

# उत्तर प्रदेश ग्रामीण बैंक Uttar Pradesh Gramin Bank

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उत्तर प्रदेश ग्रामीण बैंक की सभी शाखाओं एवं कार्यालयों हेतु परिपत्र

अनर्जक आस्ति प्रबन्धन एवं वसूली विभाग द्वारा जारी

महोदय/महोदया,

## विषय: "Recovery Policy 2025" का क्रियान्वयन

भारत सरकार के दिनांक 07 अप्रैल 2025 के राजपत्र अधिसूचना CG-DL-E-07042025-262329 (F. No. 7/6/2024/ (11)-RRB) के अनुसार, पूर्ववर्ती बड़ौदा यू.पी. बैंक, पूर्ववर्ती प्रथमा यू.पी. ग्रामीण बैंक और पूर्ववर्ती आर्यावर्त बैंक के समामेलन के फलस्वरूप 01.05.2025 से "उत्तर प्रदेश ग्रामीण बैंक" अस्तित्व में है। नवगठित बैंक में एकरूपता, पारदर्शिता और परिचालन दक्षता सुनिश्चित करने के लिए मौजूदा नीतियों को एकीकृत कर "वसूली नीति-2025" को बैंक की Steering Committee द्वारा मंजूरी दी गई है एवं उत्तर प्रदेश ग्रामीण बैंक हेतु तत्काल प्रभाव से लागू करने का निर्णय लिया गया है।

वसूली नीति में समाहित बिन्दुओं /मार्गदर्शी प्रक्रियाओं पर पूर्ववर्ती बैंकों में पूर्व निर्गत निर्देश तदनुसार संशोधित माने जाएंगे।

सभी शाखाएं/कार्यालय इस परिपत्र की विषय वस्तु को भली भांति समझ लेवें एवं तदनुसार कार्य करते हुए शत-प्रतिशत अनुपालन सुनिश्चित करें।

भवदीय



(घनश्याम सिंह)

महाप्रबन्धक

संलग्नक: Recovery Policy 2025

# UTTAR PRADESH GRAMIN BANK

## RECOVERY POLICY – 2025

# UTTAR PRADESH GRAMIN BANK

## UPGB Recovery Policy – 2025

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## CHAPTER I

### OBJECTIVE & GUIDING PRINCIPLES

#### 1. PREAMBLE

The Recovery Policy is a non-statutory policy document issued by Bank on a voluntary basis. This policy document shall be called as “UPGB Recovery Policy-2025” and the effective date is the date of approval by Hon’ble Board.

#### 2. OBJECTIVE

NPA Management is one of the key indicators of the health of the loan assets of the Bank. In order to strengthen the system of NPA Management at all levels, the Recovery Policy is designed with a view to keep the level of stressed assets at minimum level leading to healthy Credit portfolio.

The basic objective of the Recovery Policy is to maximize recovery of dues under the NPA and PWO/TWO portfolio of the Bank through effective monitoring and follow up and by taking various legal and other actions and to avoid further slippage of Standard Accounts into NPA accounts.

#### 3. GUIDING PRINCIPLES OF RECOVERY POLICY:

- Bank believes that continuous and day-to-day monitoring is the first step towards ensuring good recovery and in extending timely assistance for any temporary mismatch of the cash flow of the customers in running their day-to-day business.
- Greater focus is laid on preventing an account from becoming NPA rather than applying remedial measures at the post-NPA stage.
- The basic approach for recovery is practical and non-prejudiced.
- Fair treatment and persuasion are the basic principles of recovery mechanism. Legal action is considered only as the last resort.
- Recovery action in each case would depend upon the characteristics of the case specific and prevailing circumstances; general consistency in approach is expected to be maintained while dealing with the defaulting borrowers.
- More considerate treatment would be given to the borrower /customers who continue to make payments even after being classified as NPA.

- Since timely rescheduling/restructuring helps in preventing further deterioration of the account, rescheduling/restructuring of accounts as per guidelines will be resorted to wherever warranted, on merits.
- In the NPA cases where the borrower unit / company may be facing long term problems with structural deficiencies and may not be able to operate on sustained profitable lines, including non-viable sick / closed units, Compromise /One Time Settlement (OTS) option is explored as an exit route.
- In case of units in operation, but not found to be in a position to generate adequate surplus to service the debt on a long term basis even after examining the possibility of restructuring, Compromise/OTS option would be considered on merits.
- Enforcing provisions of declaring 'Wilful Defaulters' in accordance with the RBI guidelines for helping in maintaining credit discipline and creating a recovery climate.
- While adopting Recovery measures bank shall follow 'CODE FOR COLLECTION OF DUES AND REPOSSESSION OF SECURITY' and Code issued by RBI/NABARD/ Govt. etc. Appointment of Recovery/ Enforcement Agents shall be in accordance with guidelines issued by Reserve Bank of India from time to time.
- Bank desires to be proactive and be guided by NABARD/RBI guidelines in complying with the Recovery measures for improving the asset quality.

#### 4. [One Time Settlement Scheme / Special Compromise Scheme:](#)

- In a view to clear the sticky NPAs where variety of acceptable reasons of poor/ no recovery exist, bank may implement 'One Time Settlement Scheme' (after Board's approval) in the interest of a cleaner balance sheet of the bank as well as for better utilization of the resources in business development.

5. Any regulatory guidelines issued by RBI / NABARD/Govt. etc. from time to time will automatically be part of this policy and enforceable with the date of amendment.

6. The provisions of the various Acts cited anywhere in the Policy, are indicative/gist only and in case of need/doubt, the main Act shall be referred.

7. **CLARIFICATION:** In case of any doubt about the applicability of any aspect of this policy to any situation, clarification / approval shall first be sought from concerned departments of Regional Office /Head Office.

#### 8. [Sun set Clause:](#)

The policy shall be valid for **two** years. However, review may be undertaken before due date considering the changes in government guidelines / Bank's guidelines. The Chairman may allow

continuation of the Policy for a maximum period of three months from the due date of review in case the policy cannot be reviewed on or before due date.

Any change made by the Govt. of India/ RBI/ NABARD/Board of Directors of the Bank from time to time shall form integral part of the policy with immediate effect and it shall be treated modified to that extent.

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## CHAPTER II

### Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances and Monitoring & Follow-up Measures

Stricter norms of Income Recognition, Asset Classification, Provisioning and Capital adequacy have made the Banks increasingly sensitive to credit risks. Therefore, it has become imperative on the Banks to manage NPAs effectively and efficiently to sustain profitability. Branches are required to be more alert and proactive in monitoring the advances accounts. For this purpose, our System generated data can be useful tools in tackling potential delinquencies or defaults in Standard accounts. To retain the standard asset, branches should promptly take actions and do regular follow up.

However, instead of solely depending on potential NPA report generated from System for recovering CADU amount, the branches should recover the dues as soon as these become due. Endeavour should be that no account should appear in potential NPA report due to nonpayment of Interest/ Installment.

### Early Alert System

Reserve Bank of India has issued broad guidelines on preventing slippage to NPAs by recognizing the problems and corrective measures to restructure the accounts after an objective assessment of the viability of the unit and promoter's intention (and his stake). Bank has put in place "Early Alert System" that captures early warning signals in respect of accounts showing first signs of weakness by way of analysis of System data, Credit Rating and Credit Monitoring etc., follow up of which will lead to a healthy credit portfolio as well as ensuring initiation of timely recovery measures.

Early identification and reporting of stress assets:

Incipient stress in loan accounts will be recognized, immediately on default, by classifying such assets as special mention accounts (SMA) as per the following categories.

SMA Sub-categories	Basis for classification – Principal or interest payment or any other amount wholly or partly overdue between
SMA-0	Up to 30 days
SMA-1	More than 30 days and up to 60 days-
SMA-2	More than 60 days and up to 90 days

In the case of revolving credit facilities like cash credit/overdraft, the SMA sub-categories will be as follows:

SMA Sub-categories	Basis for classification – Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days

The above-mentioned instructions on classification of borrower accounts into SMA categories are applicable for all loans (including retail loans), other than agricultural advances governed by crop season-based asset classification norms, irrespective of size of exposure of the bank.

#### Potential NPA

An account is deemed to be a Potential NPA, if it shows any or all signs of becoming an NPA. The examples of such signs of Potential NPA could be:

- (a) Interest charged and/or installment of principal are not paid by due date.
- (b) Unit showing signs of being sick.
- (c) Reduction in turnover in sales and turnover in the account etc.
- (d) Closure of units due to strikes, court orders etc.
- (e) Death of the borrower or occurrence of a natural calamity.

The examples as above are only illustrative and not exhaustive. Notwithstanding any of the above reasons, any delay in payment of Principal Installment & interest within a reasonable period, from the date of its becoming due, would make the account a Potential NPA. Thus, it is the ability of the borrower to service its account that would determine the classification.

Branches shall ensure that notices to all borrowers and their guarantors, whose accounts are overdue or potential NPA, are served using various modes like registered post, courier etc. Notices shall contain information about legal action/recovery measures that may be initiated against borrower, if account turned to NPA, like SARFAESI action, RC, suit etc.



## Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances:

As per the recommendations made by the Committee on the Financial System (Chairman Shri M. Narasimham), the Reserve Bank of India had introduced, in a phased manner, prudential norms for income recognition, asset classification and provisioning for the advances portfolio of the banks so as to move towards greater consistency and transparency in the published accounts.

### Asset Classification:

Broad guidelines presently in force in respect of delinquency of loan assets are summarized below:

#### A. Standard Assets

Standard assets are those, which are regular in payment of interest and installment due as per sanction. They are normally treated as accounts without any problems. These accounts are monitored to ensure the compliance of all terms and conditions specified in the sanction.

OVERDUE: Any amount due to the Bank under any credit facility is 'Overdue' if it is not paid on the due date fixed by the Bank.

#### B. Non-Performing Assets

An asset, including a leased asset, becomes nonperforming when it ceases to generate income for the bank.

A Non-Performing Asset (NPA) is a –

- a) **Loan or an advance** where interest and/ or installment of principal remain overdue for a period of more than 90 days in respect of a term loan.
- b) In respect of an **Overdraft/ Cash Credit** ( OD/ CC), if the account remains 'out of order' as on date of Balance sheet for reasons as given below:
  - ✓ The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
  - ✓ The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or
  - ✓ The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.

- c) In the case of **bills purchased and discounted**, the bill remains overdue for a period of more than 90 days.

- d) **Credit Card Accounts:**

In credit card accounts, the amount spent is billed to the card users through a monthly statement with a definite due date for repayment. An option is given to the card users to pay either the full amount or a fraction of it, i.e., minimum amount due, on the due date and rollover the balance amount to the subsequent months' billing cycle.

A credit card account will be treated as non-performing asset if the minimum amount due, as mentioned in the statement, is not paid fully within 90 days from the payment due date mentioned in the statement.

- e) **For Agricultural advances**

- i. A loan granted for **short duration crops** will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons. A loan granted for **long duration crops** will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season. For the purpose of these guidelines, "long duration" crops would be crops with crop season longer than one year and crops, which are not "long duration" crops, would be treated as "short duration" crops. **The crop season for each crop would be as determined by the State Level Bankers' Committee (SLBC).** Depending upon the duration of crops raised by an agriculturist, the above NPA norms would also be made applicable to agricultural term loans availed by him.
- ii. The above norms should be made applicable only to Farm Credit extended to agricultural activities as listed below:
  - Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans], directly engaged in Agriculture only. This will include:
    - ✚ Crop loans to farmers, which will include traditional / non-traditional plantations and horticulture.

- ✚ Medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm.)
  - ✚ Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
  - ✚ Loans to farmers up to 50 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
  - ✚ Loans to distressed farmers indebted to non-institutional lenders
  - ✚ Loans to farmers under the Kisan Credit Card Scheme.
  - ✚ Loans to small and marginal farmers for purchase of land for agricultural purposes.
- Loans to corporate farmers, farmers' producer organizations / companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture only up to an aggregate limit of 2 Crore per borrower. This will include:
- ✚ Crop loans to farmers which will include traditional / non-traditional plantations and horticulture.
  - ✚ Medium and long-term loans to farmers for agriculture (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm.)
  - ✚ Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
  - ✚ Loans up to 50 lakh against pledge / hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months.
- Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi- Purpose Societies (LAMPS) for on-lending to agriculture.

In respect of agricultural loans, other than those specified above, identification of NPAs would be done on the same basis as non- agricultural advances, which, at present, is the 90 days delinquency norm.

