

Fair Practices Code



Fair Practice Code

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Summary of Policy

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1. OBJECTIVES AND APPLICATION

1.1 Preamble

The Fair Practices Code (**'FPC'**) has been devised by DMI Housing Finance Private **Limited** (**"DMIHFC" or "the company"**) in accordance with Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 on Fair Practice Code with an endeavor to achieve synchronization of best practices when the Company is dealing with its stakeholders such as customers, employees, vendors, etc.

DMIHFC being a registered Housing Finance Company is part of the financial system to contribute to the economic growth by increasing the outreach of the housing credit delivery mechanism. To provide for transparency in transactions between the DMIHFC and the customers and also to provide for well-informed business relationships, some broad guidelines have been considered necessary. In this backdrop, the National Housing Bank, has framed the Guidelines on Fair Practices Code which has been duly accepted and incorporated by DMIHFC to serve as a part of best corporate practices and to provide transparency in business practices to its customers.

1.2 Objectives

The essence of the FPC lies in the following aspects that DHFPL shall strive to follow in spirit and in letter:

- promote good and fair practices by setting minimum standards in dealing with customers;
- increase transparency so that the customer can have a better understanding of what he/she can reasonably expect of the services;
- encourage market forces, through competition, to achieve higher operating standards;
- promote a fair and cordial relationship between customer and DHFPL; and
- foster confidence in the housing finance system
- provide professional, efficient, courteous, diligent and speedy services.
- be fair and honest in any advertisement and marketing of loan products.
- provide customers with accurate and timely disclosure of terms, costs, rights and liabilities as regards loan transactions.
- to attempt in good faith to resolve any disputes or differences with customers by setting up complaint redressal system within the organization.

1.3 Application of the Code

- To all the persons who are offered the Products and Services of DHFPL in any manner and/or by any mode.
- The Code is applicable under normal operating environment 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.
- The Products and services of DHFPL will meet all applicable laws and regulations.

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2. ACT FAIRLY AND IN A TRANSPARENT MANNER

DMIHFC will act fairly and reasonably in all dealings with customers, by ensuring that:

- we meet the commitments and standards in this Code for the products and services they offer and in the procedures and practices their staff follows.
- products and services meet relevant laws and regulations in letter and spirit
- dealings with customers rest on ethical principles of integrity and transparency.

2.1 Disclosure of Charges

DMIHFC will 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, 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. In other words, DMIHFC will disclose 'all in cost' inclusive of all charges involved in processing / sanction of loan application in a transparent manner. It will be ensured that such changes / fees are non-discriminatory. Further, the loan application form may indicate the list of documents required to be submitted with the application form.

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. ADVERTISING, MARKETING AND SALES

3.1 DMIHFC shall;

- Ensure that all advertising and promotional material is clear, and not misleading.
- 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, DMIHFC shall also indicate whether other fees and charges will apply and that full details of the relevant terms and conditions are available on request.
- DMIHFC should provide information on interest rates, common fees and charges 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.
- If DMIHFC avails of the services of third parties for providing support services, DMIHFC 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 DMIHFC s would.
- DMIHFC 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.

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- Prescribe 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.
- DMIHFC shall adopt the model code of Conduct for their Direct Selling Agents (DSAs)/Direct Marketing Agents (DMAs) as per Annexure X with the approval of the Board.
- In the event of receipt of any complaint from the customer that DMIHFC's representative / courier or DSA has engaged in any improper conduct or acted in violation of this Code, appropriate steps shall be initiated to investigate and to handle the complaint and to make good the loss.

4. LOANS

4.1

(i) Applications for loans and their processing

- All communications to the borrower shall be in the vernacular language or a language as understood by the borrower
- As part of the loan process, to inter alia ensure utmost transparency, DMIHFC provides all necessary information to the customer along with the term sheet/application/proposal as the case may be including but not restricted to nature of security required ,fees/charges, if any, payable for processing, the non-refundable nature of fees including in the case of non-acceptance of loan proposal, pre-payment options, check list in respect of information/papers required for considering loan and any other matter which effects the interest of the customer so that a meaningful comparison with the terms and conditions offered by other Housing Finance Companies ('HFCs') can be made and informed decision can be taken by the customer.
- DMIHFC will be giving an acknowledgement for receipt of all loan applications. All the loan applications need to be disposed off in maximum of 60 days and the same should also be indicated in the acknowledgement.

