

**FAIR PRACTICES CODE
OF
NAVI FINSERV LIMITED**



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Policy owner	Chief Executive Officer
Approved by	Board of Directors
Periodicity of Review	Annual

<u>Date of Review/ Amendment</u>	<u>Particulars</u>	<u>Next date of review</u>
December 30, 2024	Review of the Code in line with the Fair Practices Code in Chapter VII of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and the observations received by the Company during its Inspection for Supervisory Evaluation for FY2023-24	No later than December 29, 2025
February 28, 2025	Amendments to the Code on account of the introduction of the Corporate Loan product	No later than December 29, 2025
August 11, 2025	Amendments to include provision of intimation of reason for rejection of loan to customers.	No later than December 29, 2025

TABLE OF CONTENTS

1.	BACKGROUND.....	2
2.	OBJECTIVE.....	2
3.	COMMITMENTS.....	2
4.	APPLICABILITY.....	3
5.	APPLICATIONS FOR LOANS AND THEIR PROCESSING.....	3
6.	LOAN APPRAISAL AND TERMS / CONDITIONS.....	4
7.	DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS.....	4
8.	GENERAL PROVISIONS.....	6
9.	RESPONSIBILITY OF BOARD OF DIRECTORS.....	6
10.	GRIEVANCE REDRESSAL.....	6
11.	LANGUAGE AND MODE OF COMMUNICATING FAIR PRACTICE CODE.....	7
12.	INTEREST RATE POLICY & PENAL CHARGES.....	7
13.	ADVERTISING, MARKETING AND SALES.....	8
14.	CREDIT INFORMATION COMPANIES.....	8
15.	COLLECTIONS AND RECOVERIES.....	8
16.	CODE OF CONDUCT.....	8
17.	PRIVACY AND CONFIDENTIALITY.....	9
18.	REVIEW AND AMENDMENT.....	9

Fair Practice Code

1. BACKGROUND

- 1.1. Navi Finserv Limited (the “**Company**”) is a Non-Banking Financial Company- Investment and Credit Company (NBFC-ICC), placed at present in the Middle Layer of the Reserve Bank of India (“**RBI**”)’s regulatory structure. The Company currently offers various lending products, including housing loans, loans against property and personal loans (collectively “**Loans**”).
- 1.2. The Company has framed and adopted this Fair Practice Code (“**Code**” or “**FPC**”) as required by Reserve Bank of India (“**RBI**”) under Master Direction – Reserve Bank of India (Non-Banking Financial Company- Scale Based Regulation) Directions, 2023. This Fair Practices Code applies to all categories of products and services offered by the Company (currently offered or which may be introduced at a future date). The Code is framed to reflect the Company’s commitment to fair dealing and transparency in its business with borrowers.

2. OBJECTIVE

- 2.1. The Code is framed with the objective of ensuring the Company’s key commitments to the customers:
- (a) To encourage ethical and fair procedures in dealing with borrowers by establishing basic criteria;
 - (b) To promote a fair and respectful relationship between the borrower and the Company;
 - (c) To meet the requirements and standards under applicable laws and regulations, and the Code for the loan products offered by the Company;
 - (d) To strengthen mechanisms for redressal of customer grievances; and
 - (e) To ensure that the Company’s Loan products comply with applicable Indian laws and regulations.

3. COMMITMENTS

- 3.1. The Company shall comply with the Code by acting fairly and reasonably in all transactions, based on the ethical principles of honesty and transparency, in order to meet the standards prevalent in the financial services sector.
- 3.2. The Company shall provide borrowers with clear information, without ambiguity, in order for them to understand the Loan products offered by the Company, as well as its terms and conditions, including service charges, interest rate and method of application.

3.3. The Company shall treat all personal information of customers as private and confidential and shall not disclose any information to third parties, unless (a) required by any law or Government authorities, including regulators or credit Information Bureaus; or (b) where the customer has consented to the sharing of such personal information, in terms of the Company's privacy policy.