- iii. Where natural calamities impair the repaying capacity of agricultural borrowers for the purposes specified in point no. e. (ii), a relief measure can be given by

conversion of the short-term production loan into a term loan or re-schedulement of the repayment period; and the sanctioning of fresh short-term loan, subject to specific guidelines issued by bank in line with regulated entities as updated from time to time. In such cases of conversion or re-schedulement, the term loan as well as fresh short-term loan may be treated as current dues and need not be classified as NPA. The asset classification of these loans would thereafter be governed by the revised terms & conditions and would be treated as NPA if interest and/or instalment of principal remains overdue for two crop seasons for short duration crops and for one crop season for long duration crops.

- iv. While fixing the repayment schedule in case of rural housing advances granted to agriculturists under Indira Awas Yojana / Pradhan Mantri Gram Awas Yojana and Golden Jubilee Rural Housing Finance Scheme, banks should ensure that the interest/instalment payable on such advances are linked to crop cycles.
- v. Rural Housing Loans, other than specified above, given to agriculturists and/or non-agriculturist, where interest and/ or installment of principal remain overdue for a period of more than 90 days, will be classified as NPA.
- f) The availability of security or net worth of borrower/ guarantor should not be taken into account for the purpose of treating an advance as NPA or otherwise, except -

In respect of accounts where there are potential threats for recovery on account of erosion in the value of security or non-availability of security and existence of other factors such as frauds committed by borrowers it will not be prudent that such accounts should go through various stages of asset classification. In cases of such serious credit impairment, the asset should be straightaway classified as doubtful or loss asset as appropriate:

- ❖ Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category.
- ❖ If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

**g) Accounts with temporary deficiencies**

- ✓ Stock statements relied upon by the banks for determining drawing power

should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular.

- ✓ A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 90 days even though the unit may be working or the borrower's financial position is satisfactory.
- ✓ Regular and ad hoc credit limits need to be reviewed/ regularised not later than three months from the due date/date of ad hoc sanction. In any case, delay beyond six months is not considered desirable as a general discipline. Hence, an account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.
- h) Advances against term deposits, NSCs eligible for surrender, IVPs, KVPs and life insurance policies need not be treated as NPAs, provided adequate margin is available in the accounts. Advances against gold ornaments, government securities and all other securities are not covered by this exemption.
- i) Asset classification of accounts under consortium should be based on the record of recovery of the individual member banks and other aspects having a bearing on the recoverability of the advances. Where the remittances by the borrower under consortium lending arrangements are pooled with one bank and/or where the bank receiving remittances is not parting with the share of other member banks, the account will be treated as not serviced in the books of the other member banks and therefore, be treated as NPA.

### Upgradation of loan accounts classified as NPAs

The loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. In case of borrowers having more than one credit facility from a bank, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities.

### Accounts regularised near about the balance sheet date

The asset classification of borrowal accounts where a solitary or a few credits are recorded before the balance sheet date should be handled with care and without scope for subjectivity. Where the account indicates inherent weakness on the basis of the data available, the account should be deemed as a NPA. In other genuine cases, the banks must furnish satisfactory evidence to the Statutory

Auditors/Inspecting Officers about the manner of regularisation of the account to eliminate doubts on their performing status.

### Asset Classification to be borrower-wise and not facility-wise

All the facilities granted by a bank to a borrower will have to be treated as NPA and not the particular facility or part thereof, which has become irregular.

## **INCOME RECOGNITION**

As per Extant IRAC norms, the policy of income recognition has to be objective and based on the record of recovery. Therefore, the banks should not charge and take to income account interest on any NPA. This will apply to Government guaranteed accounts also.

However, interest on advances against Term Deposits, National Savings Certificates (NSCs), Kisan Vikas Patras (KVPs) and life insurance policies may be taken to income account on the due date, provided adequate margin is available in the accounts.

Fees and commissions earned by the banks as a result of renegotiations or rescheduling of outstanding debts should be recognised on an accrual basis over the period of time covered by the renegotiated or rescheduled extension of credit.

In cases of loans where moratorium has been granted for repayment of interest, income may be recognised on accrual basis for accounts which continue to be classified as 'standard'. This shall be evaluated against the definition of 'restructuring'.

### Reversal of income

If any advance, including bills purchased and discounted, becomes NPA, the entire interest accrued and credited to income account in the past periods, should be reversed if the same is not realised. This will apply to Government guaranteed accounts also.

If loans with moratorium on payment of interest (permitted at the time of sanction of the loan) become NPA after the moratorium period is over, the capitalized interest, if any, corresponding to the interest accrued during such moratorium period need not be reversed.

In respect of NPAs, fees, commission and similar income that have accrued should cease to accrue in the current period and should be reversed with respect to past

periods, if uncollected.

### Interest Application

On an account turning NPA, interest already charged and not collected should be reversed by debiting Profit and Loss account and further application of interest should be stopped. However, banks may continue to record such accrued interest in a Memorandum account in its books. For the purpose of computing Gross Advances, interest recorded in the Memorandum account should not be taken into account.

### Loans with moratorium for payment of interest:

- In the case of bank finance given for industrial projects or for agricultural plantations etc. where moratorium is available for payment of interest, payment of interest becomes 'due' only after the moratorium or gestation period is over. Therefore, such amounts of interest do not become overdue and hence do not become NPA, with reference to the date of debit of interest. They become overdue after due date for payment of interest, if uncollected.
- In the case of housing loan and similar advances granted to staff members where interest is payable after recovery of principal, interest need not be considered as overdue from the first quarter onwards. Such loans/advances should be classified as NPA only when there is a default in repayment of installment of principal or payment of interest on the respective due dates.

### Asset Classification for restructured Loans

In case of restructuring, the accounts classified as 'standard' shall be immediately downgraded as non-performing assets (NPAs), i.e., 'sub-standard' to begin with. The NPAs, upon restructuring, would continue to have the same asset classification as prior to restructuring. In both cases, the asset classification shall continue to be governed by the ageing criteria as laid out as above.

### Conditions for Upgrade to restructured Loans

- For MSME accounts where aggregate exposure of the lenders is less than ₹25 crore, An account may be considered for upgradation to 'standard' only if it demonstrates satisfactory performance during the specified period. 'Specified Period' means a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium under the terms of restructuring package. 'Satisfactory Performance' means no payment (interest and/or principal) shall remain overdue for a period of more than

30 days. In case of cash credit / overdraft account, satisfactory performance means that the outstanding in the account shall not be more than the sanctioned limit or drawing power, whichever is lower, for a period of more than 30 days.

- For all other accounts not included above, Standard accounts classified as NPA and NPA accounts retained in the same category on restructuring by the lenders may be upgraded only when all the outstanding loan/ facilities in the account demonstrate 'satisfactory performance' (Satisfactory performance means that the borrower entity is not in default at any point of time during the period concerned) during the period from the date of implementation of Resolution Plan up to the date by which at least 10 per cent of the sum of outstanding principal debt, which include all credit facilities, including debt/debt like instruments as per the RP and interest capitalization sanctioned as part of the restructuring, if any, is repaid (Monitoring Period). Provided that the account cannot be upgraded before one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of RP.

If the borrower fails to demonstrate satisfactory performance during the monitoring period, asset classification upgrade shall be subject to implementation of a fresh restructuring/ change in ownership. Bank shall make an additional provision of 15% for such accounts at the end of the Review Period. This additional provision, along with other additional provisions, may be reversed as per the norms.

However, above periods are subject to extension by restructuring complying guidelines as specified by RBI/NABARD from time to time.

#### ❖ Sub Standard Assets

A sub – standard asset is one which has remained NPA for a period less than or equal to 12 months.

#### ❖ Doubtful Assets

An asset is classified as Doubtful if it remained in the Sub- standard category for 12 months. The sub-category of doubtful assets is as follows:

NPA duration	Category
More than 12 months upto 24 months	DB-1
More than 24 months upto 48 months	DB-2
More than 48 months	DB-3

#### ❖ Loss Assets



A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly.

In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

All the recovery measures are relevant in Sub Standard/ Doubtful/ Loss assets. If the entire overdue amount is recovered, the account can be upgraded to standard category immediately. Similarly, if an account is classified as NPA due to technical reasons, the account shall be upgraded on clearance of technical reasons along with the recovery of up to date demand.

Restructuring may be considered in Sub Standard advances in case turnaround is possible based on objective assessment/ appraisal observing extant guidelines and norms.

Branches should however envisage other recovery measures also such as Compromise/ Repossession & Seizure/ SARFAESI Action/ Filing of Recovery Certificate/ Legal Action.

For detailed guidelines/clarification on the 'Income Recognition, Asset classification & provisioning norms Circulars/guidelines issued from time to time by the Bank should be referred.

#### 4. PROVISIONING NORMS:

In conformity with the prudential norms, provisions should be made on the non-performing assets on the basis of classification of assets into prescribed categories as per extant direction of Reserve Bank of India. Taking into account the time lag between an account becoming doubtful of recovery, its recognition as such, the realisation of the security and the erosion over time in the value of security charged to the bank, the bank should make provision against standard assets, substandard assets, doubtful assets and loss assets as prescribed by Reserve Bank of India from time to time. Provisions will be made at HO level as and when required. The extant norms for provisioning are as under:

Asset Category	Statutory provision rate
Standard-	
Direct Ag. Loans & SME	0.25%
Other Ag. & NFS	0.40%
Commercial real state	1.00%
Sub-Standard-	
Secured (without making any allowance for ECGC guarantee cover and securities available)	15%
Unsecured	25%
Doubtful-secured-	
DB-1	25%

DB-2	40%
DB-3	100%
Doubtful-unsecured-	100%
Loss	100%

### Advances covered by ECGC guarantee

In the case of advances classified as doubtful and guaranteed by ECGC, provision should be made only for the balance in excess of the amount guaranteed by the Corporation. Further, while arriving at the provision required to be made for doubtful assets, realisable value of the securities should first be deducted from the outstanding balance in respect of the amount guaranteed by the Corporation and then provision made as illustrated hereunder:

Example:

Outstanding Balance	₹4 lakh
ECGC Cover	50 percent
Period for which the advance has remained doubtful	More than 2 years remained doubtful (say as on March 31, 2014)
Value of security held	₹1.50 lakh

Provision required to be made:

Outstanding balance	₹4.00 lakh
Less: Value of security held	₹1.50 lakh
Unrealised balance	₹2.50 lakh
Less: ECGC Cover (50% of unrealisable balance)	₹1.25 lakh
Net unsecured balance	₹1.25 lakh
Provision for unsecured portion of advance	₹1.25 lakh (@ 100 percent of unsecured portion)
Provision for secured portion of advance	₹0.60 lakh (@ 40 per cent of the secured portion)
Total provision to be made	₹1.85 lakh (as on March 31, 2014)

### Exposures guaranteed by Credit Guarantee Schemes

Banks have been permitted to apply zero risk weight to advances guaranteed by Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH) and individual schemes under National Credit Guarantee Trustee Company Ltd (NCGTC), subject to certain conditions. In case such advances become nonperforming, no provision need be made towards the guaranteed

portion. The amount outstanding, in excess of the guaranteed portion, should be provided for as per the extant guidelines on provisioning for non-performing assets. An illustrative example is given below:

Example:

Outstanding Balance	₹10 lakh
CGTMSE/CRGFTLIH Cover	75% of the amount outstanding or 75% of the unsecured amount or ₹37.50 lakh, whichever is the least
Period for which the advance has remained doubtful	More than 2 years remained doubtful (say as on March 31, 2014)
Value of security held ₹1.50 lakh	Value of security held ₹1.50 lakh

Provision required to be made:

Balance outstanding	₹10.00 lakh
Less: Value of security	₹1.50 lakh
Unsecured amount	₹8.50 lakh
Less: CGTMSE/CRGFTLIH cover (75%)	₹6.38 lakh
Net unsecured and uncovered portion:	₹2.12 lakh
Provision for Secured portion @ 40% of ₹1.50 lakh	₹0.60 lakh
Provision for Unsecured & uncovered portion @ 100% of ₹2.12 lakh	₹2.12 lakh
Total provision required	₹2.72 lakh

#### Additional Provisions for NPAs at higher than prescribed rates:

The regulatory norms for provisioning represent the minimum requirement. Bank may voluntarily make specific provisions for advances at rates which are higher than the rates prescribed under existing regulations, to provide for estimated actual loss in collectible amount, provided such higher rates are approved by the Chairman. Bank may make provisions for NPA over & above minimum stipulations under IRAC Norms of RBI with objective to improve financial health of the bank, and to have adequate cushion against possible additional credit risk.

Such additional provisions are not to be considered as floating provisions. The additional provisions for NPAs, like the minimum regulatory provision on NPAs, may be netted off from gross NPAs to arrive at the net NPAs.

