

FAIR PRACTICE CODE

Version control:

Version	Board Approval Date	Change Reference/Remarks	Custodian	Approving Authority
1	20.11.2017	Applicability of Policy Fair Practice code	Compliance	Board of Directors
2	09.04.2020	Name change of Grievance Redressal officer	Compliance	Board of Directors
3	30.09.2021	Availability of name of Grievance redressal officer in company website & contact details of RBI official	Compliance	Board of Directors
4	30.03.2024	Policy amended to include clauses on penal charges/clarification regarding repossession of vehicles & loan facilities to physically challenged	Compliance	Board of Directors

1. INTRODUCTION

Gove Finance Limited (hereinafter referred to as “company”) has adopted this Fair Practices Code (“Code”) to provide to the customers’ effective overview of practices in terms of the Reserve Bank of India (“RBI”) Master Direction DNBR. PD. 008/03.10.119/2016-17 as amended from time to time which will be followed by the Company in respect of the financial facilities and services offered by the Company to its customers. The Code will facilitate the customers to take informed decisions in respect of the financial facilities and services to be availed by them and will apply to all loans that the Company may sanction and disburse.

2. APPLICATIONS FOR LOANS AND THEIR PROCESSING

- (i) All communication to the borrower shall be in the vernacular language or a language as understood by the borrower.
- (ii) 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 NBFCs can be made and the borrower can take an informed decision. The loan application form may also indicate the documents required to be submitted with the application.
- (iii) An acknowledgement should be given for receipt of all loan applications. The time frame within which the loan application will be disposed of would also be indicated in the acknowledgement.

3. LOAN APPRAISAL AND TERMS/CONDITIONS

- i) The Company shall convey in writing to the borrower by means of approval 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. On acceptance of these terms and conditions by the borrower the signed copies shall be filed. The penal interest charged for late repayment must be mentioned

in bold in the loan agreement and a copy of loan agreement, preferably in the vernacular language as understood.

- ii) A copy of each of all enclosures quoted in the loan agreement should be furnished to all the borrowers at the time of sanction/disbursement of loans.

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, by whatever name called.
- 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 NBFCs 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.

5. DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS

- (i) Notice shall be given to all its borrowers in the vernacular language as understood by the borrower of any change in the terms and conditions - including disbursement schedule, interest rates, service charges, prepayment charges etc. It should also be ensured that changes in interest rates and charges are effected only prospectively. A suitable provision in this regard shall be incorporated in the loan agreement.
- (ii) Decision to recall / accelerate payment or performance under the agreement shall also be in consonance with the loan agreement.
- (iii) All securities should be released on repayment of its full 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 its borrowers. 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. GENERAL

- (i) The company shall refrain from interference in the affairs of the borrower except for the purposes provided for 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 - shall be conveyed to the borrower within 21 days from the date of receipt of any request.

Such transfer shall be as per transparent contractual terms in consonance with law.

- (iii) In the matter of recovery of loans, company shall not resort to any harassment such as persistently bothering 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 customers in an appropriate manner.
- (iv) The company shall have a Grievance Redressal Forum managed by Senior management person of the company - to resolve disputes arising, if any, in this regard. The said forum will meet within a period of 3 weeks from the date of receiving any grievance intimation. It shall ensure that all disputes arising out of the decisions of lending by the company's functionaries are suitably heard and disposed of at least at the next higher level. The company shall periodically review 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 review may be submitted to the Board at regular intervals.
- (v) The company should display following information on the notice board at all branches and offices of the company where business is transacted:
 - ❖ Name of Grievance Redressal Officer and contact details shall be available in the website of the Company www.govefinance.in and will be updated, subject to changes, if any.
 - ❖ Contact details of 'the Officer-in-Charge of the Regional Office of DNBS of RBI' shall be available in the RBI Portal www.rbi.org.in in which customers may contact in case they are not satisfied with resolution provided by company or in case issue remains unresolved for 30 days

7. WIDE DISSEMINATION AND PERIODIC REVIEW

The company shall put the above Fair Practices Code outlined hereinabove on its website, for the information of various stakeholders. The company would also review

and refine the Code, as may be required periodically - based on its own experience and fresh guidelines, if any, to be issued by the RBI in this regard.

8. COMPLAINTS ABOUT EXCESSIVE INTEREST

The company shall lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

9. REGULATION OF EXCESSIVE INTEREST

(i) The company shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium, etc. 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 customer 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 website of the Company or published in the relevant newspapers. The information published in the website or otherwise published should be updated whenever there is a change in the rates of interest.

(iii) The rate of interest should be annualized rates so that the borrower is aware of the exact rates that would be charged to the account.

10. CLARIFICATION REGARDING REPOSSESSION OF VEHICLES

a) 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 should 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 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.

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

11. INTERNAL CONTROL SYSTEM

As the primary responsibility for compliance with the Directions rest with the company, necessary organizational arrangements will be made to assign responsibility for compliance to designated individuals within the company and establish systems of internal control including audit and periodic inspection to ensure the same.

12. LOAN FACILITIES TO THE PHYSICALLY/VISUALLY CHALLENGED:

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.

13. REVIEW OF THE FAIR PRACTICES CODE

The policy is subject to annual review and any amendments to the regulatory framework issued by the RBI, from time to time.

For Gove Finance Limited

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**Arun Vellore Surendra
Managing Director
DIN :01617103**