

FAIR PRACTICE CODE

The Reserve Bank of India (RBI) has issued guidelines on Fair Practices Code for Non-Banking Finance Companies (NBFCs) thereby setting standards for fair business and corporate practices while dealing with their borrowers. This has reference to the circular RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24 related to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, 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 Finserve India Private Limited ('**VFIPL**') has adopted this Fair Practices Code ('the Code') and it shall apply to the all categories of products and services offered by VFIPL. This Code, preferably in the vernacular language or a language as understood by the borrower shall be put up on the web-site of the Company for the information of various stakeholders.

1. OBJECTIVE

Vastu Finserve India Private Limited have set their objective to pursue leading corporate practices and to bring about transparency in business practices and thereby foster borrower confidence. Accordingly, a Fair Practices Code has been set with an objective to:

- i. Promote good and fair practices by setting minimum standards in dealing with borrowers;
- ii. Increase transparency so that the borrower can have a better understanding of what he/she can reasonably expect of the services provided by our Company;
- iii. Encourage market forces, through competition, to achieve higher operating standards;
- iv. Promote fair and cordial relationship between the Borrower and the Company and thus foster confidence of the former in the latter.
- v. Helping borrower to choose products and services, which meet their needs and give them clear information explaining the key features of the services and products they are interested in.
- vi. Inform borrowers about the documents and information that the Company needs from them to establish borrower's true identity, address and other documents to comply with the legal and regulatory requirements.

2. APPLICATION FOR LOAN AND THEIR PROCESSING

- i. All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- ii. The Loan application forms of the Company will include necessary information, which affects the interest of the borrower, so that a meaningful comparison of the terms and conditions offered by other NBFCs can be made and an informed decision can be taken by the borrower. The loan application form will indicate the documents required to be submitted with the application form.
- iii. The Company has devised a system of giving acknowledgement for receipt of all loan applications, amongst other details it provides estimated time frame within which loan applications will be disposed.

3. LOAN APPRAISAL AND TERMS/CONDITIONS

- i. The Company shall conduct a due diligence on credit worthiness of the borrower, which will be an important parameter for taking decision on the application. The assessment shall be in line with the Company's Credit policy, norms and procedures in respect thereof.
- ii. The Company shall convey in writing to the borrower by means of a sanction letter or otherwise, the amount of loan approved along with the terms and conditions, including the annualized rate of interest and method of application thereof. It would keep the acceptance of these terms and conditions by the borrower for its record.

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- iii. The penal charges to be charged by the Company for late repayment of loan shall be mentioned in bold in the loan agreement.

The Company shall furnish a copy of the loan agreement along with a copy of other relevant transaction documents to the borrower at the time of/post disbursement of loan.

4. PENAL CHARGES IN LOAN ACCOUNTS

- i. Penalty, if charged, for non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalisation of penal charges i.e., no further interest computed on such charges. However, this will not affect the normal procedures for compounding of interest in the loan account.
- ii. The company shall not introduce any additional component to the rate of interest and ensure compliance to these guidelines in both letter and spirit.
- iii. The company shall formulate a Board approved policy on penal charges or similar charges on loans.
- iv. The quantum of penal charges shall be reasonable and commensurate with the non-compliance of material terms and conditions of loan contract without being discriminatory within a particular loan/product category.
- v. The penal charges in case of loans sanctioned to 'individual borrowers, for purposes other than business', shall not be higher than the penal charges to non-individual borrowers for similar non-compliance of material terms and conditions.
- vi. The quantum and reason for penal charges shall be clearly disclosed by the company to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on websites of the company under Interest rates and Service Charges.
- vii. Whenever reminders for non-compliance of material terms and conditions of loan are sent to borrowers, the penal charges shall be communicated. Further, any instance of levy of penal charges and the reason therefor shall also be communicated.

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5. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS

- i. The Company will 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, service charges, prepayment charges etc. The Company will also ensure that changes in interest rates and charges are affected only prospectively. A suitable condition in this regard will be incorporated in the loan agreement.
- ii. Decision to recall / accelerate payment or performance will be in accordance with the loan agreement.
- iii. The Company will 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 the Company is entitled to retain the securities till the relevant claim is settled/paid.

6. Responsible Lending Conduct – Release of movable/immovable property documents on repayment/ settlement of loans

- i. The company shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account.
- ii. The borrower shall be given the option of collecting the original movable/ immovable property documents either from the banking outlet/branch where the loan account was serviced or any other office of the company where the documents are available, as per her/his preference.
- iii. The timeline and place of return of original movable/immovable property documents shall be mentioned in the loan sanction letters issued on or after the effective date.
- iv. In order to address the contingent event of demise of the sole borrower or joint borrowers, the company shall have a well laid out procedure for return of original movable/immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the company along with other similar policies and procedures for customer information
- v. In case of delay in releasing of original movable/immovable property documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the company shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the company, it shall compensate the borrower at the rate of ₹5,000 for each day of delay
- vi. In case of loss/damage to original movable/immovable property documents, either in part or in full, the company shall assist the borrower in obtaining duplicate/certified copies of the movable/immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (v) above. However, in such cases, an additional time of 30 days will be available to the company to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- vii. The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law

7. Reset of floating interest rate on Equated Monthly Instalments (EMI)

- i. At the time of sanction of EMI based floating rate loans, the company is required to take into account the repayment capacity of borrowers to ensure that adequate headroom/margin is available for elongation of tenor and/or increase in EMI, in the scenario of possible increase in the external benchmark rate during the tenor of the loan
- ii. At the time of sanction, the company shall clearly communicate to the borrowers about the possible impact of change in benchmark interest rate on the loan leading to changes in EMI and/or tenor or both. Subsequently, any increase in the EMI/ tenor or both on account of the above shall be communicated to the borrower immediately through appropriate channels
- iii. At the time of reset of interest rates, the company shall provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan
- iv. The borrowers shall also be given the choice to opt for (a) enhancement in EMI or elongation of tenor or for a combination of both options; and, (b) to prepay, either in part or in full, at any point during the tenor of the loan.

