

## **Policy on Collection of dues and Repossession of security**

### **7.1 Introduction:**

Bank's **Policy on Collection of dues and Repossession of security (Seizure Policy)** aims at recovery of dues in the event of default through the assets financed under the facility and any other assets / securities charged to the bank against the facility. This policy on **collection of dues and repossession of Security shall apply to all cases where in the security – vehicles - are hypothecated to the Bank.**

The policy recognizes fairness and transparency in repossession/seizure, valuation and realization of security. All the practices adopted by the bank for follow up and recovery of dues and repossession of security shall be in consonance with the law.

### **7.2. General Guidelines:**

a) The following guidelines shall be followed by all the members of the staff or any person authorized to represent the bank in collection and/or security repossession/seizure for loans other than Microfinance Loans:

- 1) **The customer would be contacted ordinarily at the place of his/her business/occupation and if unavailable at the place of his/her business/occupation, at the place of his/her residence.**
- 2) Identity and authority of persons authorized to represent bank for follow up and recovery of dues would be made known to the borrowers at the first instance. The bank staff or any person authorized to represent the bank in collection of dues or/and security possession/seizure shall identify himself / herself and display the authority letter issued by the bank upon request.
- 3) The bank shall respect privacy of its borrowers.
- 4) The bank is committed to ensure that all written and verbal communication with its borrowers will be in simple business language and bank will adopt civil manners for interaction with borrowers.

- 5) Normally the bank's representatives will contact the borrower between 0800 hrs and 1900 hrs, unless the special circumstance of his/her business or occupation requires the bank to contact at a different time. Further, the staff or any person authorized to represent the Bank (i.e. Recovery Agencies) shall strictly ensure that they 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 calling the borrower and/ or calling the borrower between 0800 hrs and 1900 hrs for recovery of overdue loans, making false and misleading representations, etc.
- 6) Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
- 7) The bank will document the efforts made for the recovery of dues and the copies of communication sent to customers, if any, will be kept on record.
- 8) All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- 9) Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

### **7.3 Giving notice to borrowers**

While written communications, telephonic reminders or visits by the bank's representatives to the borrowers place or residence will be used as loan follow up measures, the bank will not initiate any legal or other recovery measures including repossession/seizure of the security without giving due notice in writing.

A prior written notice shall be given before resorting to legal or other recovery measures including repossession/seizure of securities. In the said notice, it shall be stipulated that the borrower/ guarantor/ mortgagor/ ought to make repayment within **one week** of issuing notice failing which further recovery action will be initiated.

Any genuine difficulties expressed/disputes raised by the customer shall be considered by the banks before initiating recovery measures. Bank shall follow all such procedures as required under law for recovery/repossession of security.

In order to handle the repossession/ seizure of vehicles and keeping them under safe custody, Repossession/ Enforcement agents may be engaged. In accounts/cases which are entrusted to Repossession/ Enforcement Agents, keeping in tune with principal of natural justice, a notice shall be sent to the borrower/guarantor/mortgagor informing them that as the borrower has failed to repay the dues, the portfolio of recovery of dues in the account have been entrusted to Repossession/ Enforcement Agent specifying their names, who would be assisting the Bank in effecting recovery by realizing the hypothecated securities.

#### **7.4 Repossession/Seizure of Security**

Repossession/Seizure of security is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through repossession of security will involve repossession/seizure, valuation of security and realization of security through appropriate means.

Repossession shall be done only after issuing the notice as detailed above. Due process of law shall be followed while taking possession of the security. **The bank shall take all reasonable care for ensuring the safety and security of the same after taking possession, in the ordinary course of the business and necessary cost will be charged to borrower.**

#### **7.5 Valuation and Sale of Property**

Valuation and sale of property repossessed by the bank shall be carried out as per extant guidelines and in a fair and transparent manner.

In case of hypothecated assets after taking possession if no payment is forthcoming, the bank shall arrange for sale of these assets in such a manner as deemed fit by the

Bank. When sale is envisaged by public auction/e-auction or by tender, the same shall be published in two leading newspapers out of which one shall be in local vernacular paper.

The bank shall have right to recover from the borrower the balance due if any, after sale of security. Excess amount if any, obtained on sale of security shall be returned to the borrower after meeting all the related expenses provided the bank is not having any other claims against the customer.

#### **7.6 Opportunity for the borrower to take back the security**

As indicated earlier in the policy document, the bank shall resort to repossession/seizure of security only for the purpose of realization of its dues and not with intention of depriving the borrower of the security. Accordingly the bank will be willing to consider handing over possession of security to the borrower at any time after repossession/seizure and before sale transaction of the security takes place, provided the bank dues are cleared in full.

If satisfied with the genuineness of borrower's inability to pay the loan installments as per the schedule which resulted in the repossession/seizure of security, the bank may consider handing over the security after receiving the installments in arrears. However, this would be subject to the bank being convinced of the arrangements made by the borrower to ensure timely repayment of remaining installments in future.

If the amounts are repaid, either as stipulated by the bank or dues settled as agreed to by the bank, possession of seized assets shall be handed back to the borrower within seven (7) days after getting permission from the competent/sanctioning authority of the bank or Court/DRT concerned if recovery proceedings are filed and pending before such forums.

In case of suit filed cases, i.e. if recovery proceedings are filed and pending before DRT/Court, Bank shall take steps immediately to retrieve/obtain back the documents

from Court/DRT and within 7 days of receipt of title deeds/ documents from Court/DRT, the same shall be handed over to borrower/mortgagor/ hypothecator.

**7.7 Approval for action under the Seizure policy:**

In all cases where repossession/seizure and related activities are undertaken, approval shall be obtained from the appropriate delegated authority.

**7.8 Engagement of collection/recovery/ repossession/ enforcement agents**

The bank may utilize the services of collection/ recovery agents for collection of dues and repossession/enforcement agents for repossession of securities. Collection/ Recovery/Repossession/Enforcement agents shall be appointed as per regulatory guidelines issued in this regard. In this respect:

- a) Only collection/recovery agents/repossession/ enforcement from the approved panels shall be engaged by the bank.
- b) In case bank engages service of such collection/ recovery/ repossession/ enforcement agent for any recovery case, the identity of the agent will be disclosed to the borrower
- c) The collection/ recovery/repossession/ enforcement agents engaged by the bank will be required to follow a code of conduct covering their dealings with customers.

\*\*\*\*\*