

Date: July 24<sup>th</sup>, 2024

## Policy on Collection of Dues and Repossession of Security

### ANNEXURE A

#### 1. Introduction:

The debt collection (through Recovery Agents) policy of the Bank is built around dignity and respect to customers. It is mandatory for the Bank to follow fair practices with regards to collection of dues and repossession of security and thereby cultivate customer confidence and long-term relationships.

The repayment schedule for any loan sanction by the bank will be fixed taking into account paying capacity and cash flow pattern of the borrower. The bank will explain to the customer upfront the method of calculation of interest and how the Equated Monthly Instalment (EMI) or any other mode of repayment will be appropriated against interest and principal due from the customers. The method of collection of EMI (say post-dated cheque, direct debit, ECS, ACH etc.) would be fixed taking into consideration the convenience of the borrower. The bank would expect the customer to adhere to the repayment schedule agreed to and approach the bank for assistance and guidance in case of genuine difficulty in meeting repayment obligations.

The aim of this policy is to facilitate recovery of dues in the event of default and not for whimsical deprivation of property to the customer. The policy recognizes fairness and transparency in repossession, valuation and realization of security. All the practices adopted by the Bank for follow up and recovery of dues and repossession of security will be in consonance with the law. **However, the Bank has the right to repossess the financed asset, as a preventive measure, even in instances where there has been no default but on account of violations of the terms and conditions of the Agreement.**

In line with the suggestions made by RBI in the abovementioned guidelines, Credit Counselors have been appointed and will be responsible for implementation of advisory services and would also offer credit counseling service. Mr. Palani Selvakumar, Senior Vice President, Asset Recovery will act as Credit Counselor for Consumer Finance Division.

#### General Guidelines:

The customer is to be informed, upfront, about the amount, tenure, periodicity of repayment, the method of calculation of interest and appropriation of Equated Monthly Installments (EMI) towards interest and principal.

In case of default, the customer has to be provided with all information regarding outstanding dues.

#### 2. Guidelines on appointment of Recovery Agents:



The bank may utilize the services of recovery agents for collection of dues and repossession of securities. The appointment of Recovery Agents will be in strict compliance of all relevant laws, regulations, guidelines and conditions of approval, licensing or registration. The Bank will follow RBI directives regarding pre-employment verification, compliance of due diligence process, verification of antecedents and Police Verifications wherever felt necessary

The Recovery Agents appointed by the Bank would be trained in accordance with Indian Institute of Banking and Finance (IIBF) certificate course with minimum of 50 hours and maximum of 100 hours of training. Going forward Bank will appoint only such certified personnel or continue to ensure training in accordance with the guidelines is conducted for such fresh agents

All the members of the staff or any person authorized to represent our Bank in collection or / and security repossession should follow the guidelines set out below:

- a) The Bank staff or any person authorized to represent the Bank for collection of dues or / and security repossession would identify himself / herself and upon request also display to the customer, his / her identity card issued by the Bank or under Authority of the Bank.
- b) The Bank will provide customer with all the information regarding dues and will endeavor to give sufficient notice for payment of dues.
- c) The Bank will have a system of checks before passing on a default case to collection agencies so that customers are not harassed on account of lapses on Bank's part.
- d) The details of the Recovery Agency firms/individuals/companies engaged by the Bank would be posted on the Bank's website.
- e) The Bank will write to customer when it initiates recovery proceedings against its customer and will inform the customer of the name, address and telephone number of the recovery agent, to whom the customer's case has been assigned.
- f) The customer to be contacted ordinarily at the place of his / her choice and in the absence of any specified place, at the place of his / her residence and if unavailable at his / her residence, at the place of business / occupation or any other address obtained during interaction with the customer or from interaction with his friends/relatives or from public sources like Facebook/twitter, etc.
- g) The customer should be contacted between 0800 hrs to 1900 hrs in general, unless special circumstance of his / her business or occupation requires contact at a different time. **If a customer is repeated and purposely avoiding contact during the may be contacted at hours which are beyond the generally prescribed time frame with due approval and ensuring all other covenants of this policy are adhered to.**
- h) Identity and authority of persons authorized to represent the Bank for follow up and recovery of dues to be made known to the customers at the first instance.



