

# VRIDHI FINSERV HOME FINANCE LIMITED (VFHFL) (formerly Vridhi Finserv Limited)

## FAIR PRACTICE CODE (FPC)

### Version V2.0

<b>Approving Authority</b>	Board of Directors
<b>Reviewing Authority</b>	Compliance Department
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## CONTENTS

1. Introduction	3
2. Definitions	3
3. Objectives	4
4. Application of the Code	4
5. Applications For Loans and their Processing	4
6. Loan Appraisal, Terms/Conditions and Communication of Rejection of Loan Application	4
7. Disbursement of Loans Including Changes in Terms and Conditions	5
8. Loans Sourced Through Digital Lending Platforms (DLP)	6
9. Responsibility of Board of Directors	6
10. Complaints and Grievance Redressal	6
11. Mode of Communication	6
12. Interest Charged by Company	7
13. Advertising, Marketing and Sales	8
14. Guarantors	8
15. Privacy and Confidentiality	9
16. Credit Information Companies and Credit Due Diligence	9
17. Collection of Dues	10
18. Guidelines For Prepayment of Loans	10
19. General	11
20. Review of Code	11
21. Change of control record	11
22. Annexure 1 - Guidelines for loan facilities to Visually Impaired Persons	12

## 1. Introduction

**VRIDHI FINSERV HOME FINANCE LIMITED ('VFHFL' or 'Company')**, as a Housing Finance Company, is required to comply with the ['Guidelines on Fair Practices Code'](#) issued by the Reserve Bank of India (RBI) under Chapter XIII of Master Direction-Non-Banking Financial Company Housing Finance Company (Reserve Bank) Directions, 2021 issued on 17th February 2021.

Accordingly, the following Fair Practice Code has been adopted with the approval of the Board.

## 2. Definitions

S.No.	Particulars	Meaning
1.	Board	Shall mean Board of Directors of the Company
2.	Code	Shall mean this Fair Practices Code
3.	Grievance Redressal Mechanism	Shall mean the grievance redressal mechanism as developed by the Company and specifically provided under the Grievance Redressal Policy
4.	Model Code of Conduct	Shall mean the Model Code of Conducts for Direct Selling Agents (DSAs)/Direct Marketing Agents (DMAs) adopted by the Company as per Annex X of the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021
5.	Most Important Terms and Conditions/MITC	Shall mean a document containing the most important terms and conditions (MITC) of the loan

### 3. Objectives

This Code has been developed to:

- Promote good and fair practices by setting minimum standards in dealing with customers.
- Increase transparency so that customers can have a better understanding of services offered.
- Promote market forces for fair competition to achieve higher operating standards.
- Promote a fair and cordial relationship between customer and the Company.

### 4. Application of the Code

This Code shall apply to all the employees of Vridhi and its representatives while dealing with its customers with respect to product & services, whether they are provided by Vridhi Finserv Home Finance limited, or through 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.

### 5. Applications For Loans and their Processing

- 5.1. All communications to the borrower shall be in the English language/vernacular language or a language as understood by the borrower.
- 5.2. Company shall transparently disclose to the borrower all information about fees, charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/dispensed, pre-payment options and charges, if any, penal charge/penalty for delayed repayment if any, conversion charges for switching loan from fixed to floating rates or vice-versa, existence of any interest reset clause and any other matter which affects the interest of the borrower. The company shall disclose 'all in cost' inclusive of all charges involved in processing/sanctioning of loan application in a transparent manner. Any other relevant matter which is deemed to affect interest of the customer, as borrower of the Company shall also be disclosed.
- 5.3. All charges/fees which are levied on the borrower should be non-discriminatory.
- 5.4. Loan application forms shall include necessary information, which affects the interest of the borrower, which enables a meaningful comparison with the terms and conditions offered by other Finance Companies and aids the borrower in making an informed decision. The loan application form shall indicate the list of documents required to be submitted with the application.
- 5.5. The Company should have a system of giving acknowledgement for receipt of all loan applications.
- 5.6. Loan applications shall be disposed of within 30 days, or such extended time as may be mutually agreed between the borrower and the Company from the date of receipt of the application form complete in all aspects.