(ii) Loan appraisal and terms/conditions

- Normally all particulars required for processing the loan application shall be collected by DMIHFC at the time of application. In case it needs any additional information, the customer should be told that he would be contacted immediately again.
- DMIHFC will convey in writing to the borrower (*in vernacular language or 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 and keep the written acceptance of these terms and conditions by the borrower on its record.
- DMIHFC shall mention the penal interest charged for late payment in bold in the loan agreement.
- DMIHFC will furnish a copy of the loan agreement along with a copy each of all enclosures quoted in the loan agreement to every borrower at the time of sanction / disbursement of loans, against acknowledgement.

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(iii) Communication of rejection of Loan Application

- If DMIHFC cannot provide loan to the customer, it shall communicate in writing the reason(s) for such rejection.

(iv) Disbursement of loans including changes in terms and conditions

- Disbursement should be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.
- DMIHFC will give notice to the borrower (*in vernacular language or a language as understood by the borrower*) of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges, other applicable fee/ charges etc. DMIHFC should 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.
- 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.
- Decision to recall / accelerate payment or performance under the agreement or seeking additional securities, should be in consonance with the loan agreement.
- DMIHFC should release all securities on repayment of all dues or on realization of the outstanding amount of loan subject to any legitimate right or lien for any other claim the company may have against borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which DMIHFC is entitled to retain the securities till the relevant claim is settled /paid.

4.2 Guarantors

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

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

DMIHFC 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.

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4.3 Privacy and Confidentiality

All personal information of customers shall be treated as private and confidential [even when the customers are no longer customers of DMIHFC, and shall be guided by the following principles and policies. DMIHFC 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:

- If the information is to be given by law.
- If there is a duty towards the public to reveal the information.
- If the DMIHFC'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.
- If the customer asks DMIHFC to reveal the information, or with the customer's permission.
- If DMIHFC is asked to give a reference about customers, it shall obtain his / her written permission before giving it.
- The customer shall be informed the extent of his / her rights under the existing legal framework for accessing the personal records that DMIHFC holds about him /her.
- DMIHFC shall not use customer's personal information for marketing purposes by anyone including other HFC's unless the customer specifically authorizes them to do so.

4.4 Credit reference agencies

- When a customer opens an account, DMIHFC shall inform him/her when they may pass his/her account details to credit reference agencies and the checks the company may make.
- HFCs may give information to credit reference agencies about the personal debts the customer owes them if:
 - The customer has fallen behind with his / her payments;
 - The amount owed is not in dispute; and
 - The customer has not made proposals that DMIHFC is satisfied with, for repaying his / her debt, following DMIHFC's formal demand
- In these cases, DMIHFC shall intimate the customer in writing that they plan to give information about the debts the customer owes them to credit reference agencies. At the same time, DMIHFC shall explain to the customer the role of credit reference agencies and the effect the information they provide can have on customer's ability to get credit.
- DMIHFC may give credit reference agencies other information about the customer's account if the customer has given them his / her permission to do so.
- A copy of the information given to the credit reference agencies shall be provided by DMIHFC to a customer, if so demanded.

4.5 Collection of Dues

4.5.1 Whenever loans are given, DMIHFC will 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

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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.

4.5.2 DMIHFC's collection policy should be built on courtesy, fair treatment and persuasion. DMIHFC believes in fostering customer confidence and long-term relationship. DMIHFC's staff or any person authorized to represent in collection of dues or / and security repossession shall identify himself / herself and display the authority letter issued by the company and upon request, display his / her identity card issued by DMIHFC or under authority of the company. DMIHFC shall provide customers with all the information regarding dues and shall endeavor to give sufficient notice for payment of dues.

