



Can Fin Homes Ltd
(Sponsor: CANARA BANK)
HOME LOANS • DEPOSITS
Translating Dreams into Reality

ofc

Can Fin Homes Ltd.

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CFHRO/NDA/NHB COMP/CORR-4/2018-19
01/02/2019

General Manager
Department of Regulation and Supervision
National Housing Bank
Core - 5A, 3rd floor, India Habitat Centre,
Lodhi Road, New Delhi - 110003

Dear Sir/Madam,

Sub: Appeal against the decision of CRCELL on COMP/527/2017 - Levy of Penalty
Ref: (1) Your letter NHB (ND)/DRS/Appeal-1/17/A-744/2019 dated 17/01/2019 received
on 21/01/2019
(2) Our letter CFHRO/GUR/NHB COMP/CORR 3/2018-19 dated 16/10/2018 &
(3) Your letter NHB (ND)/DRS/Appeal-1/17/A-1503/2018 dated 11/10/2018

This has reference to the complaint of Shri R M Kulshreshtha on NHB GRIDS and the related correspondence between NHB and the Company.

In this regard, we have reiterated the facts of the entire loan transaction for your ready reference, in Annexure-1. We reiterate that we have acted strictly as per the terms and conditions of contract executed with the said borrower.

Regarding your letter dated 17/01/2019 we wish to inform that at the time of sanction of the loan the Guidelines on Fair Practises Code for HFC's No. NHB(ND)/DRS/POL-No-16/2006 Dt. 06/09/2006 was applicable to the Company and we have complied with all the conditions laid down in Para 3.5 relating to change of Interest rate and Para 3.9 relating to changes to terms and conditions. Subsequently, for increase in rate of interest during August 2011, the Guidelines on Fair Practises Code for HFC's No. NHB(ND)/DRS/POL-No-34/2010-11 Dt. 11/10/2010 was applicable and we have complied with para 4.1(iv).

In our view section 32 read with section 33 of Chapter V is in relation to the public deposits. The loan transactions between the Company and the borrower shall be governed by the terms of contract as per Indian Contract Act. However, the Company shall duly comply with the guidelines on Fair Practices Code issue by the NHB from time to time.

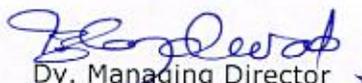
We have acted as per our contractual obligations and with good-faith. We sincerely appeal to your good offices to review the Orders in the light of Section 32 r/w Section 33 and considering the compliance of FPC by the Company.

We have deposited an amount of Rs.5000/- with GST (aggregate Rs.5900/-) as mentioned in your letter dated 17/01/2019, vide UTR No. P19020198223714 on 01/02/2019. We have deposited the said amount under protest.

Further, we sincerely request for removal of the condition relating disclosure as per Para 29(6) of the HFCs (NHB) Directions, 2010.

Thanking You,

Yours faithfully,
For Can Fin Homes Ltd.


Dy. Managing Director
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(1) Mr. R M Kulshrestha was extended a loan of Rs.2,00,000/- on 05/04/2005 under Fixed Rate Loan scheme with ROI of 8.5% with an EMI of Rs.2400/- repayable in 120 EMIs. The borrower had executed the loan documents and the proviso to Article 2.2(a) of the loan agreement reads as under:

"Provided that from time to time CFHL may in its sole discretion increase the rate of interest suitably and progressively if unforeseen or exceptional or extra ordinary changes in the money market conditions take place during the period of the agreement and henceforth the rate of interest increased as aforesaid shall be applicable to the said loan. CFHL shall be the sole judge to determine whether such conditions exist or not."

Since January 2006 RBI had taken various steps like increase in Repo rate, Cash Reserve Ratio, withdrawal of interest on CRR balance maintained by Banks etc. Consequently, the Banks lending rate, cost of funds and deposit rates increased exorbitantly. NHB had also increased the rate of interest on refinance from 6.75% to 10.75% during that period.