## 7. [MONITORING OF LARGE NPA ACCOUNTS](#)

The Bank has evolved a system of monitoring of large NPA borrowal accounts on quarterly basis. The purpose of monitoring is manifold. They are –

- I. to examine whether the account can be upgraded to Standard category by reschedulement / restructuring/rehabilitation,
- II. to attempt to reduce the quantum of provision due to deterioration in value of security consequent upon aging process,
- III. to prevent the assets from becoming loss assets and
- IV. to explore the possibility for an acceptable compromise settlement.

#### The guidelines for submission of Status Note on NPA Accounts:

- NPA accounts of up to Rs. Three lac (Fund+Non Fund based), entire limit or outstanding whichever is higher –Status note should be prepared by Branch Managers on quarterly basis & will be kept on record.
- NPA accounts above Rs. 3.00 Lacs but below Rs 25.00 lacs (Fund+Non Fund based), entire limit or outstanding whichever is higher - Status note should be prepared by branches and submitted to Regional Office on quarterly basis latest by 7<sup>th</sup> day of subsequent quarter and the same should be returned to branches by 20<sup>th</sup> day after reviewed & remarked by Regional Head over recovery proceeding & efforts.
- NPA accounts of Rs. 25.00 lacs & above (Fund+Non Fund based), entire limit or outstanding whichever is higher - Status note should be prepared by branch and submitted to regional office for onward submission to Head Office on quarterly basis latest by 20<sup>th</sup> day of subsequent quarter.

Hence, branches are advised to review all eligible loan accounts timely. In all NPA accounts, the status note will be prepared by the branches on quarterly basis. All information including review dates will be recorded in the Review Register and also in CBS system.

#### **Status Note:**

- Format Annexure I shall be used for preparing status note in NPA A/Cs

8. Accounts which are slipped into NPA category will be analyzed by Regional Office/ Head Office to surface out true reason of slippage and staff accountability as per existing staff accountability policy.

#### 9. INSPECTION OF SECURITIES IN NPA ACCOUNTS:

All NPA accounts should be inspected and record shall be kept with documents as per guidelines of inspection of securities incorporated separately in loan policy viz.

- Loans up to Rs.25.00 lacs: Half Yearly
- Loans above Rs.25.00 lacs: Once in every 3 months (Quarterly)

Discrete enquiries must be made regarding present status of securities and possession thereof, borrowers' present activities/address etc. and suitable observation be given in the Report. Value of securities, Primary as well as Collateral, shall also be updated in CBS system for correct provisioning, as per the latest inspection/valuation reports as specified above.

#### 10. CGTMSE and other guarantee claims:

CGTMSE claims are important aspect to save the provisions in NPA accounts. Immediately, after account turned into NPA, Branches to file the claim with CGTMSE and other guarantee claims as per extant guidelines. Simultaneously, Branches should start recovery actions immediately as conclusion of Recovery Proceeding is important aspect for filing subsequent claims in the accounts.

In case of rejection of claim by concerned department for invalid reasons, Branches should submit suitable representation to CGTMSE or concerned through their ROs for taking proactive actions/ steps.

#### 11. Close & Focused Monitoring of Branches with high NPA:

Along with monitoring of NPA accounts in the branches of Region, Regional Manager shall give focused attention for effective monitoring of top NPA branches on daily basis viz.:

- Top 10 Branches of Region with Highest NPAs (amount-wise)
- Top 10 Branches of Region with Highest Percentage of NPAs.

Regional Manager is required to monitor these Branches very closely with an objective to reduce the NPAs and submit monthly reports to General Manager (Recovery Department).

#### 13. APPROPRIATION OF RECOVERIES IN NPA ACCOUNTS/Written Off Accounts

Interest realised on NPAs may be taken to income account provided the credits in the accounts towards interest are not out of fresh/ additional credit facilities sanctioned to the borrower concerned.

In the absence of a clear agreement between the bank and the borrower for the purpose of appropriation of recoveries in NPAs (i.e. towards principal or interest due), appropriation can be made as under:

In respect of Non- suit filed NPA accounts, recoveries effected in the NPA account from time to time, shall be appropriated in the following manner:

- i) Firstly, towards all costs, commission, charges and expenses paid or incurred and to be paid or incurred by the Bank.
- ii) Secondly, towards payment of the principal moneys.
- iii) Lastly, towards unpaid interest reversed in account, interest, additional interest, further interest, penal interest due to the Bank

Recoveries in Suit filed/decreed NPA accounts:

- i) As per the directives of the concerned court.
- ii) In the absence of specific directives from the Court, as applicable to non-suit filed accounts.

## 11. RECORD OF UNAPPLIED INTEREST/CHARGES

Branches shall maintain a record of unapplied interest and other charges at contracted rate and update the same at periodical intervals.

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## CHAPTER III

### COMPROMISE SETTLEMENTS

Compromise settlement for this purpose shall refer to any negotiated arrangement with the borrower to fully settle the claims of the Bank against the borrower in cash; it may entail some sacrifice of the amount due from the borrower on the part of the bank with corresponding waiver of claims of the bank against the borrower to that extent.

A compromise is an agreement reached by mutual consent, a negotiated settlement with or without sacrifice component on the concerned parties to the dispute. Compromise settlement is a non-legal remedy for reduction of NPAs of the Bank. When an advance account becomes Non-Performing and all efforts to bring the account in order or make it performing fail, then the branch must immediately recall the account and initiate steps to recover the dues in full, after obtaining authority as per the delegated discretionary powers.

Normally, bank would like to recover the entire dues with unapplied interest at contractual rates and costs in full, without any sacrifice.

However, there may be instances/cases where the bank may consider waiver of part interest and/or legal charges and agree to settle the account by receiving a somewhat lesser amount. In such a situation, the bank may enter into a compromise agreement with the borrower to accept a specified amount instead of the actual dues in full and final settlement. The difference between the total actual dues and the amount specified and agreed to be received in full and final settlement is 'sacrifice' (by way of write off and/or waiver) to be borne by the bank.

#### 1. When to Compromise

Normally compromise proposals can be considered in following situations:

- When the borrower is willing to settle the dues in full in a lump sum and the sacrifice of the bank is minimum considering the time & value of money involved in recovery through normal course.
- When the branch feels that the time taken and cost involved in recovering the dues through the process of filing a suit and executing the decree will be more than the likely recovery to be effected.
- When a unit is suffering from chronic problems of production, sales etc. and it has become unviable to continue operations and borrowers' verifiable means/resources as well as securities are not adequate.

- When there is no security available or realization of the same is difficult or unit is closed and/or there are no assets for execution of decree and the borrower/ guarantor is willing to settle the dues out of court.

## 2. When not to Compromise for lower amount

Branches should not, in general, enter into a compromise for lower amount in respect of following cases:

- I. When there are adequate realizable and marketable securities available covering our dues and property charged to us.
- II. Accounts which are covered by guarantee cover of CGTMSE/other guarantee cover and adequate securities are also available to cover the bank's dues and /or present net worth of the borrower/s and guarantor/s is adequate.

## 3. When to entertain Compromise Proposals

The compromise settlements shall be without prejudice to any mutually agreed contractual provisions between the bank and the borrower relating to future contingent realizations or recovery by the bank.

Compromise proposals can be negotiated in all NPA & PWO / TWO accounts,

- I. Before filing the suit
- II. After filing the suit
- III. after obtaining the decree / RC but before execution of the decree/ RC except when there is no security available or realisation of the same is difficult or unit is closed and there are no assets for execution of decree and the borrower/guarantor is willing to settle the dues out of court.
- IV. Even after the account is written-off /prudentially written-off/ technically written-off.

In other words, compromise proposals can be entertained any time till the borrower settles the dues in full.

## 4. Ageing of exposure for Coverage

Compromise settlement covers all **NPA accounts which are under NPA category for more than 6 months and all possible measures/actions for recovery have been exhausted**. Accounts fulfilling the above framework may be considered for settlement on case to case basis.



Special One Time Settlement Scheme of RBI/Bank announced from time to time like RBI OTS Scheme for SME, scheme for small borrowers, scheme for small and marginal farmers, are outside the purview of this policy. Separate guidelines will be issued from time to time for such schemes.

## 5. Basic Principles governing compromise settlements

- I. The objective shall be to maximize the possible recovery from a distressed borrower at minimum expense, in the best interest of the bank.
- II. Compromise is a negotiated settlement, to ensure recovery of dues to the maximum extent possible at minimum expense and within shortest possible time frame.
- III. While arriving at a negotiated settlement, the opportunity cost analysis be made i.e. the advantage available to the Bank from prompt recycling of funds be weighed in comparison to the likely recovery by following legal or other protracted course of action.
- IV. Whether security is available and the realizable value thereof.
- V. A proper distinction will have to be made between “Wilful defaulters” and ‘defaulters due to circumstances beyond their control’. While in the case of “Wilful defaulters”, a tough stand may be taken, in latter case a sympathetic view is to be taken.
- VI. Due weightage to be given to present activities of the borrower / guarantor, their worth, present means etc.
- VII. Norms as applicable for assessment of staff accountability in case of slippage of an account to NPA category be strictly adhered to. However, while entering into a compromise such assessments be invariably form a part of the proposal.
- VIII. Whenever a compromise proposal is being accepted through Compromise/Special OTS/Lok Adalat, total borrowal accounts (i.e. total exposure of the borrower/s with our bank) should be considered within the respective power of sacrifice.
- IX. As far as possible, KYC (PAN, Adhar etc.) shall be updated by branch in accounts where compromise is being considered, for further reporting of settlement to CICs.

## 6. Guiding Factors

While negotiating a compromise settlement, following factors has to be kept in mind:-

- I. Total Contractual Dues: This is the sum total of balances outstanding in the various accounts of the borrower and which are due for recovery from him. It will include balance outstanding in Term Loan, Cash Credit, BP, BD, Advance Bill A/c. etc., URI and

unapplied interest from date of cessation of interest to date of compromise proposal, amount of Legal Expenses/other charges etc. already incurred and debited to P/L a/c, if any.

- II. Net Book Dues: Balance outstanding in the various accounts of the borrower.
- III. Margin money and recoveries held separately: The book dues will be reduced to the extent of Margin money etc. kept in separate a/c, Time Deposit a/c or any G/L a/c and the recoveries kept separately in any account or claims received from DICGC, CGTSME/any other guarantee covered scheme.
- IV. Details of Securities: Details of securities separately for movable and immovable assets are to be taken into account. For immovable asset such as Area of land (carpet /built up area), nature of land (Agricultural Land, Industrial Land, commercial, residential etc), location and the related information be taken into consideration. Apart from the above, it should also be indicated if the property is freehold or leasehold (in such a case balance period of lease).
- V. Realisable value of security: The nature and realisable value of securities available is an important factor to be considered while arriving at a compromise. The valuation of securities should have been done by our approved valuer and should not be more than 1 Year old at the time of compromise. If the securities are adequate and easily realisable, the sacrifice in the compromise should be minimum. However, mere value of security would be of no use, unless it can be sold and proceeds realized within a reasonable time. Pending litigation, tenancy rights, succession cases etc. may prevent quick sale of properties.

Previous valuation of securities that's as on the date of first sanction and last valuation before compromise should also be considered to have a fair assessment.

In case of downward variation in the value of securities, more particularly for immovable properties, facts must be analyzed to find reasons thereof. And in such cases second valuation report from another approved valuer may also be obtained to form a reasonable balanced opinion. Cogent reasons should be explained in the compromise proposal. Therefore, branches, while submitting proposals should quote current valuations along with earlier ones, namely, one at the time of sanction, second must not be more than a year old at the time of considering compromise and the third in between the two.

If the securities are adequate and easily realizable, the sacrifice in the compromise should be minimum.

Therefore, following factors are to be considered for assessing value of securities:-

- 'Realisable Value' given by 'Approved Valuer' should be taken for the purpose and not 'the Distress Value'.
- Marketability of the securities with a special reference to immovable properties is a function of legal tangles affecting security like:
  - ✓ Various laws meant for protection of Agriculturists/ SCs/ Tribal people govern security in the form of agricultural land wherein marketability would be a factor of constraint.
  - ✓ Getting permission from Collector, CMM or DM.
  - ✓ Availability of purchasers from tribal communities.
  - ✓ Restrictions on sale to non-agriculturists etc.
  - ✓ There may be cases where:
- ❖ Security is heavily tenanted and getting vacant possession is much difficult or next to impossible.
- ❖ Security is a subject matter of litigation between the Borrower and paramount title holder.
- ❖ Security is subject to planning, environment, forest law restrictions.
- ❖ Property is proposed for / or under redevelopment. Necessary follow-up should be made by the branches to ensure that our lien continues in the records of the Society and the developer.
- ❖ For the purpose of judging / estimating, whether security is easily marketable, not easily marketable and very difficult to market, the following may be kept in mind:-

Easily marketable	Like residential / commercial premises located in Metro / urban or Prime locality
Not easily marketable	Tenanted premises or Industrial Land / Building/Properties in remote or interior village area.
Difficult to market	Like agricultural land

- VI. Reasons for failure of business: Reasons for the failure of business or the unit are also an important point to be kept in mind. Sometimes, a change in Government guidelines and policies may be the cause of the failure of the unit. Sometimes, it can be due to mismanagement and willful act by the borrower.