- i) To maintain decorum during visits to the customer/s for collection of dues.
- j) To respect privacy of the customer/s and
  - not to resort to intimidation or harassment either verbal or physical of any kind including acts intended to publicly humiliate or intrude the privacy of the customer's family members/referrals/friends
  - not to make threatening and anonymous calls
  - not to make any false/misleading representations.
  - not to send inappropriate messages either on mobile or through social media,

However, it is the customer's responsibility to update their contact details with the Bank. In case the Bank is unable to contact the customer at the details provided, the Bank will access information as available from public sources and approach friends/ relatives to locate the borrower/ customer.

- k) To ensure that all written and verbal communication with its customers are in simple language and adopt civil manners while interacting with them.
  - l) Customer's requests to avoid calls at a particular time or at a particular place are to be honored as far as possible.
  - m) To avoid making calls/visits during inappropriate occasions such as bereavement in the family, etc.
  - n) Best efforts to be made to document the time and number of calls and contents of the conversation with the customer for the recovery of dues.
  - o) The Recovery Agents engaged by the Bank will be required to follow the code of conduct governing their dealings with customers.
3. **Steps for repossession of security / Executing attachment or sale order passed by competent authority (excluding security under (CFD) vehicle finance):**

Repossession of security should be aimed at recovery of dues and not to deprive the customer of the property. In case of NPAs, the security possession will be made as per the extant procedure prescribed under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest, (SARFAESI). Act 2002.

In other cases, not governed by SARFAESI, repossession of security to be done in accordance with the orders received under Arbitration and Conciliation Act 1996 / State Laws / Civil proceedings or any other legal proceeding as may be applicable and/or any other law for the time being in force unless specified otherwise and by following the procedures as per Fair Practice Code and any other relevant internal policies of the Bank governing asset recovery

4. **Steps for repossession of security under vehicle finance**

Repossession of security should adhere to the following steps while repossession of the security



- a. To follow a repossession policy in consonance with law and the terms and conditions of the agreement.
- b. To initiate action for taking possession of security when any customer who is under liability to the Bank, makes any default in repayment of the secured debt, **only after** giving notice of 7 days to the address furnished by the customer in the Loan Agreement, requiring the customer to discharge the liabilities in full. **However, if the customer deliberately avoids acknowledging / service of notice or establishing contact with the Bank, then Bank will be free to proceed with taking possession of the security.**
- c. In case the customer fails to discharge the liability in full within the stipulated period of the notice served, Bank to take the possession of the security either under provisions of the Arbitration and Conciliation Act, 1996 or through Court order & other relevant laws and procedures.
- d. Bank shall intimate the police authority about the repossession of the asset within whose jurisdiction the residence/place of business (the address registered with the Bank) of the Borrower is situated. The Bank may, in addition, intimate the police authority within whose jurisdiction the asset may be found or repossessed.
- e. The authorized officer/ representative should take repossession of the vehicle between 0800 hrs and 1900 hrs, unless special circumstances demand otherwise. However, for a customer who is purposely avoiding contact may be contacted at hours which are beyond the generally prescribed time frame duly **with due approval and ensuring all other covenants of this policy are adhered to.** A record of the meeting will be maintained.
- f. On possession of the asset, the authorized officer/ representative to take an inventory of the security/ies so repossessed and shall keep the customer informed. After taking possession of the security, all reasonable care to ensure safety and security of the assets so taken possession of should be ensured. Bank will send notice to the customer and will give sufficient opportunity to the customer for making repayment and to take back the security.
- g. Sale of such repossessed security by the Bank would take place through a transparent process of bidding from multiple buyers. If possible, this activity may be carried out through the internet or online auctions /third party agencies to facilitate more participation and transparency.
- h. The Bank will continue to exercise its right to recover the shortfall through applicable judicial process. However, in the event that there is excess sum of money recovered from sale of security, the same is to be returned to the customer after meeting all related expenses and provided the Bank does not have any further/other claims against the customer.