3.4. The Company will make the Code available on the Company's website and will provide borrowers with a copy of the Code upon request. The Company shall not discriminate against its customers on the basis of race, caste, gender, marital status, religion and, or disability.

4. **APPLICABILITY**

4.1. The Code shall apply to all the employees of the Company and other persons authorized to represent the Company in the course of its business.

5. **APPLICATIONS FOR LOANS AND THEIR PROCESSING**

5.1. The Company shall source its borrowers through digital channels, including its Digital Lending Websites, or digital partners or agents or such other methods as permitted under the applicable laws. All loan applications shall be received by the Company through the Company's Digital Lending Website or through physical loan applications (in case of home Loans or Loans against property or corporate loans) or through such other methods in accordance with applicable laws.

5.2. The Company shall ensure that:

- (a) All communications to the borrower relating to its Loan agreement and key terms thereof shall be in the vernacular language or a language as understood by the borrower. Further, the Company shall make best efforts to ensure that all other communications with the borrower are in a language understood by the borrower.
- (b) Loan application shall include necessary information (i.e., interest rates applicable, fees/ charges, if any, pre-payment options and other charges, if any) which affects the interest of the borrower. The loan application form shall also indicate the documents, if any, required to be submitted with the application form.
- (c) The Company shall issue an acknowledgement for receipt of all loan applications indicating the time frame within which loan applications will be disposed of.
- (d) All information required for processing the loan application shall be submitted to the Company at the time of application. In case the Company needs any additional information, the Company shall have the right to contact the customer.
- (e) The Company shall convey to the customer, in the sanction letter, about the loan sanction along with the terms and conditions thereof (including the amount of loan sanctioned along with the terms and conditions including annualised rate of

interest and method of application thereof) and keep the acceptance of the terms and conditions by the borrower on its record. In case of rejection of Loan applications, the Company shall convey to the applicant the reasons for rejection.

- (f) The Company, at its discretion, shall review requests for transfer of a loan account, either from the borrower or from a bank/ financial institution, in the normal course. The Company shall convey the consent or objection as the case may be within twenty one (21) days from the receipt of the request.
- (g) Before taking a decision to change any terms and conditions including disbursement schedule, interest rate, service charges or any other charges, the Company shall give notice to borrowers as per the loan agreement. Any changes to the above charges shall be made available at the Company's branches and also on the website of the Company.

6. **LOAN APPRAISAL AND TERMS / CONDITIONS**

6.1. Loan applications are subject to the credit appraisal process followed by the Company.

- (a) The key terms of the Loan i.e., interest charges, tenor, amount of Loan sanctioned, the annualized rate of interest applicable to the borrower, method of application, processing fees, loan tenor, Equated Monthly Instalment (EMI) payable, other applicable fees and charges and other details as applicable shall be disclosed, in the sanction letter, to the borrower in the vernacular language or a language as understood by the borrower when the offer for Loan is made.
- (b) **The Company shall mention the charges to be charged for default or late payment of dues 'in bold' in the loan agreement.** Further, any prepayment penalty shall be disclosed to borrowers.
- (c) The Loan disbursement process would be initiated upon receiving the acceptance of such terms and conditions as mentioned in the Loan agreement. The consent of the applicant shall be retained by the Company and maintained in its records digitally/ physically.
- (d) **A copy of the Loan agreement, together with all enclosures quoted in the Loan agreement, shall be furnished to all borrowers at the time of disbursement of Loans and acknowledgement of the same shall be maintained in its records digitally/physically.**

7. **DISBURSEMENT OF LOANS INCLUDING CHANGES IN TERMS AND CONDITIONS**

7.1. The Company shall 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.

7.2. The Company shall ensure that changes in interest rates and charges are effected only prospectively. A suitable condition in this regard has been incorporated by the Company in

the Loan agreement.