- VII. Present status of the unit: If the unit is running and prospects are good and branch / region has not lost trust in borrowers' conduct and dealings, it would be worthwhile to consider possibility to rehabilitate the unit. If, however, the unit is closed and prospects are bleak, it would be better to compromise and recover the dues to the maximum.
- VIII. Means of borrowers/guarantors: Present means of the borrowers, guarantors etc. will also have a bearing on the compromise settlement.
- IX. Amount of compromise and mode of payment: The amount of compromise and the period for receiving the payment will also influence the terms of compromise. Bank would like to receive the maximum amount within the shortest possible time. As regards the amount of compromise, the most important guiding principle should be the minimum sacrifice as far as possible.

Further, as far as possible there shall be no adverse impact on Profit & Loss A/c. However, in genuine cases, if proposal is accepted at a lower amount with negative impact on P/L, prior approval of Regional Head shall be obtained on case to case basis, if competent authority for sanction is below ROSAC-II. In addition, recovery of reasonable interest, which at least covers the cost of funds, should also be negotiated.

- X. Period of Recovery: As a matter of principle, compromise settlement shall be negotiated for a direct bullet payment or normally within 30 days of advising the sanction. However depending on the circumstances, time can be allowed up to 90 days, subject to such claims not being recognized in any manner on the balance sheet of bank at the time of the settlement or subsequently till actual realization of such receivables. Any such claims recognized on the balance sheet of the bank shall render the arrangement to be treated as restructuring. In such case, where settlement amount is received in parts/installments, a lump sum amount, preferably 25% of settlement amount should be paid as upfront/Token amount at the time of advising sanction.

In exceptional cases, in large compromise proposals, time up to 12 months may be permitted with down payment of at least 15% carrying suitable interest on rest amount of compromise amount.

Compromise settlements where the time for payment of the agreed settlement amount exceeds three months shall be treated as restructuring as defined in terms of the "Prudential framework on Resolution of Stressed Assets dated June 7, 2019".

- XI. Recovery of Interest on Compromise: At the time of advising sanction, wherever, time for repayment of compromise/ settlement amount is extended over a period of time or in installments (Not more than 12 months), it is necessary to recover the suitable rate of

interest (not lower than 12%) not only to cover cost of funds but also to prompt the borrower not to delay the repayments.

- XII. Intimation/Notices shall be issued wherever repayment is delay or remaining as per sanction terms of compromise. If compromise amount has not come as per terms of sanction of compromise, it shall be deemed void. Fresh compromise proposal may be accepted in such cases, if deemed fit.
- XIII. Impact on Profit & Loss account: In accounts which are already written - off or full provision has been made, any recovery effected through compromise would increase the income by credit of such recovery to P/L a/c or release of provision.
- XIV. The compromise settlements with the borrowers under this framework shall be without prejudice to the provisions of any other statute in force.
- XV. In cases, where accounts are covered under CGTMSE and other guarantee coverage, guidelines issued by trust, also available on website of trust, shall be adhered while advising sanction. It is also required to keep the Trust informed where compromise is undergone. In order to avail claim, legal action must be initiated even in the event of OTS. However, in order to further simplify the procedure for filing claim in respect of small account, Trust has declared threshold limit vide circular no. 222/2022-23 and other guidelines issued and modified by CGTMSE time to time, for waiver of legal action to Rs. 10,00,000/- per claim while invoking the guarantee based on the aggregate outstanding amount considered eligible for claim settlement by CGTMSE.

The following points may also be kept in mind:

- Compromise negotiation should not hover around book dues. Interest at contracted rate shall be calculated and the total dues (including expenses incurred on filing the suit in the cases of suit filed accounts and recovery charges payable to recovery agents under SARFAESI Act etc.) shall be advised to the borrower.
- Negotiation shall start from such total/gross dues owed by the borrower. Depending on the security available borrower's/guarantor's assets/resources etc. concessions can be allowed on the rate of interest and/or compounding of interest. Agreeing to accept only net book dues or writing off a part of the Principal shall be considered only in rare cases depending on compelling circumstances. While negotiating compromise amount, the amount of provision held in the account should also be taken into consideration for acceptance of amount offered by the borrower for compromise.

- Minimum interest that may be acceptable to the bank is preferred @ 12% p.a., from the date of cessation of interest till the date of repayment. Agreeing to accept only net book dues or writing off a part of the Principal/ net book dues o/s shall be considered only depending on compelling circumstances.
- **Limitation:** In the case of non-suit filed accounts, it shall be ensured that the documents are kept alive by obtaining LAD from Borrowers/guarantors. In case of compromise in such accounts possibility of confirming through 'Lok Adalat', with default clause may be explored more particularly in cases wherein long repayment period has been agreed.
- In the case of suit filed accounts where compromise is sanctioned, consent terms signed by the bank and the Borrower/ guarantor shall be filed with Court/ DRT subject to default clause and consent decree shall be obtained. Consent decree shall contain the default clause to the effect that in case of failure in full or in part to repay Bank's dues in accordance with the terms, the contractual dues shall be recoverable along with interest at contracted rate, costs and expenses.
- Net worth of the Borrower/ guarantor as of a recent date shall be incorporated by making suitable enquiries. In case, it is not available, the net worth as available on bank record should be incorporated with date.
- Date of valuation and details of the property of the Borrower shall be invariably mentioned and justification for the value shall be given, particularly where negative/ disproportionate variations are observed as compared to previous years. In any case, current valuations should not be lower than the prevailing Circle Rate of the area. In case current Market Value is more than prevailing Circle Rate, higher of the two shall be reckoned. It is advisable that branch should also move around in the area enquiring from property brokers etc. to verify valuations of immovable properties.
- **Staff Accountability:** It is expected that Staff Accountability has been examined as per existing guidelines prescribed at the time when account has turned as NPA.

In case any staff lapse has observed, Recommending/Sanctioning authority shall mention the same along with the action proposed/ taken by Competent Authority. Such staff accountability certificate/ Report must be enclosed to the compromise proposal as per the prescribed format. The following details should be mentioned:-

- a) Status of examination of staff accountability.
- b) Details of lapses found.

- c) Name & designation of erring officials.
- d) Proposed/Action taken / being taken.

In case, on examination of staff accountability, no lapses were found, this fact should be mentioned with 'NIL' Staff Accountability.

- Adequate care should be taken to ensure that the compromise settlements are done in a fair and transparent manner and in full compliance with RBI guidelines on the matter as may be issued from time to time.
- In accordance with RBI guidelines, the officer/ authority recommending/ sanctioning a compromise/ one time settlement should append a certificate that the compromise settlements are in conformity with the RBI guidelines. Format of the RBI Compliance Certificate is as per prescribed format.
- While uploading the data on CIBIL and other Credit Information Companies, it should be mentioned that "Account has been settled through compromise"
- Compromise settlement is one of the very important tools for recovery in NPA/ TWO/ PWO accounts.

### Cases involving frauds

Proposals for compromise settlements in respect of debtors classified as fraud or wilful defaulter shall require approval of the Board in all cases. Branch should proceed as under for recovery in cases involving frauds:-

#### a) Dealing with CBI referred cases:

- i. In the case of financial fraud against the consortium of banks, preferably all members of consortium should file a complaint with the CBI for registration of the case.
- ii. The problem arising out of incorrect valuation/ opinion by Chartered Valuer, Chartered Accountants and Advocates should also be referred to the CBI.
- iii. Complaints submitted by banks to the CBI for registration of a case must clearly indicate whether the banks have entered into One Time Settlement (OTS) with the Borrower/s or not

#### b) Guidelines for Compromise settlement in cases involving frauds:

- If there is any case where a person has obtained loan from the Bank by making fraudulent representation or otherwise committing any fraud, as far as possible, efforts



should be made to recover the entire amount of the loan. This is necessary to ensure that a person committing fraud is not allowed to benefit from commission of such fraudulent acts.

- In spite of the above basic policy requirement, there will be cases where it is not possible to recover the full amount and the Borrower is coming forward to offer settlement. While negotiating the offer, it must be made clear that recovery of the loan taken by the Borrower and the criminal action of the fraud committed by him are two separate and distinct matters. It should be clarified at the outset that if the settlement proposal as given by the Borrower is accepted such settlement will relate only to the recovery proceedings and shall not in any way, affect the criminal action taken, if any, which shall continue.

- No compromise settlement involving a fraudulent borrower is allowed unless the conditions stipulate that the criminal complaint will be continued.

- The penal measures currently applicable to borrowers classified as fraud or wilful defaulter in terms of the Master Directions on Frauds issued vide circular no. RBI/DOS/2024-25/118 DOS.CO.FMG.SEC.No.5/23.04.001/2024-25 dated 15 July 2024 and the Master Circular on Wilful Defaulters by RBI, vide circular no. RBI/DoR/2024-25/122 DoR.FIN.REC.No.31/20.16.003/2024-25 dated 30 July 2024 respectively, and shall continue to be applicable in cases where the banks enter into compromise settlement with such borrowers.

- While entering into compromise and before communicating the same, Branch/ RO should make a suitable communication to the respective office of CBI/Investigating Authority, advising Bank's intention to settle Bank's dues i.e. Civil Liabilities irrespective of Criminal action being taken/ to be taken against the Borrower.

- It is the practice of Banks to record the terms and conditions of the settlement in a consent order obtained from the Court or DRT. In such consent orders, a specific clause should be incorporated stating that the settlement agreed between the parties shall not in any way affect or be construed as settlement of ongoing criminal cases/ proceedings pending in the Court against the Borrowers.

- The officers/ employees who are required to appear as witness in the criminal proceedings should be advised that although the bank has accepted the settlement proposal given by the Borrower, there is no settlement in regard to the criminal proceedings initiated against the Borrower. Such officer or employee should be advised to make this position clear when he is examined as witness in the criminal proceedings.

In view of the above, followings should also be initiated:



- Before considering such compromises, Branch/ Region should write a suitably worded letter to CBI/ Investigating Agency about the proposed OTS to settle its outstanding dues without any bearing whatsoever on the ongoing criminal case and may wait for reasonable period say 30 days for the response/ objections. Necessary follow up with CBI/ Investigating Authority be made for obtaining NOC and the same may be invariably mentioned in the compromise proposal submitted to the Head Office.
- In case of compromise settlement reached with the Borrowers, such settlement should contain a specific clause that such settlement will not have any bearing whatsoever on the ongoing criminal cases/ proceedings pending in the courts against the Borrowers and that such compromise settlement will relate only to the recovery proceedings for dues outstanding at \_\_\_\_\_ ( name of branch/ detail of dues). This should also form part of the consent terms to be filed with the Court/ DRT.
- Post settlement, criminal case should not be withdrawn by Bank. All assistance required by the Investigating Agency or Court to take the case to logical conclusion of the criminal proceeding should be provided.
- Proper briefing should be given to the officials of the bank appearing in the courts when such cases come up for hearing so that the officials depose appropriately in terms of the agreement in the settlement.

After settlement, file relating to the account should not be destroyed or sent to old records. The same should be kept safely/ properly till the conclusion of criminal proceedings.

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## CHAPTER IV

### COMPROMISE SANCTION

#### Delegation of Powers:

With a view to facilitate recovery through compromise, discretionary powers are delegated to various authorities to sanction sacrifice (waiver and write off) through Settlement Advisory committee.

In respect of compromise settlements, it shall be ensured that:

- (i) Delegation of power for such approvals rests with an authority (individual or committee, as the case may be) which is at least one level higher in hierarchy than the authority vested with power to sanction the credit / investment exposure. Provided that any official who was part of sanctioning the loan (as individual or part of a committee) shall not be part of the approving the proposal for compromise settlement of the same loan account, in any capacity.
- (ii) Proposals for compromise settlements in respect of debtors classified as fraud or wilful defaulter shall require approval of the Board in all cases.
- (iii) Powers to sanction any compromise proposal beyond the powers delegated to various authorities, irrespective of quantum of sacrifice, nature of compromise settlement and/or nature of the account in which a compromise is considered, by 'Member committee of Board'.
- (iv) All the compromise/OTS sanctioned shall be reported by the sanctioning authority to the next higher authority on case to case basis for PSR noting of the sanction.

