ Mechanism shall also indicate that, if 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/ Grievance Redressal Department of National Housing Bank ("NHB") by lodging its complaints online on the website of NHB or through post to NHB, New Delhi.

10. Responsibility of the Board

- 10.1** The Company, with the approval of its Board of Directors, shall lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism shall ensure that all disputes arising out of the decisions of the Company and its officials are heard and disposed of at least at the next higher level.
- 10.2** The Company shall ensure periodical review of the compliance of the Code and functioning of the grievance redressal mechanism at various levels of management. A consolidated report of such reviews shall be submitted to the Board at regular intervals, as may be prescribed by it.

11. Advertising, Marketing and Sales

- 11.1** The Company will ensure that all advertising and promotional material is clear and factual.
- 11.2** The Company, 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, shall also indicate whether other fees and charges, if any, will apply and that full details of the relevant terms and conditions are available on request or on its website.
- 11.3** The Company will provide information on interest rates, common fees and charges through putting up notices in the branches and also through telephone or help-lines; on its website; through designated staff / help desk or by providing service guides and tariff schedules.
- 11.4** If the Company avails of the services of third parties for providing support services, the Company shall require 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.
- 11.5** The Company may, from time to time, communicate to customers various features of their products availed by them. Information about their other products or promotional offers in respect of products / services, may be conveyed to customers 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.
- 11.6** The Company shall adopt Model Code of Conducts for Direct Selling Agents ("DSAs")/ Direct Marketing Agents ("DMAs") with the approval of its Board and, based on the same, prescribe a Code of Conduct for DSAs/ DMAs whose services are availed to market/ distribute the products/ services. Such DSAs/ DMAs shall be required to identify themselves when they approach a customer personally or through phone.
- 11.7** In the event of receipt of any complaint from the customer that the Company's representative/ or DSA/ DMA 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, if any, to the customer.
- 11.8** The Company will, from time to time, communicate to customers various features of the products and services availed by them.

12. Pre- Payment/ Foreclosure Charges

- 12.1** 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(s) out of its/ 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.
- 12.2** 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. It is also clarified that a fixed rate loan is one where the rate is fixed for entire duration of the loan.

- 12.3** 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).

13. Return of Title/ Security Documents

The Company, upon full repayment/ clearance of the loan and related liabilities, will return the title documents submitted by the borrower for creation security in favour of the Company against the loan/ credit availed.

14. General/ Other Commitments

- 14.1** 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).
- 14.2** In case of receipt of request from the borrower for transfer of his/ her loan facility, the consent or 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 the applicable transparent contractual terms, in accordance with the applicable laws and regulations.
- 14.3** To facilitate quick and good understanding of the major terms & conditions of housing loan agreed between the Company and an individual borrower, the Company shall provide a document containing the Most Important Terms and Conditions (“MITC”) of such loan in all cases in the format prescribed under the RBI HFC Directions. The MITC, prepared in English/ Hindi or the language understood by the borrower, will be in addition to other existing loan and security related documents to be/ being obtained by the Company and duplicate copy of the same duly executed between the Company and the borrower shall be handed over to the borrower under acknowledgement.
- 14.4** The Company, to promote transparency in its operations, shall display various key aspects such as service charges, interest rates, penal interest (if any), services offered, product information, time norms for various transactions and grievance redressal mechanism, etc. in its branches/ offices and/or on its website, as may be required. Further, the Company, as per the regulatory requirements prescribed by the RBI, shall follow the instructions on ‘Notice Board’, ‘Booklets/ Brochures’, ‘Website’, ‘Other Modes of Display’ and on ‘Other Issues’.
- 14.5** The Company shall help the customer to understand the Company’s products and services by providing / giving information in any one or more of the following languages: Hindi, English or the appropriate local language.
- 14.6** The Company will not discriminate on grounds of sex, caste and religion in the matter of lending. Further, the Company will 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.
- 14.7** To publicise the Code, the Company shall:
- (a) Provide existing and new customers with a copy of the Code.
 - (b) Make the Code available on request either over the counter or by electronic communication or mail;

- (c) Make available this Code at every branch and on the Company's website; and
- (d) Ensure that the staff is trained to provide relevant information and the Code and put the Code into practice.

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