### 6. Loan Appraisal, Terms/Conditions and Communication of Rejection of Loan Application

- 6.1. Company shall endeavor to collect all particulars that are required for processing the loan application at the time of application. However, in case the Company needs any additional information, the Company shall inform the customer that he/she would be contacted again.

Company shall convey in writing to the borrower in vernacular language or a language as understood by the borrower by means of sanction letter or otherwise, the amount of loan sanctioned along with all terms and conditions including annualized rate of interest, method of application, EMI Structure,

prepayment charges, penal charges (indicating no capitalization of such charge) and keep the written acceptance of these terms and conditions by the borrower on its record. All key terms like loan amount, tenor, ROI, various charges would also be provided in the sanction letter & Most Important Terms and Conditions (MITC).

- 6.2. Company shall mention all the delay related charges like bounce charges, penal charges, for late repayment **in bold** in the loan agreement.
- 6.3. Company shall furnish a copy of the loan agreement along with a copy of each of the enclosures quoted in the loan agreement to every borrower at the time of disbursement of loans.
- 6.4. In cases where the Company is not in position to provide the loan to the customer, it shall communicate in writing/SMS/email/any other electronic medium to the customer the reason(s) for rejection.

#### **7. Disbursement of Loans Including Changes in Terms and Conditions**

- 7.1. The Company will disburse the loan in accordance with the disbursement request made by the customer and/or the disbursement conditions mentioned in the loan agreement/sanction letter.
- 7.2. The Company shall give notice to the borrower in the vernacular language, or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, penal charges (if any), service charges, prepayment charges, other applicable fee charges etc. by the mechanisms informed in MITC or Loan Agreement.
- 7.3. The Company will ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.
- 7.4. 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.
- 7.5. Decision to recall/accelerate payment or performance under the agreement or seeking additional securities, will be in consonance with the loan agreement.
- 7.6. Company shall release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim Company may have against the 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 company are entitled to retain the securities till the relevant claim is settled/paid.

#### **8. Loans Sourced Through Digital Lending Platforms (DLP)**

The company does not intend to extend loans through Digital Lending Platforms. However, in event a partnership is undertaken by the Company where it extends loans through DLP either to source borrowers and/or to recover dues, Company shall follow the following instructions:

- 8.1. Names of digital lending platforms engaged as agents shall be disclosed on the website of Company;
- 8.2. Digital lending platforms engaged as agents shall be directed to disclose upfront to the customer the name of the Company on whose behalf they are interacting with him;

- 8.3. Immediately after sanction but before execution of the loan agreement, the sanction letter shall be issued to the borrower on the letter head of the Company;
- 8.4. A copy of the loan agreement along with a copy of all enclosures quoted in the loan agreement shall be furnished to all borrowers at the time of sanction/disbursement of loans;
- 8.5. Effective oversight and monitoring shall be ensured over the digital lending platforms engaged by Company;
- 8.6. Company shall also update its grievance redressal mechanism and include Digital Lending Platform under it.
- 8.7. Company would use customer information for multiple validations like PAN, Bank statement etc. through various APIs in partnership with external partners/agencies, however this information is to be used only for assessment of customer's loan application.

## **9. Responsibility of Board of Directors**

- 9.1. The Board of Directors of Company has laid down a Grievance Redressal Mechanism within the organization to resolve complaints and grievances which is enunciated in the Grievance Redressal Policy for the Organization.
- 9.2. This mechanism ensures that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level.
- 9.3. The Board of Directors shall conduct an annual review of the compliance of the Fair Practices Code and the functioning of the Grievances Redressal Mechanism at various levels of management.

## **10. Complaints and Grievance Redressal**

Guidelines for complaint and grievance redressal are contained in the Grievance Redressal Policy of the Company.