- 7.3. The decision of the Company to recall / accelerate payment or performance under the agreement shall be in accordance with the terms and conditions of the Loan agreement and shall be acknowledged by the borrower.
- 7.4. All securities pertaining to the Loan would be released on receipt of full and final payment of the Loans, subject to any legitimate right or lien, and set-off for any other claim that the Company may have against the borrowers. If such a right of set-off is to be exercised, the borrower shall be given prompt notice about the same, with full particulars about the remaining claims and the conditions under which the Company is entitled to retain the securities until the relevant claim is settled / paid.
- 7.5. Release of immovable properties' document in case of Home Loans / Corporate Loans
- (a) The Company shall release all the original immovable property documents and remove charges registered with any registry within a period of thirty (30) days after full repayment/settlement of the Loan account.
 - (b) The borrower shall be given the option of collecting the original 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.
 - (c) The timeline and place of return of original immovable property documents shall be mentioned in the Loan sanction letters.
 - (d) In order to address the contingent event of demise of the sole borrower or joint borrowers, the Company has a well laid out procedure for return of original immovable property documents to the legal heirs. Such procedure shall be available on the website of the Company.
 - (e) Compensation for delay in release of immovable property documents
 - (i) In case of delay in releasing of original immovable property documents or failing to file charge satisfaction form with relevant registry beyond thirty (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, the Company shall compensate the borrower at the rate of INR5,000 for each day of delay.
 - (ii) In case of loss/damage to original immovable property documents, either in part or in full, the Company shall assist the borrower in obtaining duplicate/certified copies of the immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at clause (i) above. However, in such cases, an additional time of thirty (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 sixty (60) days after full repayment/ settlement of Loan).
 - (iii) The compensation provided under this Code shall be without prejudice to the

rights of a borrower to get any other compensation as per any applicable law.

The provisions of Section 7.5 shall apply to all cases where release of original immoveable property documents falls due on or after December 01, 2023.

- 7.6. The Company's Interest Rate Policy shall cover principles applicable to re-set of floating interest rates in case of floating interest rate loans, and such Interest Rate Policy shall be available on the website of the Company.

8. **GENERAL PROVISIONS**

- 8.1. The Company shall refrain from interference in the affairs of the borrower except for the purposes provided in the terms and conditions of the Loan agreement (unless information, not earlier disclosed by the borrower, has been noticed).
- 8.2. In the matter of recovery of Loans, the Company's employees/third party collection agents shall not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc. The Company shall ensure there is no rude behavior from its employees/ third party collection agents towards customers, for which employees / agents will be adequately trained to deal with the customers in an appropriate manner.
- 8.3. There shall be no discrimination in extending products and facilities including Loan facilities to the physically/ visually challenged applicants on the grounds of disability.
- 8.4. The Company shall not charge foreclosure charges/ prepayment penalties on any floating rate term loan sanctioned for purposes other than business to individual borrowers, with or without co-obligant(s).

9. **RESPONSIBILITY OF BOARD OF DIRECTORS**

- 9.1. The Board of Directors of the Company has laid down the appropriate grievance redressal mechanism within the organization. The mechanism ensures that all disputes arising out of the decisions of the Company's functionaries are heard and disposed of at least at the next higher level.
- 9.2. The Board of Directors shall, on a bi-annual basis, review the compliance of the Fair Practices Code and the functioning of the grievance's redressal mechanism at various levels of management. Such reviews shall be conducted each year in the months of October, and May by the Internal Audit (IA) Department. A consolidated report of such reviews shall be submitted to the Audit Committee and Board at regular intervals.

10. **GRIEVANCE REDRESSAL**

10.1. The Company shall display the following information prominently, for the benefit of its customers, at its branches / places where business is transacted:

- (a) the name and contact details (Telephone / Mobile nos. as also email address) of the Grievance Redressal Officer who can be approached by the public for resolution of complaints against the Company.
- (b) If the complaint / dispute is not redressed within a period of one (1) month, the customer may appeal to the Ombudsman appointed by the Reserve Bank of India. Complaints can be filed online on <https://cms.rbi.org.in>. Complaints can also be filed through post to the 'Centralized Receipt and Processing Centre' set up at Reserve Bank of India, 4th Floor, Sector 17, Chandigarh - 160017.

