



GP PARSIK SAHAKARI BANK LTD

(Multi-State Scheduled Bank)

GP PARSIK SAHAKARI BANK LTD

LEGAL AUDIT POLICY

(Approved vide Board Meeting dated 28.04.2026)

**GP PARSIK SAHAKARI BANK LTD.,
(Multi-State Scheduled Bank)
KALWA, THANE - 5.**

LEGAL AUDIT POLICY

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Board Meeting dated, 28th April, 2026

1. BACKGROUND:

The Banks are advancing big loans, say in crores, to its borrower customers by taking immovable properties as a prime / collateral security by creating a charge by way of various types of mortgages. In the eventuality or default in repayment of loans, the mortgage charge of the banks on such properties is crystallized and the banks have to resort the legal measures, action under the provisions of various laws such SARFAESI Act and other applicable Acts and in some cases the bank has to sell the properties and recover the loan amount.

It is very much important in such cases that the title of the property must be unencumbered, clear and marketable because as per the Transfer of Property Act, the property can be transferred by a person who has clear, unencumbered and marketable title. The person cannot transfer the title of the property of which he himself has not title. The banks are also advancing loans, facilities for a considerably more period such as 8/10 years and in case of housing loan around 20 years too.

To protect the interest of the Banks, it is necessary for the Banks, to get the title of the property verified from the Advocates. Considering the risk factor involved in title of the properties and recovery of large, huge amounts in defaulted accounts, the Reserve Bank of India (RBI) issues guidelines for mitigating the risk factors. As a part of regulation, RBI issued Master Directions (MD) on Fraud Risk Management in Urban Cooperative Banks (UCBs) bearing no. RBI/DOS/2024-25/119DOS.CO.FMG.SEC.No.6/23.04.001/2024-25dt.15.07.2024 and mentioned in chapter VIII under 8.1 as under:

Legal Audit of Title Documents in respect of Large Value Loan Accounts

Cooperative Banks shall subject the title deeds and other related title documents in respect of all credit facilities of ₹1.00 crore and above to periodic legal audit and re-verification, till the loan is fully repaid. The scope and periodicity of legal audit shall be in accordance with the Board approved policy referred to in clause 2.1 above.”

In view of compliance of the above direction it is necessary for the Board of the Bank to prepare, frame and get approved Legal Audit Policy in its Board meeting.

Cooperative Banks shall monitor activities in credit facility / loan account / other banking transactions and remain alert on activities which could potentially turn out to be fraudulent.

2. PURPOSE:

The purpose of framing the Legal Audit Policy is not only to make regulatory compliance but also to prevent the frauds that might be occasioned while granting the loans, credit facilities to the borrowers and also during the currency, existence of the loans and advances, to verify, secure the title of the properties and to adhere to the contentions of RBI in letter and spirit.

3. SCOPE:

The scope of this policy is as follows:

1. To verify all on the title deeds of the immovable properties taken as security for the loans having an aggregate amount of Rs.1.00 crore and more through advocate on panel.
2. To verify and confirm Bank's upto date charge on immovable properties taken as security for the loans having an aggregate amount of Rs.1.00 crore and more within a period of three years from the date of last title report / search taken.
3. To pay visits by the Bank officials within a period of three years from the date of last visit till date to the mortgaged properties against which term loan is sanctioned and disbursed of an aggregate loan amount of Rs.1.00 crore and more.
4. To confirm the availability and verify the physical existence, condition of the immovable property mortgaged with the Bank as a security against the loan facility sanctioned and disbursed for the aggregate loan amount of more than Rs.1.00 crore.