## **11. Mode of Communication**

This Fair Practices Code (which shall preferably be in the vernacular language or a language as understood by the borrower) has been put in place with the approval of their Board. The Company will have the freedom to revise the Fair Practices Code, enhancing the scope of the applicable regulations, but in no way will sacrifice the spirit underlying the regulations. The same shall be put up on Company's website, for the information of various stakeholders.

## **12. Interest Charged by Company**

- 12.1. The Board of Company has adopted an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium which helps in determining the rate of interest to be charged for loans and advances.
- 12.2. On the website, Vridhi shall make the updated/latest benchmark reference rate/prime lending rate/base rate, range of rate of interest offered along with the approach for gradation of risk, and penal charge etc. Vridhi has laid down a policy for penal interest/ charges under its Interest Rate Policy. The rate of interest and penal charge if any is annualized so that the borrower is aware of the exact rates that would be charged to the account.

- 12.3. 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 Company. The information published in the website shall be updated whenever there is a change in the rates of interest.
- 12.4. The repayment schedule which is shared with borrowers clearly indicates the bifurcation between interest and principal in the repayment schedule of the Company.
- 12.5. Company sets its interest rate/charges as per principles incorporated in Interest Rate Policy.
- 12.6. Grievance redressal committee, inter alia, monitors the process and the operations to ensure adequate transparency in communications with the borrowers.
- 12.7. Installments collected from borrowers should clearly indicate the bifurcation between interest and principal.

The Company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges (including penal charges (indicating no capitalization of such charge), if any).

For details, you may refer our Interest Rate Policy.

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

The Company shall:

- 15.1. Ensure that all advertising and promotional material is clear and factual.
- 15.2. In any advertising in any media and promotional literature that draws attention to a service or product and includes a reference to an interest rate, the Company shall also indicate whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request or on the website.
- 15.3. The Company shall provide information on interest rates, common fees and charges (including penal charge, 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.
- 15.4. If Company avails 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 the same degree of confidentiality and security as the Company would.
- 15.5. The Company may from time to time, communicate to customers various features of their products available to 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.
- 15.6. The Company has prescribed a code of conduct for their Direct Selling Agencies (DSAs) whose services are availed to market products/services which amongst other matters require them to identify themselves when they approach the customer for selling products personally or through phone or any other electronic medium.

- 15.7. Company shall adopt the [Model Code of Conduct](#) for Direct Selling Agents (DSAs)/Direct Marketing Agents (DMA's) as part of outsourcing policy with the approval of the Board.
- 15.8. In the event of receipt of any complaint from the customer that Company's representative 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.

#### 14. Guarantors

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

- a. his/her liability as guarantor;
- b. the amount of liability he/she will be committing him/herself to the company;
- c. circumstances in which the Company will call on him/her to pay up his/her liability;
- d. whether the Company has recourse to his/her other monies in the company if he/she fail to pay up as a guarantor;
- e. whether his/her liabilities as a guarantor are limited to a specific quantum or are they unlimited: and
- f. time and circumstances in which his/her liabilities as a guarantor will be discharged as also the manner in which the Company will notify him/her about this.
- g. 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.
- h. 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

#### 15. Privacy and Confidentiality

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

- 15.1. Company shall not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies/entities in their group, other than in the following exceptional cases:
- a. If the information is to be given by law.
  - b. If there is a duty towards the public to reveal the information.
  - c. To safeguard the Company's interest to share the information (for example, to prevent fraud). However, it should not be used as a reason for giving information about customer or customer accounts (including customer name and address) to anyone else, including other companies in the group, for marketing purposes.
  - d. The Company has obtained consent/permission from its customer(s) under loan application/sanction letter/loan agreement or otherwise.
  - e. Subject to the clauses above, if any reference about its customers is sought by any other entity, then the Company will obtain the customer's written permission before providing it.
  - f. The Company will not use customer's personal information for marketing purposes unless the customer specifically authorizes the Company.
  - g. If the customer asks the Company to reveal the information, or gives the permission to share the information.
  - h. Customers would be required to co-operate if the Company needs to do any investigation relating to a transaction on the customer's account and with the police/any other investigative



agencies, if Company needs to involve them.