10.2. The Company's grievance redressal mechanism shall be as per the Customer Grievance Redressal Policy of the Company, as amended from time to time, and the same shall be made available on the website of the Company.

11. **LANGUAGE AND MODE OF COMMUNICATING FAIR PRACTICE CODE**

11.1. The Code shall be made available in different languages on the website of the Company.

12. **INTEREST RATE POLICY & PENAL CHARGES**

12.1. The rate of interest and the approach for gradations of risk and rationale for charging different rates of interest to different categories of borrowers shall be disclosed to the borrower or customer and communicated explicitly in the sanction letter and application form.

12.2. The rates of interest and the approach for gradation of risks shall also be made available on the website of the Company. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest.

12.3. The approved Interest Rate Policy shall be published on the website of the Company. The rate of interest must be annualised so that the borrower is aware of the exact rates that would be charged to the account.

12.4. The Interest Rate Policy of the Company shall provide details with respect to the computation of interest rate including the date from which such interest rate shall be charged, and provisions with respect to pro-rata levy of interest rate, based on disbursal / re-payment date.

12.5. Penal Charges:

- (a) 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.
- (b) The Company's Board approved Interest Rate Policy shall cover the principles for levy of penal charges.
- (c) 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.
- (d) The quantum and reason for penal charges shall be clearly disclosed by Company to the customers in the loan agreement and most important terms & conditions/Key Fact Statement (KFS) as, in addition to being displayed on the website of the Company under Interest rates and Service Charges.
- (e) 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 therefore shall also be communicated.

13. **ADVERTISING, MARKETING AND SALES**

- 13.1. The Company shall be responsible for ensuring that all advertising and promotional material is clear and not misleading. The Code shall also apply to the Company's sales associates/representatives to the extent of their identification when they approach the client for sales.

14. **CREDIT INFORMATION COMPANIES**

- 14.1. The Company shall give information about the customers to the credit information companies ("**CICs**") on:
 - (a) Opening of an account;
 - (b) The customer delaying his/ her payments and the performance of Loan account, which includes how much Loan has been sanctioned and the subsequent performance;
 - (c) Legal proceedings have been initiated against the customer to recover the dues; and
 - (d) Debts settled through legal recourse against the customer.
- 14.2. The Company may give other information about the customer's account, to the CICs, or in case the customer has given his/ her/ its explicit permission to do so, in accordance with such authorization and requirement under applicable law.

15. **COLLECTIONS AND RECOVERIES**

- 15.1. The collection and recovery process of the Company shall be as per the Collections and Recovery Policy of the Company, as approved by the Board, or Corporate Loan of the Policy (in case of Corporate Loans), as approved by the Board.

16. **CODE OF CONDUCT**

- 16.1. The Company shall ensure that the Code of Conduct for soliciting insurance business shall be governed by the regulations issued by the Insurance Regulatory and Development Authority of India.
- 16.2. Further, the Company shall ensure that the Code of Conduct for Debt Recovery Agents and Direct Selling Agents, as amended from time to time, are complied with.

17. **PRIVACY AND CONFIDENTIALITY**

- 17.1. The Company shall have a privacy policy which shall ensure that sensitive personal information of the customer is utilised, stored and processed in accordance with the Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data or Information) Rules, 2011.

18. **REVIEW AND AMENDMENT**

- 18.1. The Code shall be amended or modified with the approval of the Board. The Code shall be reviewed by the Board on an annual basis.
- 18.2. Without prejudice to the foregoing, in the event the Code requires to be amended to take into account any changes (whether on account of repeal of any existing law, or otherwise) in any existing regulation, law or policy (or any clarification with respect to any existing regulation, law or policy), the Managing Director of the Company may approve such changes to the Code as may be required to comply with such changes, or clarifications. Any such changes approved by the Managing Director shall be placed before the Board, in its immediately succeeding meeting, for ratification by the Board.
- 18.3. Notwithstanding anything contained in this Code, in case of any contradiction of the provision of this Code with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Code.