



# Fair Practices Code

## MUTHOOT HOUSING FINANCE COMPANY LIMITED

**Recommended by**

CEO

**Approved by**

Board of Directors

**Date of Approval-1.8.2022**

## 1. INTRODUCTION

Muthoot Housing Finance Company Ltd (“MHFCL”) is a Housing Finance Company (HFC) registered with National Housing Bank (NHB) and presently regulated by Reserve Bank of India (RBI), providing housing loans, property loans and plot finance to its customers.

MHFCL commits itself to the highest standards of transparency, compliance and fair practices while meeting the business loan needs of Housing in a timely and effective manner. It intends that MHFCL (“The Company”) business, be conducted in accordance with the prevailing statutory and regulatory requirements with due focus on efficiency, customer-orientation and corporate governance principles as mandated by NHB/RBI.

The Guidelines on Fair Practices Code for Housing Finance Companies (HFCs) which defines the fair practices standards while dealing/building relationships with prospective/existing customers has been framed and issued by RBI vide its circular bearing DOR.FIN. HFC.CC.No.120/03.10.136/ 2020-21 (“the regulation”) dated February 17, 2021 in keeping with the need to follow the best corporate practice within the sector. In accordance with these guidelines, MHFCL had formulated & implemented a “Fair Practice Code” (“Code”). The basic essence of Fair Practices Code is to assist both the Company and the customer(s).

## 2. OBJECTIVES

- **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 the services they can expect, and for providing the requisite information to customers to help them arrive at well informed decisions;
- **Encourage market forces**, through competition, to achieve higher operating standards;
- **Promote a fair and cordial relationship** between customer and the Company;
- **To Foster overall confidence** in the housing finance system.

## 3. APPLICATION OF THE CODE

MHFCL shall ensure that the implementation of the Fair Practices Code is the responsibility of the entire organization.

- The Code is applicable to all the products and services provided by the Company across the Counter, over the phone, through interactive electronic devices, on the internet or by any other method.
- MHFCL fair lending practices shall apply across all aspects of operations including marketing & customer relationship, loan origination & processing, servicing & collection activities and back-office management.
- 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.

#### **4. 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.
- 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 include the list of documents required to be submitted with the application form. However, in the absence of any documentation, which would be the case for a majority of MHFCL's target customer base, the company reserves the right to conduct detailed income checks in lieu of documentation.
- MHFCL shall devise a system of giving acknowledgement for receipt of all loan applications, mentioning therein, the time frame within which loan applications will be disposed basis the fulfilment of certain conditions by customer.
- MHFCL shall be transparent to the borrowers on all information about fees/charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned/disbursed, prepayment 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 borrower. In other words, MHFCL shall disclose 'all in cost' inclusive of all charges involved in processing / sanction of loan application in a transparent manner. Further, MHFCL shall ensure that such charges / fees are non-discriminatory.

#### **5. LOAN APPRAISAL, TERMS/CONDITIONS AND COMMUNICATION OF REJECTION OF LOAN APPLICATION.**

- Normally all particulars required for processing the loan application shall be collected by MHFCL at the time of application. In case, the Company needs any additional information, the customer shall be informed that he would be contacted immediately again.
- MHFCL shall convey in writing to 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.
- MHFCL shall mention the penal interest charged for late repayment in bold in the loan agreement.
- MHFCL shall invariably 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.
- MHFCL shall display Tariff Schedule in all its branches which the customers would be allowed to see free of cost.
- If MHFCL cannot provide the loan to the customer, it shall communicate in writing (sms, email, etc..) the reason(s) for rejection.

## **6. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS**

- Disbursement shall be made in accordance with the disbursement schedule as mentioned in the Loan Agreement/ Sanction Letter.
- MHFCL should give notice to the borrower of any change in the terms and conditions, including disbursement schedule, interest rates, penal interest (if any), service charges, prepayment charges, other applicable fee/ charges etc. MHFCL shall also ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard shall be incorporated in the loan agreement.
- If any 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.
- MHFCL 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 that MHFCL 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 MHFCL is entitled to retain the securities till the relevant claim is settled / paid.

## **7. RESPONSIBILITY OF BOARD OF DIRECTORS**

- The Board of Directors of MHFCL have 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 MHFCL functionaries are heard and disposed of at least at the next higher level.
- The Board of Directors of MHFCL 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 may be submitted to the Board at regular intervals.

## **8. COMPLAINTS AND GRIEVANCES:**

MHFCL 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.

### **8.1 Sources/Mean of Grievance registration:**

Customers can visit MHFCL Branch and submit their complaints/ grievance logged in the Complaint Register maintained at the branches or can call or email their complaints as given below.

- Branch – Timings between 9:30 A.M to 6:00 P.M. (except Sunday & Public Holidays)
- Toll Free No.18001021616 (Time between 9:30 A.M to 6:00 P.M. except Sunday & Public Holidays)
- Email : [mhflcustomercare@muthoot.com](mailto:mhflcustomercare@muthoot.com)

If a complaint has been received in writing from a customer, MHFCL shall endeavor to send him/ her an acknowledgement/ response within a week from the receipt of Complaint. If the complaint is relayed over phone at MHFCL'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. After examining the matter, MHFCL shall send the customer its final response or explain why it needs more time to respond and shall endeavour to do so within six weeks of receipt of the complaint.