With a view to facilitate the authorities, discretionary powers delegated to grant sacrifice (waiver and write off), are given here under:

Authority	Powers for sacrifice (Rs. in Lacs) (waiver plus write off)
Chairman (HO SAC-I)	40.00
General Manager (Dy.GM) at Head Office (HO SAC-II)	25.00
General Manager (AGM) at Head Office (HO SAC-III)	20.00
Regional Manager Scale-V (RO SAC-I)	15.00
Regional Manager Scale-IV (RO SAC-II)	10.00
Chief Manager (RO SAC-III)	5.00

Chief Manager as Branch Head (BR SAC-I)	2.50
Sr. Manager at R.O. /(RO SAC-IV)	2.00
Sr. Manager as Branch Head ( BR SAC-II)	1.50
Branch Manager Scale II (BR SAC-III)	1.00

The above sacrifice powers are subject to power of approvals (sanctions) rests with an authority (individual or committee, as the case may be) which is at least one level higher in hierarchy than the authority vested with power to sanction the credit / investment exposure. Provided that any official who was part of sanctioning the loan (as individual or part of a committee) shall not be part of the approving the proposal for compromise settlement of the same loan account, in any capacity.

Committee approach shall be adopted for sanction of compromise settlement.

The Settlement Advisory committee shall function at all levels of sanctioning authority i.e. at HO level, and RO level. Members Quorum and convener of the settlement Advisory committee at various levels will be as under:

**A. For sanction by Chairman (HO SAC-I)**

Head of the committee	Constitution of HOSAC-I	Quorum	Convener
Chairman	1. Chairman 2. General Manager(01) 3. In- charge of recovery at HO 4. In-charge of Credit/Credit Monitoring/ Operation /Inspection at HO	Chairman, convener & any other 2 members	Sr. Manager/ Manager/ Chief Manager recovery at HO

**B. For sanction by General Manager (HOSAC-II & HOSAC-III)**

Head of the committee	Constitution of HOSAC-II & HOSAC-III	Quorum	Convener
General Manager	1. General Manager(01) 2. In- charge of recovery at HO 3. In-charge of Credit/Credit Monitoring/Operation /Inspection at HO	General Manager, convener & any other 2 members	Sr. Manager/ Manager/ Chief Manager recovery at HO

**For sanction by Regional Manager (ROSAC-I & ROSAC-II)**

Head of the committee	Constitution of RO SAC-I & II	Quorum	Convener
Regional Manager	1. Regional Manager 2. In- charge of Recovery at RO	Regional Manager, convener & any other 2 members	Officer looking after recovery at RO

	3. Officer looking after recovery at RO		
	4. Any Officer/s looking after Credit/Credit Monitoring /Operation /Inspection etc. at RO		

**c. For sanction by Chief Manager (ROSAC-III)**

Head of the committee	Constitution of RO SAC-III	Quorum	Convener
Chief Manager at RO	1. Chief Manager posted at RO 2. In-charge of recovery at RO 3. Officer looking after recovery at RO 4. Any Officer/s looking after Credit/Credit Monitoring /Operation /Inspection etc. at RO	Chief Manager, convener & any other 1 member	Officer looking after recovery at RO

**d. For sanction by Senior Manager (ROSAC-IV)**

Head of the committee	Constitution of RO SAC-IV	Quorum	Convener
Sr. Manager at RO	1. Sr. Manager at RO 2. Officer looking after recovery at RO 3. Any Officer/s looking after Credit/Credit Monitoring /Operation /Inspection etc. at RO	Sr. Manager, convener & any other 1 member	Officer looking after recovery at RO

**e. For sanction by Branch Head of Chief Manager Scale-IV ( BR SAC-I )**

Head of the committee	Constitution of BR SAC-I	Quorum	Convener
Chief Manager (Branch Head)	1. Chief Manager(Branch Head) 2. Officer looking after Credit/ Recovery 3. Any Officer/s posted at Branch	Branch Head & convener	Officer looking after Credit/ Recovery

**f. For sanction by Branch Manager scale III & II**

Considering officers strength at such branches which may have even less than two officers, committee approach may not be practical. However, while taking decisions, as far as possible "Four Eyes" principle is followed

*NB:*

- The sacrifice approval powers of committees are subject to power of approvals (sanctions) rests with an authority (individual or committee, as the case may be) which is at least one

level higher in hierarchy than the authority vested with power to sanction the credit / investment exposure. Provided that any official who was part of sanctioning the loan (as individual or part of a committee) shall not be part of the approving the proposal for compromise settlement of the same loan account, in any capacity.

- ✚ In case of long leave/absence of competent sanctioning authority, the matter shall be put up at higher-level committees for sanction.

#### PSR NOTING:

All the compromise/OTS sanctioned shall be reported by the sanctioning authority to the next higher authority on case to case basis for PSR noting of the sanction. However, Proposal sanctioned by Regional Managers shall be reported to General Manager SAC at HO for noting of PSR.

#### 1. Deviation:

In case of sanctioned compromise proposals, normally for any deviation in the compromise terms, it should be referred to the sanctioning authority. However, modifications in the terms of sanction of compromise proposals earlier sanctioned by Member Committee of Board may be approved by Chairman subject to reporting to Board and such deviations should not change original terms of compromise except for mode of repayment or total period or total sacrifice not more than 20% of original sanction. In other cases, the modifications shall be approved by the same authority that has sanctioned the proposal earlier and/or who is now vested with powers of such compromise.

#### 2. Deciding Level of Authority:

For the purpose of deciding the level of authority for sanction of compromise, notional interest shall be calculated at @8.5% p.a. simple or @ contractual rate whichever is less, irrespective of the asset classification or the asset classification at the time of PWO, on the net book dues (Total dues minus GL Suit Filed Sundry deposit, any other non-interest bearing credit/deposit lying in the name of the borrower, CGTMSE /DICGC claim received plus Legal/other expenses, if any) from the date of cessation of interest till the date of entire payment proposed to be received on reducing balance basis.

In case of decreed accounts, where rate of interest awarded as per decree is less than 8.5%, the calculation of sacrifice should be on the basis of terms of decree.

#### 3. Compromise in Staff/ Staff Related Loan & Staff Guaranteed Accounts:

No compromise settlements in staff & staff related or staff guaranteed accounts will be sanctioned below the level of the General Manager at Head office as per respective

delegated powers. The proposal submitted to Head Office should be routed through Regional Office.

#### 4. [Compromise in Fraud Reported cases](#)

There may be instances where borrowers have committed frauds in advances accounts or a fraud might have resulted in Overdraft in current or Savings Bank account. The fraud might have been committed with or without the involvement of staff. Proposals for compromise settlements in respect of debtors classified as fraud or wilful defaulter shall require approval of the Board in all cases. Any such proposal shall be submitted to Head Office through concerned RO for consideration by Member Committee of Board.

#### 5. [Compromise in Suit Filed Accounts:](#)

Wherever bank had commenced recovery proceedings under a judicial forum or Borrowers/ guarantors had filed suits against the Bank and claimed damages/ compensation alleging pecuniary losses claimed to be suffered by them and the same is pending before such judicial forum, any settlement arrived at with the borrower shall be subject to obtaining a consent decree from the concerned judicial authorities and only thereafter branch should issue satisfaction of dues/account closure certificate as per extant norms. Consent decree shall contain the default clause to the effect that in case of failure in full or in part to repay Bank's dues in accordance with the terms, the contractual dues shall be recoverable along with interest at contracted rate, costs and expenses.

#### 6. [Cooling Period for fresh exposures](#)

A minimum cooling period of 12 months is required for assuming fresh exposures to such borrowers who had settled their dues through compromise/settlement. However, Compromise settlement is not available to borrowers as a matter of right; rather it is a discretion to be exercised by the competent authority mentioned hereunder, based on their judgment.

The delegation of powers for fresh finance as per norms to applicant who had settled their dues with our Bank by compromise/ OTS will rest with Regional Head and above only after completion of cooling period i.e. in case of compromise/ OTS sanctioned by the branches & RO, except the loan sanctioned by committee headed by Regional Head, the power of fresh finance shall vest with Regional Head up to their DLP. If the compromise/ OTS is sanctioned by the Regional Head, the power of fresh finance shall vest with committee headed by General Manager at Head Office up to their DLP. In this regard, guidelines circulated vide bank's loan policy and other guidelines issued time to time, will be applicable.

If applicant, who had settled their dues with our Bank by compromise/OTS, reimbursed the sacrifice involved on the part of the bank through write-off, waiver of interest charges, absorption of legal & other charges, sanctioning power of such proposals shall vest with respective authority within their DLP and no cooling period is required in such cases.

No additional facilities should be granted to borrowers listed as wilful defaulters, and that such companies (including their entrepreneurs/ promoters) get debarred from institutional finance for floating new ventures for a period of five years from the date of removal of their name from the list of wilful defaulters. In addition, borrowers classified as fraud are debarred from availing bank finance for a period of five years from the date of full payment of the defrauded amount.

In case of Government/RBI approved Scheme or any other scheme adopted by the Bank if instructions/rules to waive the reimbursement of sacrifice is mentioned in OTS/compromise scheme of the Bank, the borrower will be eligible for sanction of fresh loan without reimbursement of sacrifice amount and sanctioning power of such proposals shall vest with respective authorities within their DLP.

The above guidelines are equally applicable for loan and advances to the group accounts of the applicant.

#### 7. Other matters concerning Compromise settlements:

- \* Compromise proposals falling under the powers of Head Office shall be recommended by the Regional Head.
- \* The compromise sanctioned shall be reported to the next higher authority on case to case basis for PSR noting of the sanction.
- \* The sanction letter shall contain the terms and conditions as agreed by the borrower and accepted by the bank. There shall be a default clause to the effect that if the borrower does not pay the compromise amount as per sanction terms (bullet payment/installment), the bank will treat the sanction letter as withdrawn and the borrower will be liable to pay the entire gross dues to the bank with contractual rate of interest.
- \* Net worth of the borrower/guarantor as of a recent date shall be incorporated by making suitable enquiries.
- \* Date of valuation and details of the property of the borrower shall be invariably mentioned and justification for the value shall be given. In case there is wide downward

variation in the value of the property while sanctioning the advance and while negotiating compromise, the cogent reasons to be explained in the proposal invariably

- \* The valuation of the properties should be of recent date preferably not older than 1 Year at the time of entering into compromise, by our approved valuer who should not have a direct or indirect interest therein.
- \* In case CGTMSE/DICGC claim is not received/not available, the reason for the same shall be mentioned and justification to be incorporated.
- \* In CGTMSE Claim received accounts, the guidelines of the CGTMSE scheme should be followed for appropriation of Compromise Amount.

#### 8. Maintenance of Sanction Register:

Bank has opted process of compromise /settlement through internally developed OTS portal. All sanctions of compromise/settlements should be done through OTS portal. All branches should maintain a compromise sanction register for recording all compromise sanctions which should be tally with OTS portal.

Note: Sanctioning and PSR noting of compromises proposals for e-PUPGB & e-AB branches will remain offline (Paper mode) till CBS integration.

#### 9. RBI guidelines:

In accordance with RBI guidelines it has been decided that Region should maintain detail of case wise data so as to ensure adequate coverage of the following aspects at the minimum:

- (i) Trend in number of accounts and amounts subjected to compromise settlement (Q-o-Q and Y- o-Y);
- (ii) out of (i) above, separate breakup of accounts classified as fraud, red-Flagged(EWS fraud), wilful default and quick mortality accounts;
- (iii) amount-wise, sanctioning authority- wise, and business segment / asset-class wise grouping of such accounts;

The above information should be maintained on regular basis so as to provide as and when required by Head Office for further reporting to board.

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## CHAPTER V WILFUL DEFAULTERS

### Treatment of Wilful Defaulters and Large Defaulters

#### 1. Objective:

This Master Direction on wilful defaulters serves as a comprehensive guideline delineating the regulatory framework and procedures for classification of borrowers as wilful defaulters. The primary objective of these directions is to provide for a non-discriminatory and transparent procedure, having regard to the principles of natural justice, for classifying a borrower as a wilful defaulter. The directions also aim to put in place a system to disseminate credit information about wilful defaulters for cautioning lenders to ensure that further institutional finance is not made available to them.

#### 2. Applicability:

The restrictions on further financial accommodation to wilful defaulters.

#### 3. Definitions

(a) "Diversion of funds" means and includes the under- noted occurrences:

- (i) utilisation of short-term working capital funds for long-term purposes not in conformity with the terms of sanction of credit facility;
- (ii) deploying funds availed using credit facility for the creation of assets other than those for which the credit was sanctioned;
- (iii) transferring funds availed using credit facility to the subsidiaries/group companies or other entities, by whatever modality, without approval of the lender/ all the lenders in the consortium;
- (iv) routing of funds through any lender other than the lender or members of consortium without prior written permission of the lender or all the lenders of consortium;
- (v) investing funds availed using credit facility in other companies/entities by way of acquiring equities/debt instruments without the approval of lender or all the lenders of consortium; and
- (vi) shortfall in the deployment of funds vis-à-vis the amounts disbursed/ drawn under the credit facility and the difference not being accounted for.