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Levy of foreclosure charges/ pre-payment penalty shall be subject to extant instructions

- v. All applicable charges for switching of loans from floating to fixed rate and any other service charges/ administrative costs incidental to the exercise of the above options shall be transparently disclosed in the sanction letter and also at the time of revision of such charges/ costs by the company from time to time.
- vi. The company shall ensure that the elongation of tenor in case of floating rate loan does not result in negative amortisation.

The company shall share/ make accessible to the borrowers, through appropriate channels, a statement at the end of each quarter which shall at the minimum, enumerate the principal and interest recovered till date, EMI amount, number of EMIs left and annualized rate of interest/Annual Percentage Rate (APR) for the entire tenor of the loan. The company shall ensure that the statements are simple and easily understood by the borrower

8. GENERAL

- i. The Company will refrain from interfering in the day-to-day affairs of the borrower except for the purposes provided in the terms and conditions of the loan agreement (unless new information, not earlier disclosed by the borrower, has come to the notice of the Company).
- ii. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the Company, if any, will 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.
- iii. In the matter of recovery of loans, the Company will not resort to undue harassment viz. persistently follow up with the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall ensure that the staff is adequately trained to deal with the borrowers in an appropriate manner.

The company shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without coobligant(s).

9. GRIEVANCE REDRESSAL

- i. The company shall set up a grievance redressal mechanism within the Company to resolve disputes. Such mechanism will ensure that all the disputes arising are heard and disposed of at least at the next higher level.
- ii. There will be a periodical review of the compliance of the Fair Practices Code and the grievance redressal mechanism implementation at various levels of management. A consolidated report of such reviews may be submitted to the Board at regular intervals, as may be prescribed by it.
- iii. Following information shall be displayed prominently, for the benefit of the customer, at all branches/ places of the Company, where business is transacted:
 - a. the name and contact details (Telephone / E-mail address) of the Grievance Redressal Officer who can be approached for resolution of complaints raised by the Borrower.

10. Reserve Bank – Integrated Ombudsman Scheme, 2021 (Scheme):

- i. The company shall appoint the Principal Nodal Officer at their head office who shall not be a rank less than a General Manager or an officer of equivalent rank and shall be responsible for representing the Company and furnishing information on behalf of the Company in respect of complaints filed against the Company.
- ii. The Company may appoint such other Nodal Officers to assist the Principal Nodal Officer as it may deem fit for operational efficiency.
- iii. The Company shall display prominently for the benefit of their customers at their branches/places where the business is transacted.
 - a) the name and contact details (Telephone/mobile number and E-mail ID) of the Principal Nodal Officer along with the details of the complaint lodging portal of the Ombudsman (<https://cms.rbi.org.in>).
 - b) salient features of the Scheme in English, Hindi and the regional language in all its offices, branches and places

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where the business is transacted in such a manner that a person visiting the office or branch has adequate information on the Scheme.

- c) a copy of the Scheme to be provided to the customer for reference upon request.
- iv. The salient features of the Scheme along with the copy of the Scheme and the contact details of the Principal Nodal Officer shall be displayed and updated on the website.

If the complaint / dispute is not redressed within a period of one month by Grievance Redressal Officer and/or by Nodal and Principal Nodal Officer, the Customer may appeal to the Officer- in-Charge of the Regional Office of DNBS of RBI under whose jurisdiction the registered office of the Company falls or Lodge a complaint online through <https://cms.rbi.org.in> or submit compliant through electronic or physical mode to Centralised Receipt and Processing Centre.

11. REGULATION OF EXCESSIVE INTEREST CHARGED

- i. The Board 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 gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or borrower in the application form and communicated explicitly in the sanction letter.
- ii. The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the company 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.
- iii. The rate of interest must be annualized rate so that the borrower is aware of the exact rates that would be charged to the account.

12. REPOSSESSION OF VEHICLES FINANCED

- i. The Company shall have a built-in re-possession clause in the contract/loan agreement with the borrower which must be legally enforceable. To ensure transparency, the terms and conditions of the contract/loan agreement would also contain provisions regarding:
 - a. Notice period before taking possession
 - b. Circumstances under which the notice period can be waived
 - c. The procedure for taking possession of the security
 - d. A provision regarding final chance to be given to the borrower for the repayment of loan before the sale / auction of the property
 - e. The procedure for giving repossession to the borrower and
 - f. The procedure for sale / auction of the property

A copy of such terms and conditions must be made available to the borrowers in terms of circular wherein it would be stated that the Company may invariably furnish a copy of the loan agreement along with a copy of each enclosure quoted in the loan agreement to all the borrowers at the time of sanction/disbursement of loan, which may form a key component of such contracts/loan agreements.

13. Loan facilities to the physically/visually challenged by the Company

- i. The company shall not discriminate in extending products and facilities including loan facilities to physically/visually challenged applicants on grounds of disability. All branches of the company shall render all possible assistance to such persons for availing of the various business facilities. The company shall include a suitable module containing the rights of persons with disabilities guaranteed to them by the law and international conventions, in all the training programmes conducted for their employees at all levels. Further, the company shall ensure redressal of grievances of persons with disabilities under the Grievance Redressal Mechanism already set up by them.

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