



# **Policy on Relief Measures to Loan Customers during epidemic situation under COVID-19**

Version 3

For & on behalf of Integrated Risk Management Committee

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Chairman  
Integrated Risk Management Committee

## Document Information

Name: Policy on Providing Relief to Loan Customers during epidemic situation under COVID-19  
Type: HCIN Policy  
Area: Risk, Finance  
Responsible Department/ Function: HCIN Collection Department

## Objective

This Policy describes the relief measures adopted by the Company to grant relief to the loan customers of the Company during the crisis situation of Corona Virus (COVID-19) in India.

## Scope of Application

Applicable to: Home Credit India Finance Private Limited  
Effective from: 1 March 2020  
Approved by: Board of Directors (version 1)  
Integrated Risk & Management Committee (version 2)  
Integrated Risk & Management Committee (version 3)

## Document history:

Version number	Date of Issue	Reason for Change	Person in Charge
COVID_2020_V1	02.04.2020	First issue of the document	Himanshu Bhattacharjee (Collection Dept)
COVID_2020_V2	28.05.2020	Amendment pursuant to RBI notification- <ul style="list-style-type: none"><li>DOR.No.BP.BC.71/21.04.048/2019-20 dated 23.05.2020 and</li><li>notification No. DOR.No.BP.BC.63/21.04.048/2019-20 dated 17.04.2020</li></ul>	Himanshu Bhattacharjee (Collection Dept)
COVID_2021_V3	30.04.2021	Amendment pursuant to: <ul style="list-style-type: none"><li>RBI notification DOR.STR.REC.4/21.04.048/ 2021-22 dated 07.04.2021</li><li>The judgment of Hon'ble Supreme Court of India in the matter of Small Scale Industrial Manufacturers Association vs UOI &amp; Ors. and other connected matters on 23.03.2021</li></ul>	Gaurav Sharma (Compliance Dept)

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## 1 Objective, Introduction and Scope

### 1.1 Objective

The objective of this Policy is to set out the broad level approach of Home Credit India Finance Private Limited (hereinafter “Company”) to be followed for granting necessary relief to the loan customers in the epidemic situation of COVID-19.

### 1.2 Introduction

The novel Coronavirus has brought crisis situation world wide and has impacted India as well. The Government of India has implemented various immediate measures to control the situation. The lockdown is declared PAN India and all the offices, shops, schools etc, other than provisions for essential services, have been asked to be closed temporarily. Reserve Bank of India (RBI) has also announced certain regulatory measures to mitigate the burden of debt servicing brought about by disruptions on account of COVID-19 pandemic and to ensure the continuity of viable businesses. Vide Notification number DOR.No.BP.BC.47/21.04.048/2019-20 dated 27.03.2020, RBI has provided detailed instructions to financial institutions (including NBFCs) (such notification hereinafter referred as “**Relief Package**”).

Further, in view of the extension of lockdown and continuing disruption on account of COVID-19, vide notification number DOR.No.BP.BC.71/21.04.048/2019-20 dated 23.05.2020, RBI has permitted financial institutions to extend the moratorium by another three months i.e. from June 1, 2020 to August 31, 2020 on payment of all instalments in respect of term loans (such notification hereinafter referred as “**Extended Relief Package**”). Accordingly, the repayment schedule for such loans as also the residual tenor, will be shifted across the board. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

Further, vide notification dated 27.03.2020, RBI has also mandated to frame Board approved policies for providing the abovementioned reliefs to all eligible borrowers and disclosed in public domain.

In compliance of the said directions of RBI, this Policy sets out various relief measures implemented by the Company and approved by the Board of Directors.

### 1.3 Scope

This Policy is applicable to the Company. This Policy aims to grant relief to Eligible Customers (hereinafter defined) for Crisis Period (hereinafter defined).

### 1.4 Related Documents/ Impacted Policies

- Collection Policy
- Business Continuity Management Policy
- Provisioning Policy

- Operational Risk Framework
- Asset Liability Management Policy
- Write off Policy

## **2 Definitions**

### **2.1 Eligible Customers**

The following loan customers shall be considered eligible for relief under this Policy:

- a. The customer who has availed any type of term loan from the Company on or before February 29, 2020;
- b. The customer who has availed any type of loan from the Company on or after March 01, 2020 but before May 31, 2020 and his/ her Monthly Instalment(s) is/ are due any time between March 01, 2020 and August 31, 2020.
- c. Unless decided otherwise by the Company, the customer availing the loan any time during the period June 01, 2020 till August 31, 2020 shall not be eligible for the moratorium under this Policy for such new loan.