4.5.3 All the members of the staff or any person authorized to represent DMIHFC in collection or / and security repossession should follow the guidelines set out below:

- 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.
- Identity and authority to represent DMIHFC should be made known to the customer at the first instance.
- Customer's privacy should be respected.
- HFC shall not resort to harassment viz. persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behavior from the staff of the companies, HFCs shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- DMIHFC's representatives shall contact the customers between 0700 Hrs and 1900 Hrs, unless the special circumstances of the customer's business or occupation require otherwise.
- Customer's request to avoid calls at a particular time or at a particular place shall be honored as far as possible.
- Time and number of calls and contents of conversation would be documented.
- All assistance should be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- During visits to customer's place for dues collection, decency and decorum should be maintained.
- Inappropriate occasions such as bereavement in the family or such other calamitous occasions should be avoided for making calls/visits to collect dues.

4.5.4 DMIHFC shall adopt the guidelines for engaging recovery agents (*as per Annexure XI*) as prescribed by the Bank with the approval of the Board of Directors.

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

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

The expression "own sources" for the purpose means any source other than by borrowing from a bank/ HFC/ NBFC and/or a financial institution.

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All dual/ special rate (combination of fixed and floating) housing loans will attract the pre-closure norms applicable to fixed/ floating rate depending on whether at the time of pre-closure, the loan is on fixed or floating rate. In case of a dual/ special rate housing loans, the pre-closure norm for floating rate will apply once the loan has been converted into floating rate loan, after the expiry of the fixed interest rate period. This applied to all such dual/ special rate housing loans being foreclosed hereafter. It is also clarified that a fixed rate loan is one where the rate is fixed for entire duration of the loan.

- 4.5.6 DMIHFC 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-obligate(s).
- 4.5.7 To facilitate quick and good understanding of the major terms and conditions of housing loan agreed upon between HFC and the individual borrower, DMIHFC shall obtain a document containing the most important terms and conditions (MITC) of such loan in all cases in the suggestive format as per the prescribed format. The document will be in addition to the existing loan and security documents being obtained by the DMIHFC. DMIHFC to prepare the said document in duplicate and in the language understandable by the borrower. Duplicate copy duly executed between the DMIHFC and the borrower should be handed over to the borrower under acknowledgement.

DMIHFC shall display various key aspect such as service charges, interest rates, Penal interest (if any), services offered, product information, time norms for various transactions and grievance redressal mechanism, etc. required to promote transparency in the operations of the Company. DMIHFC shall follow the instructions on “Notice Board”, “Booklets/ Brochures”, “Website”, “Other Modes of Display” and on “Other Issues” as per prescribed format.

4.6 Complaints and Grievances

- At DMIHFC, we have established a multi-level complaint/grievance redressal mechanism system duly approved by the Board of Directors. The details of the same are mentioned below:
 - **Level 1-** At the initial level, the complaint is to be reported to the **Branch Manager** who shall make an entry in the complaint/grievance register along with details of the complaint. The said complaint shall be resolved within 15 days of receipt of the complaint.
 - **Level 2-** If the customer is not satisfied with the response of the Branch official to his complaint/grievance, then he can approach the **Grievance Redressal Officer** of the company. The said complaint/grievance shall be acknowledged/response within 7 days of receipt and the said acknowledgement/response should contain the name and designation of the official who will deal with the grievance and best efforts shall be made to dispose off the complaint/grievance within 30 days of receipt of the complaint/grievance along with sufficient explanation. The complaint/grievance can be forwarded through email at dmi@dmihousingfinance.in or a letter can be sent to the registered office of the company addressed to the below mentioned official of the company:

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- Mr. Sahib Pahwa
 - Grievance Redressal Officer/Compliance Officer
 - DMI Housing Finance Pvt. Ltd.
 - Express Building, 3rd Floor, 9-10, Bahadur Shah Zafar Marg, New Delhi-110002
 - Phone-011- 49834444
- If the complaint is relayed over phone at HFC'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.
 - After examining the matter, an HFC shall send the customer its final response or explain why it needs more time to respond and shall endeavor to do so within six weeks of receipt of a complaint.

