

## FAIR PRACTICE CODE

### INTRODUCTION

This has reference to the circular RBI/2020-21/73DOR.FIN.VHFCL.CC. No.120/03.10.136/2020-21 related to Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021, wherein Reserve Bank of India(RBI) had framed and amended the guidelines on Fair Practice Code for Housing Finance Companies to implement the same.

Vastu Housing Finance Corporation Limited (VHFCL) has adopted this Code to provide transparency in business dealings with its customers.

The Code has been developed to:

- 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 VHFCL;
- foster confidence in the housing finance system.

### 1. APPLICATION OF THE CODE

The code shall apply to all the products and services offered by VHFCL, its subsidiaries and 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.** VHFCL shall transparently disclose to the borrower all information about fees/ charges payable for processing the loan application, the amount of fees refundable if the 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, the existence of any interest reset clause and any other matter which affects the interest of the borrower. In other words, VHFCL shall disclose 'all in cost' inclusive of all charges involved in the processing/ sanctioning of loan applications in a transparent manner. It should also be ensured that such charges/ fees are non-discriminatory.

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- 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. VHFCL 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**

- 3.1. Normally all particulars required for processing the loan application shall be collected by the VHFCL at the time of application. In case it needs any additional information, the customer shall be told immediately that he would be contacted again.
- 3.2. VHFCL 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.
- 3.3. VHFCL shall mention the penal interest charged for late repayment in bold in the loan agreement.
- 3.4. VHFCL 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.
- 3.5. If VHFCL 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**

- 4.1. VHFCL shall ensure that disbursement should be made in accordance with the disbursement schedule given in the Loan Agreement/ Sanction Letter.
- 4.2. VHFCL 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 interest (if any), service charges, prepayment charges, other applicable fees/ charges etc. VHFCL shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard is incorporated in the loan agreement
- 4.3. 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.

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- 4.4.** VHFCL ensures that the decision to recall/ accelerate payment or performance under the agreement or seeking additional securities, should be in consonance with the loan agreement.
- 4.5.** VHFCL 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 VHFCL 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 VHFCL is entitled to retain the securities till the relevant claim is settled/ paid.

## 5. RESPONSIBILITY OF BOARD OF DIRECTORS

- 5.1.** The Board of Directors of VHFCL has laid down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. The mechanism ensures 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.
- 5.2.** The Board of Directors of VHFCL shall 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 is submitted to the Board at regular intervals.

## 6. COMPLIANTS AND GRIEVANCE REDRESSAL

- 6.1.** VHFCL have a system and a procedure for receiving, registering and disposing of complaints and grievances in each of its offices, including those received on-line. Our Grievance Mechanism is as follows: -

### Stage 1

- The complaint which the corporate office directly receives through Email/Calls/letter will be attended in consultation with the concerned branch
- The complaint(s) received at the branch (es) shall be recorded in the Complaint Register and redressed in consultation with Corporate Office
- Customers can contact us at 1800 22 0001 or email us at [customercare@vastuhfc.com](mailto:customercare@vastuhfc.com) between Monday to Friday between 10:00 am to 6:00 pm
- We assure a reply/acknowledgement to call within 48 working hour
- We assure a reply/acknowledgement to letters/emails received through this channel within seven working days.

Call us at	1800 22 0001
Email us at	<a href="mailto:customercare@vastuhfc.com">customercare@vastuhfc.com</a>

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Write to us at the below-mentioned address:	Vastu Housing Finance Corporation Limited A-203, Navbharat Estates, Barrister Nath Pai Marg, Azad Nagar, Sewri, Mumbai, Maharashtra 400015
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### Stage 2

- If the customer is not satisfied with the customer service team resolution within two weeks, they can redirect their complaint to our Grievance officers.
- Grievance officer Details are mentioned at all branches.
- Customers can also write us on Vastu Housing Finance Corporation Limited A-203, Navbharat Estates, Barrister Nath Pai Marg, Azad Nagar, Sewri, Mumbai, Maharashtra 400015
- Complaints received at our end will be seen in the right perspective and analyzed from all possible angles. The communication of VHFCL's stand on any issue will be provided to the customers within one month upon the receipt of the complaint. Complaints that require some time for examination of issues involved will be acknowledged promptly

**Grievance Officer**

**Mr. Sujay Patil**

Email us at	<a href="mailto:grievance.officer@vastuhfc.com">grievance.officer@vastuhfc.com</a>
Write to us at the below-mentioned address:	Vastu Housing Finance Corporation Limited A- 203, Navbharat Estates, Barrister Nath Pai Marg, Azad Nagar, Sewri, Mumbai, Maharashtra 400015

### Stage 3

In case the response is unsatisfactory, or the response is not received from the company within a reasonable time (1 month), or the customer is dissatisfied with the response received, the customer may approach NHB (National Housing Bank)

Customers can contact NHB on <https://grids.nhbonline.org.in> /Department of Regulation and Supervision (Complaint Redressal Cell) 4th Floor, Core 5-A, India Habitat Centre Lodhi Road, New Delhi – 110003 or register their grievance through the online portal

Online Portal	<a href="https://grids.nhbonline.org.in">https://grids.nhbonline.org.in</a>
Write to us at the below-mentioned address:	Department of Regulation and Supervision (Complaint Redressal Cell) 4th Floor, Core 5-A, India Habitat Centre Lodhi Road, New Delhi- 110003

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- 6.2. If a complaint has been received in writing from a customer, VHFCL shall endeavor to send him/her an acknowledgement/ response within a week. The acknowledgement shall contain the name & designation of the official who will deal with the grievance. If the complaint is relayed over phone at VHFCL 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.
- 6.3. After examining the matter, VHFCL 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 and he/ she should be informed how to take his/ her complaint further if he/ she is still not satisfied.
- 6.4. VHFCL has publicize its grievance redressal procedure (e-mail id and other contact details at which the complaints can be lodged, turnaround time for resolving the issue, matrix for escalation, etc.) for lodging the complaints by the aggrieved borrower and ensure specifically that it is made available on its website. VHFCL has clearly display in all its offices/ branches and on the website that in case the complainant does not receive response from the company within a period of one month or is dissatisfied with the response received, the complainant may approach the Complaint Redressal Cell of National Housing Bank by lodging its complaints online on the website of NHB or through post to NHB, New Delhi.