In addition to the above, in case of NPAs above Rs. 1 lac, Bank also has the liberty to proceed for possession of security as per the extant procedure prescribed under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest, (SARFAESI). Act 2002, as amended from time to time and/or any other law for the time being in force unless specified otherwise.



## 5. Valuation:

Valuation of the security to be carried out as per process and in keeping with the law of the land in a fair and transparent manner. Valuation will be by the valuers on Bank's panel or Government registered valuer/s or by valuers appointed by the court

## 6. Opportunity for the customer to take back the security:

In order to give the customer a fair chance to reclaim the repossessed security/ies by clearing all outstanding dues, the authorized officer/representative of the Bank will issue a notice to the customer giving him 7 days to repay the full outstanding and all related expenses incurred by the Bank. If the customer, before completion of the such notice period, repays Bank's entire dues (including additional interest charges, expenses and costs) and if there are no further claims against the customer, the repossessed security/ies will be handed over to the customer. The repossessed security/ies will be delivered within 7 days on receipt of the last installment/amount due, however, delay if any due to unavoidable circumstances will be informed to the customer. The authorized personnel to take proper acknowledgement from the customer/s for delivery of the said security/ies.

At times, the assets may be repossessed on account of a temporary delay in repayment of installments. If the Bank is satisfied with the genuineness of customer's inability to pay the loan installments as per the schedule, it may consider handing over the security/ies after receiving the installments in arrears or any such amount decided between the parties as per the repayment capacity of the borrower with due approval of the appropriate authority of the bank.

## 7. Grievance Redressal:

Bank would investigate any complaint from the customer about unfair practices by collection agents. The grievance redressal policy for customer complaints which is hosted on Bank's website will be applicable.

At the same time, Bank may provide assistance to the customer/s to resolve disputes / differences regarding dues in a mutually acceptable and orderly manner. The matters may also be referred to the Arbitral Tribunal, Lok Adalat etc. for speedy justice.

In respect of MSME borrowers, grievances will be governed as per the extant MSME policy in place.

## 8. Review of Policy:

This policy will be reviewed annually by 31 March 2024 or earlier, if any major changes in regulatory guidelines. FRR (Financial Reconstruction and Restructuring) shall undertake the review of the policy and place before the Board of Directors for approval.



## **Annexure B**

### **Credit Counselling**

With the increase of retail lending in Commercial Banking sector in India, Banks have now shifted their focus from traditional need-based lending to a broad-based portfolio lending and hence retail lending has become a mainstream business. Whilst regular regulatory and supervisory initiatives are being taken by the Reserve Bank of India (RBI) to ensure soundness of the financial system, consumer empowerment and awareness are vital for the success of such initiatives. In this context, credit counselling assumes great relevance as there is a need to guide and assist financially stressed individuals on the importance of maintaining healthy credit behaviour and be aware of their finances. Credit counselling provides sound advice to consumers who then take charge of their finances, overcome and tackle their financial inabilities and finally walk free from any possible debt issues.

Credit counselling can be defined as 'counselling that explores the possibility of repaying debts outside bankruptcy and educates the debtor about credit, budgeting and financial management'. It broadly serves three purposes.

- Examines the ways to solve current financial problems.
- Improves financial management by educating about the costs of misusing credit.
- Encourages distressed people to access the formal financial system.

In other words, Credit counselling is a manner of advisory services and creation of awareness of financial system regarding the rights and obligations of the Borrower whether he/she is a First Time User (FTU) or a First Time borrower or individuals who are facing financial strain due to unlimited borrowing. The credit counselling will help the persons or entities who make late payments of their installments/dues and those who are classified as defaulters. The high write offs and high credit utilisations due to high number of enquiries and borrowings result in negative score in credit reports of the evaluating credit agencies and hence there is a need to guide.