Level 3- If the customer is not satisfied with the response of the Grievance Redressal Officer then he can approach the Business Head of the company. The said complaint/grievance shall be resolved within 30 days of receipt of the complaint/grievance along with sufficient explanation if the query cannot be resolved. The complaint/grievance can be forwarded through email at dmi@dmihousingfinance.in or a letter can be sent to the registered office of the company.

- In case the customer is dissatisfied with the response received from the company or did not receive any response from the company within the above said time-limit (i.e. 30 days), the customer may approach the Complaint Redressal Cell of National Housing Bank (NHB) for HFCs, by lodging the customer complaints in online mode at the link: <https://grids.nhbonline.org.in> OR in offline mode by post, in prescribed format available at NHB website link: <http://www.nhb.org.in/Grievance-Redressal-System/Lodging-Complaint-Against-HFCs-NHB%E2%80%93Physical-Mode.pdf>, send to the following address:-

- **To Complaint Redressal Cell,**
- Department of Regulation and Supervision,
- National Housing Bank (NHB),
- 4th Floor, Core 5-A, India Habitat Centre,
- Lodhi Road, New Delhi – 110003.
- Email : crcell@nhb.org.in

- It is further informed that in accordance with the said RBI Directions and DMI HFC's Model code of Conduct for DSAs the aforesaid grievance redressal machinery of the Company shall also deal with the issues relating to services provided by the outsourced agency

The said Grievance Redressal Mechanism System (e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) has been duly displayed outside every branch, corporate/regd. office and the website of the company.

5. GENERAL

- 5.1 DMIHFC 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).

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- 5.1 DMIHFC 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.
 - 5.2 The customer will be informed to co-operate if DMIHFC needs to investigate a transaction on the customer's account and with the police/ other investigative agencies, if the DMIHFC needs to involve them.
 - 5.3 DMIHFC will advise the customer that if the customer acts fraudulently, he / she will be responsible for all losses on his/her account and that if the customer acts without reasonable care and this causes losses, the customer may be responsible for the same.
 - 5.4 DMIHFC shall display about their products and services in any one or more of the following languages: Hindi, English or the appropriate local language at the all the branches and offices.
 - 5.5 HFCs shall not discriminate on grounds of sex, caste and religion in the matter of lending. 5[Further, HFCs 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 HFCs from instituting or participating in schemes framed for different sections of the society.
 - 5.6 DMIHFC will process requests for transfer of a loan account, either from the borrower or from a bank/financial institution, in the normal course.
 - 5.7 In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the DMIHFC, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law.
 - To publicize the code, DMIHFCs:
 - provide existing and new customers with a copy of the Code (which shall preferably be in the vernacular language or a language as understood by the borrower).
 - o make this Code available on request either over the counter or by electronic communication or mail;
 - o make available this Code at every branch and on their website; and
- ensure that their staff are trained to provide relevant information about the Code and to put the Code into practice.

6. Regulation of excessive interest charged by HFCs

- 6.1 DMIHFC 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. DMIHFC shall have clearly laid down policy for penal interest/ charges (if any).
- 6.2 The rates of interest and the approach for gradation of risks, and penal interest (if any) shall be made available on the website of the companies or published in the relevant newspapers. The information published on the website or otherwise published shall be updated whenever there is a change in the rates of interest.

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- 6.3 The rate of interest and penal interest (if any) must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.
- 6.4 Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal.

7. 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. DMIHFC 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. DMIHFC are also advised to put in place an internal mechanism to monitor the process and the operations so as to ensure adequate transparency in communications with the borrowers.

8. Responsibility of Board of Directors

- 8.1 The Board of Directors of HFCs 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.
- 8.2 The Board of Directors of each HFC should provide for periodical review of the compliance of the Fair Practices Code and the functioning of the grievances redressal mechanism at various levels of management. A consolidated report of such reviews along with the status of all the complaints that are received and resolved to be tabled every half year to the Board of Directors.