## **7. LANGUAGE AND MODE OF COMMUNICATING FAIR PRACTICE CODE**

- 7.1. Fair Practices Code based on the directions outlined hereinabove shall be put in place by VHFCL with the approval of their Boards.
- 7.2. The same shall be put up on VHFCL website, for the information of various stakeholders.

## **8. REGULATION OF EXCESSIVE INTEREST CHARGED BY HFCs**

- 8.1. The Board of VHFCL has adopted 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 VHFCL shall also have clearly laid down policy for penal interest/ charges (if any).
- 8.2. 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.

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- 8.3. 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
- 8.4. Instalments collected from borrowers shall clearly indicate the bifurcation between interest and principal

## 9. EXCESSIVE INTEREST CHARGED BY HFCs

- 9.1. VHFCL 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. VHFCL 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.

## 10. ADVERTISING, MARKETING AND SALES

VHFCL shall: -

- 10.1. Ensure that all advertising and promotional material is clear, and factual.
- 10.2. 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, VHFCL 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.
- 10.3. VHFCL 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.
- 10.4. If VHFCL avail of the services of third parties for providing support services, VHFCL 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 VHFCL would.
- 10.5. VHFCL may, from time to time, communicate to customer's 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.
- 10.6. VHFCL shall apply/prescribe the code of conduct to their Direct Selling Agents/Direct Marketing Agents, if any, 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.

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- 10.7.** In the event of receipt of any complaint from the customer that VHFCL 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.

## **11. GUARANTORS**

VHFCL shall inform the following information to the person considering to be a guarantor to a loan,

- 11.1.** His/ her liability as guarantor;
- 11.2.** the amount of liability he/ she will be committing him/herself to the company;
- 11.3.** circumstances in which VHFCL will call on him/her to pay up his/ her liability;
- 11.4.** whether VHFCL has recourse to his/her other monies in the company if he/ she fail to pay up as a guarantor;
- 11.5.** whether his/her liabilities as a guarantor are limited to a specific quantum or are they unlimited; and
- 11.6.** time and circumstances in which his/ her liabilities as a guarantor will be discharged as also the manner in which VHFCL will notify him/ her about this.
- 11.7.** 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 willful defaulter.
- 11.8.** VHFCL 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.

## **12. PRIVACY AND CONFIDENTIALITY**

- 12.1.** 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.
- 12.2.** VHFCL 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:
  - 12.2.1.** If the information is to be given by law.
  - 12.2.2.** If there is a duty towards the public to reveal the information.
  - 12.2.3.** If the VHFCL's interests require them to give 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.

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- 12.2.4. If the customer asks the VHFCL to reveal the information, or with the customer's permission.
- 12.2.5. If VHFCL is asked to give a reference about customers, they shall obtain his/ her written permission before giving it.
- 12.3. The customer shall be informed the extent of his/ her rights under the existing legal framework for accessing the personal records that an HFC holds about him/ her.
- 12.4. VHFCL shall not use customer's personal information for marketing purposes by anyone including HFCs, unless the customer specifically authorizes them to do so.

### 13. GENERAL

- 13.1. VHFCL 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)
- 13.2. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of the HFC, 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.
- 13.3. Whenever loans are given, VHFCL 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.
- 13.4. In the matter of recovery of loans, VHFCL 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, VHFCL shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- 13.5. VHFCL has board approved policy for engaging Recovery Agents.
- 13.6. VHFCL shall not charge pre-payment levy or penalty on pre-closure of housing loans under the following situations:
  - 13.6.1. Where the housing loan is on floating interest rate basis and pre-closed from any source.
  - 13.6.2. Where the housing loan is on fixed interest rate basis and the loan is preclosed by the borrower out of their own sources.
  - 13.6.3. The expression "own sources" for the purpose means any source other than by borrowing from a bank/ HFC/ NBFC and/or a financial institution. All dual/ special rate (combination of fixed and floating) housing loans will attract the pre-closure norms

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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.

- 13.7.** VHFCL 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)
- 13.8.** To facilitate quick and good understanding of the major terms and conditions of housing loan agreed upon between VHFCL and the individual borrower, VHFCL shall obtain a document containing the most important terms and conditions (MITC) of such loan in all cases. Duplicate copy duly executed between the HFC and the borrower should be handed over to the borrower under acknowledgement.
- 13.9.** Display of 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. is required to promote transparency in the operations of VHFCL.
- 13.10.** VHFCL shall display about their products and services in any one or more of the following languages: Hindi, English or the appropriate local language
- 13.11.** VHFCL shall not discriminate on grounds of sex, caste and religion in the matter of lending. 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 VHFCL from instituting or participating in schemes framed for different sections of the society.
- 13.12.** To publicize the Code, VHFCL shall:
  - 13.12.1.1.** provide existing and new customers with a copy of the Code;
  - 13.12.1.2.** make this Code available on request either over the counter or by electronic communication or mail
  - 13.12.1.3.** make available this Code at every branch and on their website; and
  - 13.12.1.4.** ensure that their staff are trained to provide relevant information about the Code and to put the Code into practice

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