4. PROCEDURE:

1. Initially, while sanctioning any facility of the aggregate loan amount of Rs.1.00 crore or more, the Branch of the Bank shall take, obtain a title report, certificate, legal opinion from the panel advocate of the Bank about the clear, free from all encumbrances and marketability of the title of the immovable property to be taken as prime / collateral security mentioning therein that the Bank can create a charge on the said property in favour of the Bank by way of equitable / registered mortgage.
2. After sanctioning and disbursing the loan facility, within a period of three years from the date of sanction, the bank's Branch of the Bank shall carry out title verification process of the immovable properties taken as prime / collateral security for the aggregate amount of loan, facility of Rs.1.00 crore or more.
3. With regard to point no.2, the Branch shall take upto date search report from the date of title certificate, opinion, report etc. of the said mortgaged immovable properties and shall verify that no additional charge of any other party other than the Bank is recorded. If the Branch finds out such additional charge of the party other than the Bank, the same should be reported immediately to Board of Directors for urgent action.
4. Branch to pay visits to the immovable properties against which the Banks have sanctioned, disbursed aggregate loan amount of Rs.1.00 crore or more.
5. The Legal Audit report given by Advocate shall be directly submitted to respective Branch along with his bill.
6. The Branch Manager will comply with the discrepancies / requirements, if any, observed in the Legal Audit Report within 15 days from the date of receipt of Legal Audit Report and send the compliance to respective advocate for verification. The Advocate then will issue compliance certificate of the same in next eight days.
7. The Compliance report obtained in respect of point no.1 to 6 above should be forwarded by the Branch to the Legal Department, Head Office alongwith the details of information of the borrower in a specific format provided by the Legal Department on monthly basis i.e. of the last month before the 10th of every next month. (Format as per Annexure A)
8. The Legal Department shall forward the consolidated information, report to Audit Department after receiving from branches for further process.

9. The Audit Department shall verify the details as mentioned in the Legal opinion, report certificate received from the advocate on panel and shall make its observations with necessary remarks for compliance, if any.
10. The Audit Department will report to the Audit Committee once in a three month about
- i. Number of loan accounts were due for Legal Audit for the quarter.
 - ii. In how many accounts the verification of title is done and visits have been paid.
 - iii. List of deficiencies observed by the Advocate / Auditor.
 - iv. Steps taken / to be taken to rectify the deficiencies, if any.
 - v. Number of accounts in which the rectification could not take or could not be taken place.
 - vi. Course of action to safeguard the interest of the Bank in such cases.
 - vii. Action taken on issues pending from earlier quarters.
 - viii. Any other information which the Audit Department feels necessary to bring it to the notice of Audit Committee.

5. PERIODICITY:

The periodicity of the Legal Audit shall be once in three years after sanction and disbursement of loan in respect of all credit facilities of Rs. 1.00 Crore and more till the loan is fully repaid.

6. DUTIES , RESPONSIBILITIES OF THE ADVOCATE ON PANEL:-

The Duties and responsibilities for Legal Audit by the Panel Advocate will be as follows:

1. To check whether all the original Title Documents, chain of documents is properly executed.
2. To check whether proper and requisite Stamp Duty has been paid, registration is done or not of all respective documents.
3. To check whether the mortgage deeds are properly stamped and executed or not.
4. To check whether notice of intimation / CERSAI Registration is done.
5. To check whether the Bank's charge is properly created on the 7/12 extract, property card, Societies' record, builder's record, CERSAI, CIDCO Ltd, MHADA, MIDC, etc. as the case may be.
6. To check whether the charge is registered with the ROC in respect of LLPs / Limited companies.
7. If the title report, certificate, legal opinion from the panel advocate of the Bank about the clear, free from all encumbrances and marketability of the title of the immovable property is on record, then to take further Search and Title report of the property given as a security within three years from the date of such title report, certificate, legal opinion.

7. FEES

Legal Audit fees shall be payable to the advocate on panel as decided by Bank from time to time.

8. REVIEW, AMENDMENT, MODIFICATION IN THE POLICY:

The Bank shall review, amend, modify this Legal Audit Policy annually in the month of April every year or as and when required or deemed fit and proper at the sole discretion of the Bank.

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