- 15.2. The customer shall be informed of the extent of his/her rights under the existing legal framework for accessing the personal records that Vridhi Finserv Home Finance Limited holds about him/her through the Privacy Policy which is available on Company's website.

#### **16. Credit Information Companies and Credit Due Diligence**

- 16.1. The Company may conduct verification with one or more of the Credit Information Companies (CICs) about the borrower's existing loan/credit and repayment track record, before sanctioning a loan/credit facility.
- 16.2. The Company will share details of the loan and repayment track record of its borrowers periodically to the Credit Information Companies(CICs) in accordance with the regulatory directions/guidelines and as per the Company's internal policies.
- 16.3. The customers are informed that the CICs inter alia, maintain credit history of the customers and loan/credit repayment history available with the CICs has an impact on the customer's ability to get credit.
- 16.4. 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 at its sole discretion.

#### **17. Collection of Dues**

- 17.1. When the loans are given, the Company will inform the customer in detail the repayment process by mentioning the amount, tenure and periodicity of repayment in the welcome letter/the document containing Most Important Terms and Conditions.
- 17.2. However, if the customer does not adhere to the repayment schedule, a defined process in accordance with the legal rights available to the Company 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.
- 17.3. The Company's collection policy/process will be built on courtesy, fair treatment and persuasion. We believe in fostering customer confidence and long-term relationships.
- 17.4. The Company's staff or any person authorized by it for collection of dues or/and security repossession will identify himself/herself and display the authority letter issued by the Company and upon request, display his/her identity card issued by the Company or under authority of the Company.
- 17.5. The Company will notify delinquent customers with details regarding the dues and will provide adequate notice for payment of dues as per the terms and conditions of the Loan Agreement.
- 17.6. The Company, for recovery of loans, 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 behavior against its customers, the Company shall train its staff adequately to deal with the customers in an appropriate manner.
- 17.7. The Company shall adopt the '[Guidelines for engaging Recovery Agents](#)' as prescribed by the RBI.

## 18. Guidelines For Prepayment of Loans

- 18.1. Company shall not charge prepayment 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 a fixed interest rate basis and the loan is pre-closed by the borrower out of their own sources.
- 18.2. "Own sources" for the purpose means any source other than by borrowing from a bank/HFC/NBFC and/or a financial institution. The Company may ask the customer to provide such documents that the Company may deem fit & proper to ascertain the source of funds at the time of prepayment of the loan.
- 18.3. Company shall not impose foreclosure charges/prepayment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-applicant(s).
- 18.4. 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 dual special rate housing loans, the pre-closure norm for floating rate will apply once the loan has been converted into a floating rate loan, after the expiry of the fixed interest rate period.

## 19. General

- 19.1. Compliance report of the Fair Practices Code shall be provided on an annual basis to the Board of Directors. Half-yearly report on the grievance redressal mechanism should be put to the Board of Directors.
- 19.2. Company will not interfere 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).
- 19.3. In case of receipt of request from the borrower for transfer of borrower's account, the consent or otherwise i.e., objection of the Company, if any, shall be conveyed within 21 days (working) from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
- 19.4. Whenever loans are given, the Company shall explain to the customer the repayment process by way of amount, tenure and periodicity of repayment through Repayment Schedule.
- 19.5. To facilitate quick and good understanding of the major terms and conditions of housing loan agreed upon between Company and the individual borrower, Company shall obtain a document containing the Most Important Terms and Conditions (MITC) of such on in all cases as per prescribed format. The document will be in addition to the existing loan and security documents being obtained by the Company.
- 19.6. Company has prepared MITC in language understandable by the borrower and a copy duly executed between the Company and the borrower is uploaded on the Vridhi's website.
- 19.7. Display of various key aspects such as service charges, interest rates, penal charges (if any) services offered, product information, time norms for various transactions and grievance redressal

mechanism, etc. is required to promote transparency in the operations of the Company. Company shall follow the instructions on "Notice Board" "Booklets/Brochures", "Website "Other Modes of Display and on" other issues as per the prescribed guidelines.