## **8.2 MHFCL Grievance Redressal Officer:**

If the customer is still not satisfied with the resolution, or has not received any response within the stipulated time mentioned earlier can contact the grievance Redressal Officer:

Grievance Redressal Officer  
Muthoot Housing Finance Company Ltd.01,13th Floor, Parinee Crescenzo,  
Plot No. C-38&C-39, Bandra Kurla Complex,  
G Block, Bandra (East), Mumbai 400051.  
Office : +91 022-6272-8500

## **8.3 Escalation to regulator:**

If the customer remains dissatisfied with the final response provided by MHFCL, he may write to National Housing Bank for redressal of the complaint at the below address:

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

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

MHFCL shall 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.

MHFCL shall 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.

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

Fair Practices Code (in vernacular language or a language understood by the borrower) based on the directions outlined in the Regulation shall be put in place by MHFCL with the approval of their Board. The same shall be put up on MHFCL website, for the information of various stakeholders.

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

**10.1** The Board of MHFCL shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter. The Board of MHFCL shall also have clearly laid down policy for penal interest/ charges (if any).

**10.2** 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.

**10.3** The rate of interest and penal interest (if any) must be annualised rate so that the borrower is aware of the exact rates that would be charged to the account.

**10.4** Instalments collected from borrowers should clearly indicate the bifurcation between interest and principal.

## **11. INTEREST CHARGED BY MHFCL**

MHFCL 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 shall be considered. MHFCL 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.

## **12. ADVERTISING, MARKETING AND SALES:**

- MHFCL shall ensure that all advertising and promotional material is clear, and factual.
- In any advertising, 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.
- Company shall provide information on interest rates, common fees and charges (including penal interest, if any) through putting up notices in its branches / through telephone or help-lines / on its website / through designated staff / help desk / or providing service guide / tariff schedule.
- Wherever MHFCL avails services of third parties for providing support, 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 MHFCL would.
- MHFCL may from time to time, communicate to customers various features of its products availed by them. Information about its other products or promotional offers in respect of products / services, may be conveyed to customers only if the customer has given consent to receive such information / service either by e-mail / letter or by registering for the same on the website or on customer service number.

- If applicable, MHFCL shall prescribe a code of conduct for their Direct Selling Agencies (DSAs) and DSTs (Direct Sales Team), 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.
- MHFCL shall, if applicable, adopt the Model Code of Conducts for DSAs/ Direct Marketing Agents (DMAs) as contained in the regulation with the approval of their Board
- In the event of receipt of any complaint from the customer that the MHFCL'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.

### **13. GUARANTORS**

MHFCL must inform the following information to the person considering to be a guarantor to a loan:-

- his/her liability as guarantor;
- the amount of liability he/she will be committing to MHFCL;
- circumstances in which MHFCL will call on him/her to pay up his/her liability;
- whether MHFCL has recourse to his/her other monies in MHFCL, if applicable, 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 MHFCL 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.

MHFCL 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.

### **14. PRIVACY AND CONFIDENTIALITY**

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

MHFCL shall not reveal information or data relating to customer accounts, whether provided by the customers or otherwise, to anyone, including other companies/entities in the group, other than in the following exceptional cases:

- If the information is to be given by law or any competent court.
- If there is a duty towards the public to reveal the information.
- If MHFCL'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 MHFCL to reveal the information, or with customers' permission.
- If MHCL has been asked to give a reference about customers, it shall obtain his / her written permission before giving it.

- In any case, the customer shall be informed the extent of his / her rights under the existing legal framework for accessing the personal records that MHFCL holds about him / her.
- MHFCL shall not use customer's personal information for marketing purposes by anyone including MHFCLs unless the customer specifically authorizes them to do so.

In light of the above conditions, if the customer provides express consent for sharing of such information, the company may provide such information or share such information to MHFCL's Group /associates companies for the purpose of offering any other financial products and services for the benefit of the customer(s).

## **15. GENERAL:**

- MHFCL 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).
- In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e. objection of MHFCL, 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.
- Whenever loans are given, MHFCL 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.
- In the matter of recovery of loans, MHFCL 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, MHFCL shall ensure that the staff is adequately trained to deal with the customers in an appropriate manner.
- MHFCL has a board approved collection policy for engaging Recovery Agents, in line with the regulation.
- MHFCL 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/ HFCs/ NBFC and/or a financial institution.

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.

- MHFCL 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).
- To facilitate quick and good understanding of the major terms and conditions of housing loan agreed upon between MHFCL and the individual borrower, MHFCL shall obtain a document containing the



most important terms and conditions (MITC) of such loan in all cases. The document will be in addition to the existing loan and security documents being obtained by MHFCL. Duplicate copy of MITC duly executed between MHFCL and the borrower should be handed over to the borrower under acknowledgement.

- MHFCL 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. to promote transparency in the operations. Further, MHFCL shall comply with the instructions on “Notice Board”, “Booklets/ Brochures”, “Website”, “Other Modes of Display” and on “Other Issues” as per the regulation.
- MHFCL shall display about their products and services in any one or more of the following languages: Hindi, English or the appropriate local language.
- MHFCL shall not discriminate on grounds of sex, caste and religion in the matter of lending. Further, MHFCL 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 MHFCL from instituting or participating in schemes framed for different sections of the society
- To publicize the code, MHFCL shall:
  1. Provide existing and new customers with a copy of the Code
  2. Make this Code available on request either over the counter or by electronic communication or mail;
  3. Make available this Code at every branch and on their website; and
  4. Ensure that their staffs are trained to provide relevant information about the Code and to put the Code into practice.

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