- (b) "Identification Committee" means the committee constituted for identifying a wilful defaulter and shall comprise of an officer not more than one rank below the chairman as chairperson and two senior officials, not more than two ranks below the chairperson of the committee, as members.  
I.e. Committee will comprise of General Manager as chairperson and two Chief Managers: a. Chief Manager In-charge of Credit & b. Chief Manager In-charge of Audit & Inspection or any Chief Manager posted at Head Office, as members. Chief Manager In-charge of NPA Management & Recovery/ Credit Monitoring will be convener.
- (c) "Large Defaulter" means a defaulter with an outstanding amount of ₹1 crore and above, and –
- i. where suit has been filed; or
  - ii. whose account has been classified as doubtful or loss (in accordance with the instructions issued by the Reserve Bank from time to time).
- (d) "Review committee" means the committee constituted by a lender for the purpose of reviewing the proposal of the Identification Committee and shall comprise of: The chairman, who shall be the chairperson of the committee and two directors nominated under clause 9.1 (a) or 9.1 (d) of the Regional Rural Banks Act, 1976 shall be the members.

Note: The Review Committee shall not be comprised of members who are part of the Identification Committee.

- (e) "Wilful default"
- (i) by a borrower shall be deemed to have occurred when the borrower defaults in meeting payment/ repayment obligations to the lender and any one or more of the following features are noticed:
    - (A) the borrower has the capacity to honor the said obligations;
    - (B) the borrower has diverted the funds availed under the credit facility

- (C) the borrower has siphoned off the funds availed under the credit facility
- (D) the borrower has disposed of immovable or movable assets provided for the purpose of securing the credit facility without the approval of the Bank;
- (E) The borrower or the promoter has failed in its commitment to the bank to infuse equity despite having the ability to infuse the equity, although bank has provided loans or certain concessions to the borrower based on this commitment and other covenants and conditions.

(ii) by a guarantor shall be deemed to have occurred if the guarantor does not honour the guarantee when invoked by the bank, despite having sufficient means to make payment of the dues or has disposed of immovable or movable assets provided for the purpose of securing the credit facility, without the approval of the bank or has failed in commitment to the bank to infuse equity despite having the ability to infuse the equity, although the lender has provided loans or certain concessions to the borrower based on this commitment.

(f) “Wilful defaulter” means

- (i) a borrower or a guarantor who has committed wilful default and the outstanding amount is ₹25 lakh and above, or as may be notified by Reserve Bank of India from time to time, and
- (ii) where the borrower or a guarantor committing the wilful default is a company, its promoters and the director (s), subject to the provisions of para 4(1) (c) below. In case of entity (other than companies), persons who are in charge and responsible for the management of the affairs of the entity.

(g) “Director identification number (DIN)” shall have the meaning assigned to it under

the Companies Act, 2013.

In order to ensure that directors are correctly identified and in no case, persons whose names appear to be similar to the names of directors appearing in the list of wilful defaulters, are wrongfully denied credit facilities on such grounds, it is advised to include the Director Identification Number (DIN) as one of the fields in the data submitted to Credit Information Companies.

- (h) "siphoning of funds" shall be construed to have occurred if any funds availed using credit facility from lenders are utilised for purposes unrelated to the operations of the borrower.

#### **4. Treatment of Wilful Defaulters**

##### **(1) Mechanism for Identification and Classification of Wilful Defaulters**

Bank shall identify and classify a person as a 'wilful defaulter' by the procedure enumerated in these Directions. The identification of the wilful default should be made keeping in view the track record of the borrowers and should not be decided on the basis of isolated transactions/ incidents. The default to be categorised as wilful must be intentional, deliberate, calculated and meeting the conditions set out in para 3(e) above.

(a) (i) The evidence of wilful default shall be examined by an Identification Committee.

(ii) If the Identification Committee is satisfied that an event of wilful default has occurred, it shall issue a show-cause notice to borrower/ guarantor/ promoter/ director/ persons who are in-charge and responsible for the management of the affairs of the entity, and call for the submissions from them within 21 days of issuance of show cause notice. Bank shall disclose to them all materials and information on which show cause notice is based.

Explanation: Director (s)/ persons who are in charge and responsible for the management of the affairs of the entity means who were associated with the company/ entity at the time when the acts of omission or commission by the company/ entity led to the default.

(iii) After considering the submissions and where satisfied, the Identification Committee shall make a proposal to the Review Committee for classification of borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity as a wilful defaulter by explaining the reasons in writing.

(iv) The borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity shall thereafter be suitably advised about the proposal to classify them as wilful defaulter along with the reasons therefor.

(v) An opportunity shall be provided to borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity for making a written representation to Review Committee within 15 days of such a proposal from the Identification Committee.

(vi) The proposal of the Identification Committee along with the written representation received shall be considered by the Review Committee.

(vii) The Review Committee shall provide an opportunity for a personal hearing also to the borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity. However, if the opportunity is not availed or if the personal hearing is not attended by the borrower/ guarantor/ promoter/ director/ persons who are in charge and

responsible for the management of the affairs of the entity, the Review Committee shall, after assessing the facts or material on record, including written representation, if any, consider the proposal of the Identification Committee and take a decision.

(viii) As the above classification process is an in-house proceeding, the borrower/ guarantor/ promoter/ director/ persons in charge and responsible for the management of affairs shall not have the right to be represented by a lawyer.

(ix) The Review Committee shall pass a reasoned order and the same shall be communicated to the wilful defaulter.

Explanation: If the Identification Committee concludes that the borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity, do not qualify for classification as a wilful defaulter, such cases need not be referred to the Review Committee.

- (b) (i) Regional Head of concerned region where account lies, would issue the show cause notice and serve written order on behalf of the Identification Committee and Review Committee respectively.

If borrower is having credit facilities from different branches of two or more different regions, General Manager may direct any Regional Head, as the case may be, to issue the show cause notice and serve written order on behalf of the Identification Committee and Review Committee respectively. The show-cause notice and the order served by the designated official shall clearly state that this has the approval of the competent authority, i.e., Identification/ Review Committee and must identify its members. Record of the same should be kept safely along with bank documents.

- (c) A director other than whole-time director, including an independent director/

nominee director, shall not be considered as wilful defaulter unless it is conclusively established that:

- (i) the wilful default by the borrower or the guarantor has taken place with their consent or connivance or
  - (ii) he/ she was aware of the fact of wilful default by the borrower or the guarantor, as revealed from the proceedings recorded in the minutes of the meeting of the Board or a Committee of the Board, but has not recorded his/ her objections to the same.
- (d) The name of a non-whole-time director/ independent director/ nominee director who has been classified as a wilful defaulter shall be reported indicating that he is a non-whole-time director/ independent director/ nominee director.
- (e) A committee at Regional office consisting Regional Head as head of the committee and two other members posted under Concerned RO/Branch, not below the cadre of Senior Manager, further called "Regional Identification committee", will identify "Wilful Default" in every NPA account qualifying the criteria as defined above 3(e) & (f).

Borrower/ guarantor/ promoter/ director/ persons in charge and responsible for the management of affairs which are found as "Wilful Defaulter" as defined in para 3(f) above, "Regional Identification committee" will report to Head office "Identification committee", as defined above in para 3(b), with clear recommendation for identification of Wilful Defaulter, within 15 days from classification to NPA. "Regional Identification committee" shall properly investigate and satisfy about Means and income resources of Borrower/ guarantor/ promoter/ director/ persons in charge and responsible for the management of affairs which are recommended for identification

as “Wilful Defaulter”. Sufficient proof of means & income proof shall be kept in bank records and copy of same is to be forwarded with recommendation to “Identification committee.

## **(2) Review of accounts for identification of wilful default**

- (a) Bank shall examine the ‘wilful default’ aspect in all Non-Performing Assets (NPA) accounts with outstanding amount of ₹25 lakh and above or as may be notified by Reserve Bank of India from time to time. If wilful default is observed in the internal preliminary screening, the bank shall complete the process of classification/ declaring the borrower as a wilful defaulter by following the mechanism set out in para 4 (1) above, within six months of the account being classified as Non-Performing Assets (NPA) in accordance with the instructions regarding asset classification issued by the Reserve Bank from time to time.
- (b) In respect of accounts where ‘wilful default’ was not observed during the initial examination as mentioned at para 4(2)(a) above, the aspects regarding ‘wilful default’ shall be subsequently re-examined in terms of this policy on yearly basis.

## **5. Specific measures against wilful defaulters**

### **(1) Initiation of Criminal proceedings**

Based on the facts and circumstances of each case, bank can examine whether initiation of criminal proceedings against wilful defaulters under the provisions of the applicable law, is warranted. In cases where criminal proceedings have been initiated, removal of the name of a wilful defaulter from the List of Wilful Defaulters (LWD) shall be without prejudice to the continuation of criminal proceedings against the wilful defaulter.

### **(2) Publishing of photographs of wilful defaulters**



Cases where Review Committee ordered to classify and declare the concerned borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity, as a wilful defaulter, after communicating written order of Review Committee to concerned wilful defaulter, photographs of persons classified and declared as wilful defaulter shall be published by Regional office concerned. The criteria for publication of photographs of wilful defaulters are non- discriminatory. Publication shall be done in 2 (Two) leading Newspapers, one in vernacular language having sufficient circulation in the locality. Publication of Photograph of wilful defaulters shall contain clear passport size photograph along with name of borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity, Address, Account numbers, Type of credit facilities availed, Name of Branch concerned, outstanding exposure, sanctioned amount, date of sanction, date of NPA and date of order passed by Review Committee.

### (3) Penal and other measures against wilful defaulters

(a) The penal measures mentioned below shall be implemented:

- (i) No additional credit facility shall be granted to a wilful defaulter or any entity with which a wilful defaulter is associated.
- (ii) The bar on additional credit facility to a wilful defaulter or any entity with which a wilful defaulter is associated shall be effective for a period of one (1) year after the name of wilful defaulter has been removed from the List of Wilful Defaulters (LWD).
- (iii) No credit facility shall be granted for floating of new ventures to a wilful defaulter or any entity with which a wilful defaulter is associated for a period of

five (5) years after the name of wilful defaulter has been removed from the LWD.

(iv) Wilful defaulters or any entity with which a wilful defaulter is associated shall not be eligible for restructuring of credit facility. Subsequent to removal of the name of wilful defaulter from the LWD, the wilful defaulter or any entity with which a wilful defaulter is associated shall be eligible for restructuring, subject to the provision contained in para 5 (3) (a) (ii) above.

Explanation:

(A) If the wilful defaulter is a company, another company will be deemed to be associated with it, if that company is -

i. a 'subsidiary company' as defined under clause 2 (87) of the Companies Act, 2013.

ii. falls within the definition of a 'joint venture' or an 'associate company' under clause (6) of section 2 of the Companies Act, 2013.

(B) If the wilful defaulter is a natural person, all entities in which he is associated as promoter, or director, or as one in charge and responsible for the management of the affairs of the entity shall be deemed to be associated.

(C) The penal provisions mentioned above, shall cease to be applicable on the associated entities when they are no longer associated with the wilful defaulters.

(D) In cases where the existing promoters are replaced by new promoters and the borrower company is totally delinked from such erstwhile promoters/ management, bank may take a view on restructuring such accounts based on their viability, without prejudice to the continuance of criminal proceedings against the erstwhile promoters/ management.

#### (b) Incorporation of covenant

(i) The branch/region shall incorporate a covenant in the agreement while extending credit facility to a borrower that it shall not induct a person whose name appears in the LWD on its board or as a person in charge and responsible for the management of the affairs of the entity.

(ii) In case such a person is found to be on its board or as a person in charge and responsible for the management of the affairs of the entity, the borrower would take expeditious and effective steps for removal of such a person from the board or from being in charge of its management.

(iii) Under no circumstances shall a branch renew/ enhance/ provide fresh credit facilities or restructure existing facilities provided to such a borrower so long as the name of its promoter and/or the director (s) and/or the person in charge and responsible for the management of the affairs of the entity remains in the LWD.

**(c) Initiation of legal action**

Branch/Regional Office shall, wherever warranted, initiate legal action against the borrowers/ guarantors for foreclosure/ recovery of dues expeditiously.

**6. Provision for a transparent mechanism**

A transparent mechanism for the entire process of identification of wilful defaulters shall be adopted so that the penal provisions are applied in a fair manner and the scope for discretion is obviated.

**7. Role of Internal Audit**

(1) Bank's internal auditors to specifically look into adherence to instructions for classifying a borrower as a wilful defaulter.