- 19.8. Vridhi shall display about their products and services in English on its website.
- 19.9. Company will notify all delinquent customers with details of dues and will provide adequate notice for payment of dues as per the terms & agreement of loan agreement.
- 19.10. Customers will be responsible for all losses if such customer acts fraudulently or without reasonable care.
- 19.11. Company does not discriminate on grounds of gender, caste and religion in the matter of lending. Further, the Company shall also not discriminate against visually impaired or physically challenged applicants on the ground of disability in extending products services facilities. etc. however this does not preclude Company from instituting or participating in schemes framed for different sections of the society.

The guidelines for facilitating loans to visually impaired persons is provided in **Annexure 1**.

- 19.12. To publicize the Code, Company shall:
  - a. Provide existing and new customers with a copy of the Code on request through either over the counter or by electronic communication or mail;
  - b. Make available this Code at every branch and on their website; and
  - c. Ensure that their staff are trained to provide relevant information about the Code and to put the Code into practice.

## 20. Review of Code

The Board of Directors shall conduct periodical review of the Code annually and/or if required due to a change in laws/regulations. Further, the Board of Directors can at any time modify or amend, either in whole or any part of Code.

## 21. Change of control record

Version No.	Change Request by	Memorandum of Change	Approval date
2.0	Compliance Department	-	28 <sup>th</sup> September 2023

## Annexure 1

### Guidelines for Loans facilities to Visually Impaired Persons

The guidelines adopted by Vridhi Finserv Home Finance Limited (“VFHFL”) to offer loans to Visually Impaired Persons are as follows -

- All products, services, facilities, etc. offered by VFHFL will be made available to visually impaired persons and will be offered at all branches offices of VFHFL.
- All products, services, facilities, etc. will be made available to visually impaired customers as are offered to other customers and their impairment of vision will not be a criterion for sanctioning/denying a loan.
- VFHFL will provide the same facilities to a visually impaired customer as it would to any other customer.
- VFHFL will follow the same procedure for extending products, services, facilities, etc. offered by them to a visually impaired customer as it does for its other customers.
- No additional burden of interest payment, collateral and other terms will be imposed on the visually impaired customer.
- If the credit policy of VFHFL does not insist for a co-borrower or a guarantor for other customers for any type of loan facilities extended by it, the same will not be insisted upon for a visually impaired customer.
- VFHFL will not equate visually impaired customers with illiterate customers.
- VFHFL will not deny any services to visually impaired customers including visually impaired customers who use their thumb impression. If necessary, VFHFL may take a Declaration of Thumb Impression as an additional document from visually impaired customer.
- Additional facilities like reading and filling up of forms, slips, etc. will be provided to a visually impaired customer. The Officer/Manager of the branch/office will read out the rules of business and other terms and conditions in the presence of a witness, if required by the customer.
- VFHFL will allow the visually impaired customer to take a loan or avail any other facilities offered by them jointly with anybody that he/she chooses including person(s) who is/are visually impaired.
- Visually impaired customers may be allowed to appoint a person/person(s) as their Power of Attorney or Mandate Holder to operate their account, if the visually impaired customer so desires.
- The Officer/Manager of the branch/office will inform a visually impaired customer/prospective customer of his rights and liabilities before offering the product.

- The documentation requirements of a visually impaired customer will be the same as any other customer. The account has to be clearly marked as "the account holder is visually impaired".
- VFHFL will provide a copy of all documents to visually impaired customer in digital form also, if required.
- VFHFL will provide a copy of the Most Important Terms and Conditions (MITC) to visually impaired customer in braille form or text readable PDF, if so desired by them.
- VFHFL will preferably provide Electronic Clearing Service (ECS) facility to the visually impaired customer,