Provided that a customer who is delinquent in repayment of a loan, or any amount in respect thereof, as on February 29, 2020, shall not be eligible for moratorium unless the ensite dues payable till February 29, 2020 are paid

Therefore, the relief under this Policy shall not be available for the loans that are in delinquency as on the date of request for moratorium.

Further, the moratorium on the loans originated under Joint Lending (JL) arrangement with other banks/ financial institutions, or the loans forming part of Securitisation/ Direct Assignment portfolio, to aforesaid Eligible Customers shall be granted subject to the terms and conditions approved by the concerned JL partner/ investors, as the case may be.

### **2.2 Crisis Period**

The relief shall be available under this Policy upto a period of six (06) months commencing from March 01, 2020.

## **3 Rescheduling of Payments**

The moratorium shall be available for a maximum period of six months commencing from March 01, 2020 and ending on August 31, 2020 to Eligible Customers whose monthly instalment(s) for the loan is/ are due anytime during Crisis Period.

### **Manner of Applying Moratorium Period**

The approach of the Company towards offering the moratorium will be to offer and apply the moratorium on monthly basis as per the pro-active request by the Eligible Customers.

Where such customer(s) has availed SAFE PAY services along with the loan, the Company shall activate the Payment Holiday option for such customers if they satisfy the conditions of availing Payment Holiday.

The customers who will make the payment of Monthly Instalments regularly every month and have not requested for moratorium, during the Crisis Period, it shall be deemed that such customers are not willing to avail the option of moratorium period.

As regards the customers who have neither requested for moratorium nor made the payment of Monthly Instalment during Crisis Period, the Company shall check the delinquency status of such customers as on February 29, 2020 and the moratorium shall be applied at the end of each subsequent calendar month till August 31, 2020 to the customers who are not delinquent as per the records on February 29, 2020. The appropriate communication to this effect shall be sent to these customers.

Where the customer has applied for the loan any time during the period June 01, 2020 till August 31, 2020, the customer has to declare that he/ she has sufficient source of income to repay the monthly instalments and other dues towards the loan applied from the Company, in current COVID-19 and lock down situation that may continue in August 2020 as well. For the customer who gives such confirmation and proceed with the loan application, the Company reserves the right to refuse the moratorium to such customer.

The Company shall also implement suitable processes and communication channels so that the customers are informed about the relief as well as conditions for availing relief under this Policy. The collections strategy for the Crisis Period shall be designed with a dual objective minimum possible impact on the cash inflows as well as extending the moratorium to the Eligible Customers, in line with the directives issued by RBI. Accordingly, best possible efforts shall be made to collect the Monthly Installments from the customers without unreasonably denying the the relief to the customers.

#### Levy of interest during Crisis (moratorium) Period and changes in Repayment Schedule

For the Eligible Customers, whom the moratorium has been granted, interest shall continue to accrue on the outstanding portion of the loans during the Crisis Period and the repayment schedule for such loans as also the residual tenor can be extended accordingly. The Company understands that any increase in amount of pre-agreed monthly instalment at this stage may impose additional monthly financial burden on its customers. Therefore, for the period of moratorium availed by the customer, the Company decided to charge only simple interest basis the equivalent annualised rate of interest on the loan amount outstanding prior to the moratorium and add the same to the outstanding loan amount. As a result, the overall tenure of the loan shall increase.

In exceptional cases, the Company may, in order to provide relief to the customers, allow specific customers to pay aforesaid interest for the moratorium period as one lump sum payment post completion of moratorium period.

The revised repayment schedule shall be shared by HCIN with such customers through available Contact Options.