(2) The Audit Committee of the bank shall periodically review the cases of wilful default and recommend steps to be taken to prevent such occurrences and their early detection should these occur. The review shall focus on identifying root causes of wilful default and addressing deficiencies, if any, in the wilful defaulter classification process adopted by the bank.

## **8. Liability of a Guarantor**

(1) As per Section 128 of the Indian Contract Act, 1872, the liability of the guarantor is coextensive with that of the principal debtor unless it is otherwise provided by the contract.

(2) When a default happens in making payment/ repayment by the principal debtor, the bank will be able to proceed against the guarantor even without exhausting the remedies against the principal debtor.

(3) Where lender (bank) has made a claim on the guarantor on account of the default made by the principal debtor, the liability of the guarantor is immediate.

(4) In case the said guarantor refuses to comply with the demand made by the bank, such guarantor shall also be considered for classification as a wilful defaulter by following the mechanism as set out in para 4 of these Directions.

(5) While dealing with the wilful default of a single borrowing company in a Group, the bank shall consider the track record of the individual company, with reference to its repayment performance to bank. In cases where guarantees furnished by the companies within the Group on behalf of the wilfully defaulting units are not honoured when invoked, such Group companies should also be considered for classification as wilful defaulter by following the mechanism set out in para 4 of these Directions.

## **Reporting of Wilful Defaulters and Large Defaulters**

## 9. Reporting and Dissemination of Credit Information on Large Defaulters

- (1) The provisions regarding reporting and dissemination of credit information pertaining to large defaulters are applicable to the bank.
- (2) Bank shall submit information to all credit information companies (CICs) in respect of the large defaulters at monthly intervals -
  - (a) a list of suit filed accounts of large defaulters; and
  - (b) a list of non-suit filed accounts of large defaulters whose account has been classified as doubtful or loss (in accordance with the instructions issued by the Reserve Bank from time to time).
- (3) For calculating the threshold of ₹1 crore, the unapplied interest, if any, shall also be included. In the case of suit-filed accounts, the threshold shall relate to the amount for which the suits have been filed.
- (4) Regional office will provide information related to willful defaulters & Large defaulters as described above on prescribed format by 4<sup>th</sup> day of following month to Head office.
- (5) Regions may check list of suit-filed accounts of large defaulters available on CICs website.

Explanation:

- (a) For the purposes of these Directions, the term 'suit filed accounts' shall mean those accounts in respect of which Bank have approached courts or tribunals (including under Insolvency and Bankruptcy Code, 2016) for recovery of their dues, and proceedings are pending.

(b) Accounts shall be treated as suit filed if any application, appeal or execution is pending in continuation of the original recovery proceedings.

(c) Suit filed accounts shall be deemed to include accounts in which SARFAESI proceedings or any other proceedings for recovery of the dues from the borrower or any other person liable to make payment of a debt under Acts governing co-operative societies are initiated and pending, and shall include the account of a debtor against whom resolution or liquidation proceedings have been initiated and are continuing.

## **10. Reporting and Dissemination of Credit Information on Wilful Defaulters**

(1) All Regions shall submit at monthly intervals, information in Annex XI to Head Office by 4<sup>th</sup> day of following month for onwards submission to all CICs in respect of the wilful defaulters as defined in para 3 (f) of these directions:

(a) a list of wilful defaulters (LWD) in respect of suit filed accounts

(b) a LWD in respect of non-suit filed accounts

(2) "Regional Identification Committee" shall submit information to "Identification Committee" at Head office for information to all CICs the removal of the name of the wilful defaulter from the LWD, promptly and not later than 30 days, from the date when the outstanding amount falls below the threshold of ₹25 lakh or as notified by Reserve Bank of India from time to time, subject to the provision in para 11 (2) below.

(3) Region may verify information of suit-filed and non-suit filed accounts of LWD on CICs website.

(4) List of Wilful Defaulters & Large defaulters will also be shared with Regions/Branches time to time by Credit Department at Head Office itself.

## **11. Treatment of compromise settlements**

- (1) Any account included in LWD, where the bank/branch has entered into a compromise settlement with the borrower, shall be removed from the LWD only when the borrower has fully paid the compromise amount. In cases where it has been decided to cancel the settlement due to non-adherence to the terms of the settlement and revises the amount payable by the borrower, the reporting shall be with reference to the revised amount.
- (2) Till such time as only part payment is made, name of the borrower shall not be removed from the LWD even if the outstanding amount becomes less than the threshold of ₹25 lakh or as notified by Reserve Bank of India from time to time.
- (3) The compromise settlement with the wilful defaulter shall be in terms of existing Recovery Policy of the bank.
- (4) The compromise settlement shall be without prejudice to the continuation of criminal proceedings against the wilful defaulter.

## **12. Treatment of accounts where resolution is done under Insolvency and Bankruptcy Code (IBC)/ Resolution framework guidelines issued by the Reserve Bank**

- (1) In case an account which is included in LWD and has subsequently undergone liquidation or where the resolution [either under IBC or under the Prudential Framework for Resolution of Stressed Assets dated June 7, 2019 (as amended from time to time) issued by the Reserve Bank] results in a change in the management and control of the entity/ business enterprise, the name of such a borrower or guarantor who were classified as wilful defaulter [which includes in case of a company, its promoters and the director (s), and in case of entity (other than companies), persons who are in charge and responsible for the management of the affairs of the entity], shall be removed from the LWD after implementation of the resolution plan under IBC or aforesaid prudential framework.

(2) The penal measures as detailed in para 5 (3) (a) shall not be applicable to such entities/ business enterprises after implementation of the resolution plan under IBC or aforesaid prudential framework.

(3) The penal measures detailed in para 5 (3) (a) (ii) and (iii) shall continue to apply to the erstwhile promoter(s)/ director(s)/ guarantor(s)/ persons who were in charge and responsible for the management of the affairs of the entity/ business enterprise, and to the entities they are associated as a promoter or director or as one in charge and responsible for its management.

### 13. Responsibility for Correct Reporting

(1) The responsibility for reporting correct information and also ensuring the accuracy of facts and figures rests with the concerned Region.

(2) Regions while furnishing information to Head office shall ensure the accuracy of the particulars of the directors, and wherever possible, by cross-checking with the database maintained by the Registrar of Companies.

### 14. Reporting of Guarantors

The entities regulated by Reserve Bank or lenders, as applicable, shall report to CICs the details of guarantors who have failed to honour the commitments thereunder when invoked, as large defaulters/ wilful defaulters, as the case may be. The details shall be reported as per Annex XI and XII.

### 15. Reporting of Directors

(1) In case of business enterprises registered as companies under the Companies Act, 2013, the region shall also report in the Director column of Annex XI and XII, the full names of the directors to facilitate better identity of persons concerned, subject to the provisions of these directions.



(2) In order to ensure that directors are correctly identified and in no case, persons whose names appear to be similar to the names of directors appearing in the LWD are wrongfully denied credit facilities on such grounds, Region shall include the Director Identification Number (DIN) as one of the fields in the data submitted in Annex XI and XII, by them to Head office for onwards submission to CICs.

### **Preventive Measures and Role of Auditors**

#### **16. Preventive Measures**

##### **(1) Credit appraisal**

(a) While carrying out the credit appraisal, all Branches/Regional offices Bank shall verify as to whether the name of any of the directors of a company/ guarantors/ persons in charge of the management of affairs of the entity appears in the list of large defaulters/ LWD by way of reference to DIN/ PAN, etc.

(b) In case of any doubt arising on account of identical names, branch/region shall use independent sources for confirmation of the identity of directors rather than seeking a declaration from the borrowing company.

##### **(2) Monitoring End Use of Funds**

(a) The branch shall closely monitor the end-use of funds and obtain certificates from borrowers certifying that the funds have been utilised for the purpose for which they were obtained. In case of the wrong certification by the borrowers, branches shall consider initiating appropriate legal proceedings, including criminal proceedings wherever necessary, against the borrowers as per existing policy / guidelines.

(b) Branches shall opt the measures in ensuring the end-use of funds as suggested in loan policy. An illustrative list of measures for monitoring and ensuring end-use of funds are as under:

- (i) Meaningful scrutiny of monitoring reports/ operating & financial statements /

balance sheets of the borrowers;

(ii) Regular inspection of borrowers' assets charged to the bank as security;

(iii) Periodic scrutiny of borrowers' books of accounts and the 'no-lien' accounts maintained with other lenders;

(iv) Periodic visits to the assisted units;

(v) System of periodic stock inspection/audit, in case of working capital finance;

(c) In cases of project financing, branch should ensure end use of funds by, inter alia, obtaining certification from the Chartered Accountants for the purpose. The branches, however, not just depend on the certificates issued by the Chartered Accountants but also use measures as directed in loan policy to mitigate credit risk and to enhance the quality of loan portfolio. Further, in all cases, especially in the case of short-term credit facilities/ clean loans, such an approach must be supplemented by 'due diligence' on the part of branch themselves and to the extent possible, such loans must be limited only to those borrowers whose integrity and reliability are above board.

## **17. Role of Statutory Auditors**

(1) In case any falsification of accounts on the part of the borrowers is observed, and the auditors are found to be negligent or deficient in conducting the audit, the bank shall consider lodging a formal complaint against the statutory auditors of the borrowers, based on recommendations and facts received from Regional office, with the National Financial Reporting Authority (NFRA)/ Institute of Chartered Accountants of India (ICAI) to enable them to examine and fix accountability of the auditor.

(2) Pending disciplinary action by NFRA/ ICAI, the complaints shall be forwarded to the Reserve Bank (Department of Supervision, Central Office) and Indian Banks' Association (IBA). Before reporting to the Reserve Bank and IBA, bank shall satisfy themselves of the involvement of concerned auditors and also provide them with an

opportunity of being heard. In this regard, the bank should follow normal procedures and processes, which shall be suitably recorded.

Regional office must cross check all facts and figure before submitting the same to head office as Based on such information received from lenders, IBA shall, in turn, prepare a caution list of such auditors for circulation among the lenders, who must consider this aspect before assigning any work to them.

(3) With a view to monitoring the end-use of funds, if the branch desires a specific certification from the borrowers' auditors regarding diversion/siphoning of funds by the borrowers, the branch should award a separate mandate to the auditors for the purpose. To facilitate such certification by the auditors, the branch shall ensure that appropriate covenants in the loan agreements are incorporated to enable the award of such a mandate by the bank to the auditor.

(4) In addition to the above and with a view to preventing diversion/ siphoning of funds by the borrowers, the bank is free to engage their own auditors for such specific certification without relying on certification given by borrowers' auditor.

(5) Depending upon the nature of the borrowers' acts underlying the wilful default and the quality of evidence available with the branches in the normal course, the bank shall consider commissioning a forensic audit of the affairs of the borrowers and their books of accounts, as per extant guideline of bank in this regard.

## **18. Role of third parties**

- (1) As prescribed in para 4.2 of Circular HO/05/VIG/2024-25/103 dated 24.07.2024 against The Master Directions on Frauds Risk Management in Commercial Banks (including RRBs) and AIFIs/ UCBs, State Cooperative Banks, Central Cooperative Banks/ NBFCs (including Housing Finance Companies) dated July 15, 2024 issued by RBI & existing guidelines of bank, in case of wilful defaults also accountability will be examined for the

third parties engaged by the bank, if they have played a vital role in credit sanction/ disbursement and are found negligent or deficient in their work or have facilitated the wilful default by the borrower.

- (2) The bank shall forward the details of these third parties to the Indian Banks' Association (IBA) for records, based on recommendations and facts received from Regional office. This requirement shall be applicable irrespective of their membership status with IBA. Based on such information, IBA shall, in turn, prepare caution lists of such third parties and circulate to all the regulated entities of Reserve Banks who shall consider this aspect before assigning any work to them.
- (3) Regional office must cross check all facts and figure before submitting the same to head office and have to satisfy themselves of the involvement of concerned third parties and also provide them with an opportunity of being heard. In this regard, the regional offices are advised to follow due process, which shall be suitably recorded.

## **19. Repeal Provisions**

With these directions coming into force, the instructions/ guidelines contained in previous circulars/guidelines, issued by bank shall stand repealed.

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## CHAPTER VI

### RESCHEDULEMENT / REPHASEMENT/RESTRUCTURING

#### 1. Rescheduling:

It is changing the pattern of debt service obligation from equated monthly installment to ballooning schedule or descending schedule without considering any enhancement in repayment period and quantum of outstanding. Rescheduling is therefore,

- Retaining the existing repayment period.
- Not exceeding the existing outstanding exposure.
- Without changing the nature and quantum of existing credit facilities.
- Without sanctioning any fresh credit facility or additional limit whether within the existing outstanding exposure.

