

## **FAIR PRACTICE CODE – GOLD LOANS**

The Fair practices Code has been formulated in line with the directions of the Reserve Bank Of india as also to ensure transparency and accountability and satisfaction to the stake holders in the business.

The FPC will be applicable to all the branches dealing in Gold Loans and Head office Gold Loan Division of the company and will bind all the employees

### **OBJECTIVES**

1. To adopt the best practices in dealing with the customers and achieve high operating standards in customer satisfaction
2. To follow transparent ,ethical and legal business practices
3. Provide all necessary information to the customers while contracting the business and build a sustainable relationship
4. To facilitate a steady growing customer base and to prudently exclude customers of doubtful integrity.

### **1) LOAN APPLICATION FORMS:**

- a) All communications to the borrower shall be in the vernacular language or a language as understood by the borrower.
- b) Loan application forms to indicate the documents that are to be submitted with the application form.
- c) Loan application to contain information and details that enable the applicant to make meaningful comparison with the terms and conditions offered by other

NBFC's

d) Loan application submitted is to be duly acknowledged by the company and the period within which loan application would be disposed is indicated in the acknowledgement.

2) **LOAN PROCESSING:**

a) The company shall inform the applicant in writing of the sanctioned amount the terms and conditions including annualized rate of interest and method of application thereof in the vernacular language or a language as understood by the borrower.

b) The Company shall obtain the acceptance of the borrower in writing on the sanction terms and shall maintain as its record.

c) All the borrowers would be provided with a copy of loan agreement along with all enclosures referred in the loan agreement, in vernacular language or a language as understood by the borrowers at the time of sanction/disbursement of loan.

d) The Loan Agreement would contain, in bold, details of penal interest charged for loan repayment.

e) The company shall inform the applicant if the loan is rejected.

**3) Lending against collateral of gold jewellery:**

While lending to individual against gold jewellery, the company shall adopt the following in addition to the general guidelines as above.

**The company has a Board approved policy for lending against gold that inter alia, covers the following:**

- a. Adequate steps to ensure that the KYC guidelines stipulated by RBI are complied with and to ensure that adequate due diligence is carried out on the customer before extending any loan,
- b. Proper assaying procedure for the jewellery received,
- c. Internal system to satisfy ownership of the gold jewellery.
- d. The policy covers adequate systems for storing the jewellery in safe custody, reviewing the systems on an-going basis, training the concerned staff and periodic inspection by internal auditors to ensure that the procedures are strictly adhered to. As a policy loans against the collateral of gold shall not be extended by branches that do not have appropriate facility for storage of the jewellery,
- e. The jewellery accepted as collateral shall be appropriately insured,
- f. The board approved policy with regard to auction of jewellery in case of non-repayment shall be transparent and adequate prior notice to the borrower shall be given before the auction date. It shall also lay down the auction procedure that would be followed. There shall be

- g. no conflict of interest and the auction process to ensure that there is arm's length relationship in all transactions during the auction including with group companies and related entities.
- h. The auction shall be announced to the public by issue of advertisements in at least 2 newspapers, one in vernacular language and another in national daily newspaper.
- i. As a policy the company itself shall not participate in the auctions held.
- j. Gold pledged will be auctioned only through auctioneers approved by the board.
- k. The policy shall also cover systems and procedures for dealing with fraud including separation of duties of mobilization, execution and approval.

**ii. The loan agreement shall also disclose details regarding auction procedure.**

**4) OPERATIONAL TERMS, CONDITIONS & RECOVERY:**

- a) The company shall give notice to the borrower of any change in the terms and conditions including interest rates, service charges, prepayment charges, cheque bouncing charges etc.
- b) The company shall ensure that interest rate changes and charges are effected only prospectively. Loan agreements have necessary clause to this effect.
- c) The Company shall not interfere in the affairs of the borrower except for purposes provided in the terms and conditions of the loan agreement.

- d) The company's decision to recall loans shall be in consonance with the loan agreement.
- e) The company shall convey its objection to any request made by the borrower for transfer of the borrower account within thirty days of receipt of request from the borrower. The transfer shall be as per contractual terms in consonance with law.

In the matter of recovery of loans, the company shall not resort to undue harassment via use of muscle power for recovery of loans etc.

- e) The company will not normally recall the loan before the initially accepted tenure except in unanticipated abnormal circumstances where the security value diminishes or the quality of the gold pledged is found acceptable on subsequent verifications. Regulatory requirements. In all such cases proper notice will be given to the borrowers recalling the loans before maturity.
- f) The company shall arrange to issue machine printed receipts for all part/ final settlements. The company shall accept cash payments at its branch during the business hours and will also encourage acceptance of digital payments. In the case of digital payments the settlement will be subject to realisation of the credit at the company end.
- g) Even though the loan sanction letter and the Pawn ticket contains the terms of repayment, interest payment frequencies, the company will also endeavour to periodically remind the customer of the same through, notices, telephone./messages.

- h) The company will arrange to release the securities pledged upon full settlement save otherwise where the company exercises the right of set off/lien.
- i) In the event of the customer not collecting back the securities upon full settlement for reasons of his own, the company may resort to charging safe keeping charges for holding those securities.
- j) In an unfortunate event of death of the the customers, the securities will be released to the legal heirs upon settlement of the dues and after submitting necessary documents to establish the legal heirship to the satisfaction of the company.

**5) LOAN CLOSURE**

- a) The company 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 the company may have against the borrower.
- b) The company shall inform the borrower in writing about the claim and the conditions under which company is entitled to retain securities until relevant claim is settled.
- c) Any Grievance shall be addressed to:

S.S.Muthuvelu,  
Wholetime Director  
GTP Finance Ltd.,  
4/36, Bharathi Street,  
Swarnapuri, Salem-636004.  
Phone No. 0427-2449337  
Cell .No . 9443348244

- d) Any grievance not redressed within a period of one month the customer may appeal to:

The General Manager,  
Reserve Bank of India,  
Department of Non Banking Supervision,  
Fort Classic, RajajiSalai,  
CHENNAI – 600 001.  
Ph.044- 25393406.  
Fax No. 044 – 25393797.  
Email ID :dnbschennai@rbi.org.in.

And get the remedy at the earliest.

## **6) Regulation of Excessive Interest charged.**

The Company shall adopt an interest rate model taking into account relevant factors such as, cost of funds, margin and risk premium, etc for determining 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.

The rates of interest and the approach for gradation of risks shall also be made available on the office premises and the same shall be updated whenever there is a change in the rates of interest.

The rate of interest shall be annualised rates so that the borrower is aware of the exact rates that would be charged.

## **7) MISCELLANEOUS**

The Business hours of the branch and the holidays with modifications if any of the branches will be notified and displayed in the notice board of the branches.

## **8) TRANSPARENCY**

The Fair Practices code is approved by the Board in its meeting dated as Agenda item and will be available in public domain in the company's website and a copy of the vernacular version will also be displayed in the notice board of the branch.