#### Refund/ adjustment of 'interest on interest'

The Company shall, by levying simple interest basis the equivalent annualised rate of interest on the loan amount outstanding prior to the moratorium, ensure that no 'interest on interest' shall be charged during the Crisis/ moratorium period (i.e. March 1, 2020 to August 31, 2020) to the borrowers who availed moratorium. Wherever, any interest on interest is levied to such borrowers during the Crisis/ moratorium period, the Company shall ensure refund/ adjustment of the same to the benefit of the customer.

## **4 Asset Classification and Reporting**

### **(i) Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)**

Since the moratorium period is being provided specifically to enable the Eligible Customers to tide over economic fallout from COVID-19, the same will not be treated as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower. Consequently, such a measure, by itself, shall not result in asset classification downgrade.

The asset classification of such loans which are granted relief as above shall be determined on the basis of revised due dates and the revised repayment schedule. Similarly, the SMA status shall be evaluated considering the application of accumulated interest immediately after the completion of the moratorium period as well as the revised terms. Further, no late payment charges shall be charged to such loan customers during the Crisis Period.

Asset classification of borrower accounts following the judgment of Hon'ble Supreme Court shall continue to be governed by the extant instructions as clarified below:

- a. In respect of accounts which were not granted any moratorium in terms of the Covid19 Regulatory Package, asset classification shall be as per the criteria laid out in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated July 1, 2015 or other relevant instructions as applicable to the Company.
- b. In respect of accounts which were granted moratorium in terms of the Covid19 Regulatory Package, the asset classification for the period from March 1, 2020 to August 31, 2020 shall be governed in terms of the circular DOR.No.BP.BC.63/21.04.048/2019-20 dated April 17, 2020, read with circular DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020. For the period commencing September 1, 2020, asset classification for all such accounts shall be as per the applicable IRAC Norms.

### **(ii) Reporting**

The rescheduling of payments, including interest on account of availment of moratorium in terms of this policy, will not qualify as a default by the Eligible Customer(s) for the purposes of supervisory reporting and/ or reporting to Credit Information Companies (CICs) by the Company.

<sup>1</sup>NBFCs which are required to comply with Indian Accounting Standards (IndAS) shall, as hitherto, continue to be guided by the guidelines duly approved by their Boards and as per ICAI Advisories for recognition of the impairments.

All provisions required to be maintained by the Company, including the provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, shall continue to be made in the usual manner.

## **5 Governance and Primary Responsibilities**

### 5.1 Board of Directors

- 5.1.1 The Board of Directors shall approve this Policy for implementation.
- 5.1.2 The impact of implementation of the relief measures shall be placed before the Board of Directors in the meeting scheduled after the Crisis Period.

### 5.2 Integrated Risk Management Committee (IRMC)

- 5.2.1 The IRMC shall review the effect of such relief granted to the Eligible Customers and its impact on the business of the Company.
- 5.2.2 The IRMC shall pass necessary instructions, orders, clarifications, or assign responsibilities, delegate requisite powers, as may be required from time to time in the course of implementation of the Policy.
- 5.2.3 Where the meeting of IRMC is not possible to convened in the present situation, Chief Finance Officer and/ or Chief Risk Officer are hereby authroised to take necessary decisions on matters under purview of IRMC.

### 5.3 Collections Department

- 5.3.1 The Head- Collection shall ensure that the adequate Collection Strategy is designed and implemented in accordance with this Policy during the Crisis Period.

### 5.4 Customer Care

- 5.4.1 It shall be ensured that appropriate processes and procedures are in place, to the extent possible in this crisis situation, to ensure that the issues and requests of the customers are duly addressed.

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<sup>1</sup> RBI Notification No. DOR.No.BP.BC.63/21.04.048/2019-20 dated 17.04.2020



**6 Final Provisions****6.1 Owner of the Policy**

The responsible department (i.e. owner) for implementation of this Policy as per the instructions received by the Board of Directors or IRMC (or Chief Finance Officer and Chief Risk Officer where applicable) is the HCIN Collection Department.

**6.2 Amendment in the Policy**

The IRMC, or Chief Finance Officer and Chief Risk Officer (jointly) in case the meeting of IRMC is not possible to be convened, are authorized to make necessary amendments in this Policy, as they consider appropriate in the interest of business operations of the Company.

**6.3 Implementation**

This Policy was issued on 02.04.2020 and has been effective from March 1, 2020.