#### **Benefits of credit counselling**

Credit counselling helps customers/banks in many ways, some of which are -

- Access to structured financial system and advising them on gaining access.
- Creation of awareness among the present and prospective customers about financial management.
- Assisting and Advising Borrowers for rehabilitation of Stressed and trapped individuals and household due to high market linkage.
- Providing Debt resolution to people who are struggling to meet repayment obligations on time.

#### **Effects of Credit counselling**

- Financial Literacy with CIBIL, Equifax and other credit rating agencies apart from communications on commodity and share trading in peripherals.
- Enhancing occupational skills and habit of savings through Savings Account, Current Account, Fixed Deposits, Insurance and Mutual funds.
- Market linkages due to various avenues and maintainability of their credit ratings for enhancing the borrowing capacity.
- There are public interest programs to create awareness and customer satisfaction.



## **IndusInd Bank as a Credit Counsellor:**

IndusInd Bank has taken several initiatives towards providing an effective credit Counselling. Some of them are:

- Customer exposures are monitored through personal interactions and customer visits.
- All Business, Collections, Legal Recovery are done by executives who believe in creating relationship and trustworthiness.
- Counseling done at every stage from prospective customer to defaulting customer through guidance and options on current financial strength of borrower and co-borrowers.
- Customer meets are conducted on periodical basis apart from regular executive interactions.
- A transparent approach adopted in case of default which comprises of reminders, messages, statements and dunning letters at different stages of delinquency.
- Rescheduling and rephrasing of loan to ease out the customer in case of financial strain.
- Daily balance message and instant debit message to customers to know their credit position.
- Video Banking implemented by first bank on specific transactions.
- Toll free facility for customer care.
- Linking of Nodal officer to Credit Department and Coordination of Speedy redressal of customer grievances on single point.
- Confidentiality and Free of charge counseling of customers.

## **Credit Counsellors on Contact:**

For vehicle finance related cases.

Mr. Palani Selvakumar

Contact: 044-28346261

Email : [selvakumar.periaswamy@indusind.com](mailto:selvakumar.periaswamy@indusind.com)

Designation: Senior Vice President



Latest RBI circular.

**Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents**

RBI/2022-23/108

DOR.ORG.REC.65/21.04.158/2022-23

August 12, 2022

Madam/ Sir,

**Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents**

1. The Reserve Bank of India has from time to time advised regulated entities (REs) that the ultimate responsibility for their outsourced activities vests with them and they are, therefore, responsible for the actions of their service providers including Recovery Agents (hereafter referred to as 'agents').
2. It has been observed that the agents employed by REs have been deviating from the extant instructions governing the outsourcing of financial services. In view of concerns arising from the activities of these agents, it is advised that the REs shall strictly ensure that they or their agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, persistently<sup>1</sup> calling the borrower and/ or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc.
3. The instructions contained in para 2 above shall supplement and be read in conjunction with the existing guidelines/directions issued by the Reserve Bank of India, as amended from time to time, including those tabulated in [Annex](#).
4. Any violation in this regard by REs will be viewed seriously.

**Applicability**

5. This circular shall apply to the following REs:

All Commercial Banks (including Local Area Banks, Regional Rural Banks, and Small Finance Banks) excluding Payments Banks;  
All All-India Financial Institutions (viz. Exim Bank, NABARD, NHB, SIDBI, and NaBFID);  
All Non-Banking Financial Companies including Housing Finance Companies;  
All Primary (Urban) Co-operative Banks, State Co-operative Banks, and District Central Co-operative Banks; and





All Asset Reconstruction Companies.

6. This circular shall not apply to microfinance loans covered under [‘Master Direction – Reserve Bank of India \(Regulatory Framework for Microfinance Loans\) Directions, 2022’](#), dated March 14, 2022.

Yours faithfully,

(Sunil T. S. Nair)  
Chief General Manager