Due to such extraordinary money market conditions, the Company was constrained to invoke Article 2.2 of the Loan agreement for the first time since its inception and had increased the rate of interest for Fixed Rate Loans w.e.f. 01/07/2007.

(2) At the time of effecting changes in the rate of interest i.e., w.e.f. 01/07/2007, the Fair Practices Code as per NHB Policy Circular No.NHB(ND)/DRS/POL-No.-16/2006 dated 05/09/2006 was applicable to the Company. The Company had complied with the applicable clauses viz., 3.5 and 3.9 of the said Code.

The Company had sent a letter to Shri R M Kulshrestha vide our letter No.CFHL/ROI-LTR/LA-3548/2006-17 dated 02/07/2007. Copies of the said letter and POD of 'Trackon Courier' dated 04/07/2007 were submitted with our reply dated 16/10/2018. Copies are attached once again for ready reference. We reiterate that the appellant was informed regarding the change in ROI on his loan vide the said letter, duly complying with the fair practices code applicable during that period.

(3) During subsequent intermittent reduction in rate of interest by Banks on our loans, the benefit was passed on to the borrower without any request from his side.

Sl. No.	From date - To date	Rate of interest (%)
1	05-04-2005 to 30-06-2007	08.50 %
2	01-07-2007 to 25-02-2009	11.00 %
3	26-02-2009 to 04-03-2010	10.75 %
4	05-03-2010 to 06-03-2011	10.25 %
5	From 07-03-2011 upto date	11.25 %

In our letter dated 02/07/2007, we had also communicated our decision to incorporate a three-year reset clause enabling the Company to review the interest rates at periodical intervals, keeping in view the general interest scenario and cost of funds. We had also offered him to opt for Variable Rate Loan scheme.

It was also indicated in para 4 and 5 of our letter dated 02/07/2007 that if the borrower wants to continue with the same EMI then he can either make a lumpsum payment to reduce the outstanding balance so that the tenure of the loan remains the same. The borrower was also informed that if he desires to continue with the present EMI and extend the term (tenure) of the loan, to call on the Branch.

The borrower did not opt to contact the branch for discussion on the tenure as requested in the said letter. Hence, by default the tenure shall get extended to clear the loan liability.



(4) The borrower did not question about the rate of interest from 2007 to 2017. He started raising all the issues only after 10 years after communication from the branch. Since the documents were more than 10 years old, Branch was taking time to search the copies of letters sent and the proof of dispatch.

(5) The documents called for in NHB GRIDS were being submitted from time to time till 17/08/2017 and the matter was allowed to rest.

(6) For the Appeal No.1/17/2017, the Company had responded on 19/02/2018. For the mail from NHB dated 07/06/2018, the Company had sent a letter with a regret for the delay, vide our letter dated 16/10/2018, and had provided all the details and copies of related documents.

(7) The Schedule of the loan agreement (page 12) clearly mentions the following:

2.7 Amortization

Subject to Article 2.7(a) to (c), the entire loan alongwith interest shall be repayable in 10 years in 120 consecutive Equated Monthly Instalments (EMIs) of Rs.2,480/- each subject to the covenants agreed under the various Articles under this agreement.

2.7(c) reads as "Notwithstanding what is stated in Article 2.7(a) above and in the Schedule, CFHL shall have the right at any time or from time to time to review and reschedule the repayment terms of the loan and the outstanding amount thereof in such manner and to such extent as CFHL may in its sole discretion decide. In such event(s) the borrower shall repay the loan or the outstanding amount thereof as per the revised schedule as may be determined by CFHL in its sole discretion and communicated to the borrower by CFHL in writing."

The Company had sent a letter dated 02/07/2007 requesting to remit the revised EMI for ensuring closure of the Loan within the stipulated tenure or to make some lumpsum amount to reduce the outstanding liability for continuing the present existing EMI and tenure.

However, he did not respond nor he approached the branch for any clarification for 10 years i.e., upto 2017.

(8) The Borrower is bound by the terms of contract and has to clear the entire loan liability.