#### 2. Rephasement:

Rephasement is rescheduling with enhancing the repayment period only. In genuine cases of retail loans granted to individuals, the Rephasement can be considered by Regional Authority after satisfying the genuineness of Rephasement proviso repayment period shall not exceed the date of retirement of the borrower in respect of salaried individuals and 65 years of age in respect of others.

#### Guiding Principles for Rescheduling/Rephasement:

- All standard, substandard and doubtful accounts can be rescheduled. While rescheduling substandard and doubtful accounts, staff accountability shall be examined and suitable comments shall be incorporated in the proposal.
- A rescheduling can be done by reduction in installment amount for a temporary/specified period with a condition to increase in the quantum of future installment to take care of the retaining the existing repayment period.
- In genuine cases of retail loans granted to individuals, the reschedulement can be considered by Regional Authority after satisfying the necessity of reschedulement.
- No rescheduling of wilful defaulters' accounts or accounts where frauds are committed shall be attempted.

- An account where one time reschedulement not exceeding 6 months is considered on account of temporary mismatch of funds, it may not be construed as restructuring.

#### Authority for Reschedulement/ Rephasement.

All Senior Branch Managers (including Senior Manager-Credit / Recovery in ROs) and above can consider rephasing /rescheduling of repayment schedule for Term Loan and Demand Loan for a maximum period of –6- months in respect of proposals falling under their DLPs, after approval from RO, subject to other terms and conditions shall not be changed / modified.

Branch Head in Scale I & II shall refer all such cases, duly recommended for sanction of Reschedulement/ Rephasement to their respective Regional offices.

### 3. Restructuring:

In restructuring following may be considered –

- Changing existing repayment period, and/or
- Changing existing outstanding exposure, and/or
- Changing the nature and quantum of existing credit facilities
- Sanctioning any fresh credit facility or additional limit whether within the existing outstanding exposure or beyond.

#### A. Restructuring of an account may involve :

- I. Refund of penal interest
- II. Reduction in rate of interest (with or without retrospective effect)
- III. Funding of core irregularity as working capital term loan(WCTL)
- IV. Funding of unpaid interest as funded interest term loan(FITL)
- V. Reschedulement of installments in existing term loan and / or
- VI. Fresh/ additional term loan/ working capital facilities

- VII. Based on borrower's /promoter's sincerity, wherewithal and capability to achieve a turnaround, restructuring of the account may be undertaken and additional finance may be extended in restructured accounts.
- VIII. No restructuring of wilful defaulters accounts or accounts where frauds are committed shall be permitted.
- IX. All standard, substandard and doubtful accounts can be restructured. While restructuring substandard and doubtful accounts, staff accountability shall be examined and suitable comments shall be incorporated in the proposal
- X. All C & I/SME/ Priority Sector and Retail borrower accounts may be restructured.
- XI. Agricultural advances can also be restructured apart from the restructuring under the directions of Reserve Bank of India, communicated by the Bank to the branches.
- XII. While restructuring an account, effort shall be made to obtain personal guarantee of promoter Directors, if not already obtained and additional tangible security to secure the advance. However, restructuring may not be denied merely because the borrower is not able to offer additional tangible security.
- XIII. Substandard and doubtful accounts which are subjected to restructuring can be upgraded to standard category only after a period of one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of RP, subject to satisfactory performance during the period.

#### B. Authority for Restructuring with sacrifice and additional funding

All Regional Managers/Assistant General Managers and above can consider the restructuring up to their discretionary lending powers. The quantum of sacrifice (by way of write off/waiver) and/or DLP for total exposure (including additional funding) will determine the level of authority.

Sanctioning authority can also change/ modify terms and conditions of sanction (including rate of interest as per authority for deviation). Any reduction in interest shall be for a definite period not exceeding restructuring period and should be subject to annual review with a view to withdraw such reduction in rate of interest, whenever possible.

#### C. Authority for Restructuring without sacrifice but with additional funding:

All Chief Managers and above up to their discretionary lending powers can consider restructuring without sacrifice but with additional funding. They can also change/ modify terms and conditions of sanction (including rate of interest) with prospective effect. Any reduction in rate of interest shall be for definite periods not exceeding the restructuring period subject to annual review with a view to withdraw such reduction, whenever possible.

**D. Guidelines on Restructuring/ Rescheduling of Loans inter-alia contained in Master Circular of RBI.**

- I. The stages at which the restructuring / rescheduling / renegotiation of the terms of loan agreement could take place, can be identified as under:
  - a) Before commencement of commercial production;
  - b) After commencement of commercial production but before the asset has been classified as sub standard,
  - c) After commencement of commercial production and after the asset has been classified as sub standard.

In each of the foregoing three stages, the rescheduling, etc., of principal and/or of interest could take place, with or without sacrifice, as part of the restructuring package evolved.

- II. Treatment of Restructured Standard Accounts:
  - a) A rescheduling of the installments of principal alone, at any of the aforesaid first two stages would not cause a standard asset to be classified in the sub standard category provided the loan/credit facility is fully secured.
  - b) A rescheduling of interest element at any of the foregoing first two stages would not cause an asset to be downgraded to sub standard category subject to the condition that the amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. For the purpose, the future interest due as per the original loan agreement in respect of an account should be discounted to the present value at a rate appropriate to the risk category of the borrower (i.e. current BPLR+ the appropriate credit risk premium for the borrower-category) and compared with the present value of the dues expected to be received under the restructuring package, discounted on the same basis.
  - c) In case there is a sacrifice involved in the amount of interest in present value terms, as at (b) above, the amount of sacrifice should either be written off or provision made to the extent of the sacrifice involved.



### III. Treatment of restructured sub-standard accounts

- a) A rescheduling of the installments of principal alone would render a sub-standard asset eligible to be continued in the sub-standard category for the specified period, provided the loan/credit facility is fully secured.
- b) A rescheduling of interest element would render a sub-standard asset eligible to be continued to be classified in sub-standard category for the specified period subject to the condition that the amount of sacrifice, if any, in the element of interest, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. For the purpose, the future interest due as per the original loan agreement in respect of an account should be discounted to the present value at a rate appropriate to the risk category of the borrower (i.e., current BPLR + the appropriate credit risk premium for the borrower category) and compared with the present value of the dues expected to be received under the restructuring package, discounted on the same basis.
- c) In case there is a sacrifice involved in the amount of interest in present value terms, as at (b) above, the amount of sacrifice should either be written off or provision made to the extent of the sacrifice involved. Even in cases where the sacrifice is by way of write off of the past interest dues, the asset should continue to be treated as sub-standard.

### IV. General:

- a) The instructions contained in sub-paras (i) to (iii) above would be applicable to all type of credit facilities including working capital limits, extended to industrial units, provided they are fully covered by tangible securities.
- b) As trading involves only buying and selling of commodities and the problems associated with manufacturing units such as bottleneck in commercial production, time and cost escalation etc. are not applicable to them, the guidelines contained in sub para (i) to (iii) above should not be applied to restructuring/ rescheduling of credit facilities extended to traders.
- c) While assessing the extent of security cover available to the credit facilities, which are being restructured/ rescheduled, collateral security would also be reckoned, provided such collateral is a tangible security properly charged to the bank and is not in the intangible form like guarantee etc. of the promoter/ others.
- d) Reschedulement/Restructuring/Renegotiating of borrower accounts cannot be done with retrospective effect. The asset classification status as on the date of

approval of the restructured package by the competent authority would be relevant to decide the asset classification status of the account after restructuring / rescheduling / renegotiation. In case there is undue delay in sanctioning a restructuring package and in the meantime the asset classification status of the account undergoes deterioration, it would attract supervisory intervention.

- e) It is not expected to repeatedly restructure/ reschedule the amounts due to them unless there are very strong and valid reasons, which warrant such, repeated restructuring/ rescheduling. Restructuring in all cases should be based on viability parameters. Any restructuring done without looking into cash flows of the borrower would invite supervisory concerns. It will not be appropriate to extend the special asset classification status as provided for in paragraphs (ii) and (iii) above to accounts, where there are repeated restructuring/ rescheduling.
- f) Normally restructuring cannot take place unless alterations/changes in the original loan agreement are made with the formal consent /application of the debtor. However, the process of restructuring can be initiated by the bank in deserving cases subject to customer agreeing to the terms and conditions.
- g) Funded Interest: As regards the regulatory treatment of 'funded interest' recognised as income and 'conversion into equity, debentures or any other instrument' banks should adopt the following:

Income recognition in respect of NPAs, regardless of whether these are or are not subjected to restructuring/ rescheduling/renegotiation of terms of the loan agreement, should be done strictly on cash basis, only on realisation and not if the amount of interest overdue has been funded. If, however, the amount of funded interest is recognized as income, a provision for an equal amount should also be made simultaneously. In other words, any funding of interest in respect of NPAs, if recognised as income, should be fully provided for.

- h) Reversal of provision made for NPA is permitted when the account becomes a standard asset. The provision made in a restructured /rescheduled account towards interest sacrifice, may be reversed on satisfactory completion of all repayment obligations and the outstanding in the account is fully repaid. Banks should not re-compute the extent of sacrifice each year and make adjustments in the provisions made towards interest sacrifice.
- i) While banks may consider accounts other than that of industrial units also for restructuring, such accounts would have to qualify the basic test of viability before it is considered for restructuring. However, these accounts would not qualify for the

special asset classification status available to restructured 'standard' and restructured 'substandard' accounts as at sub-paras (ii) and (iii) above. The accounts, which do not qualify for restructuring/ rescheduling in terms of sub-paras (i) to (iii) above, will be subjected to the following prudential norms-

- These restructured/rescheduled accounts would continue to age and migrate to the next asset classification status in the normal course. Banks should ensure that the amount of sacrifice, if any, in the element of interest - both in term loans or working capital facilities, measured in present value terms, is either written off or provision is made to the extent of the sacrifice involved. For the purpose, the future interest due as per the original loan agreement in respect of an account should be discounted to the present value at a rate appropriate to the risk category of the borrower (i.e., current BPLR + the appropriate credit risk premium for the borrower-category) and compared with the present value of the dues expected to be received under the restructuring package, discounted on the same basis.
- These restructured/ rescheduled accounts, whether in respect of principal installment or interest amount, by whatever modality, would be eligible to be upgraded to the standard category only after a period of one year from the commencement of the first payment of interest or principal (whichever is later) on the credit facility with longest period of moratorium under the terms of RP, subject to satisfactory performance during the period. The amount of provision made earlier, net of the amount provided for the sacrifice in the interest amount in present value terms as aforesaid, could also be reversed after the one year period.

NOTE: The above stated Rephasement / Reschedulement & Restructuring are only the general guidelines which are recognized as lawful methods of resolution of NPAs. Circulars & guidelines issued by the Bank, from time to time, should be referred for undertaking such exercise.

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## CHAPTER VII

### LOK ADALATS

Lok Adalat is a process of administering justice without resorting to Courts and is established under the Legal Services Authorities Act 1987. Under the provisions of the Act, States have constituted Legal Services Authorities at High Court, District and at Taluka level. Under the Authorities of such Committees respective Courts are organizing Lok Adalats within the area of jurisdiction.

Bank shall take maximum advantage of the medium of Lok Adalats for compromise settlements especially in hardcore cases. It is the fastest and cheapest mode of settlement of disputes and branches can take the benefit of such Lok Adalats regularly being organized by District Civil Courts, DRT. We may request for a special Lok Adalat where number of cases to be addressed are fairly large.

Following are the certain advantages in utilizing the forum of Lok Adalats:-

- 1) There is no court fee involved when fresh disputes are referred to it.
- 2) It can take cognizance of any existing suit in the Court as well as look into and adjudicate upon fresh disputes.
- 3) If no settlement is arrived at, the parties can continue with court proceedings.
- 4) Every award of the Lok Adalats shall be deemed to be a decree passed by Civil Court and is binding on the parties and execution proceeding can be filed accordingly.
- 5) No appeal lies against the decree passed by Lok Adalats as the matters are settled through negotiation and mutual consent of the parties.
- 6) In case where matter is compromised or settled in Lok Adalat or award is made, then the Court fee already paid in suit filed cases will also be refunded in the manner provided under the Court Fee Act/ Legislation.

#### 1.0 GUIDELINES FOR ORGANISING LOK ADALATS:

1. The Lok Adalats are constituted under the Legal Services Authorities Act, 1987. The State/ District/ Taluka Level Legal Services Committees/ Authorities constituted under the Act (Hon'ble sitting Sr. Judge of Court) have to be contacted for doing the ground work for organizing Lok Adalats.
2. Cases of amount involving up to Rs 20.00 lacs can be referred to Lok Adalats. As per extant Guidelines of RBI, Accounts under Doubtful and Loss category (including PWO accounts) which

are under NPA category for more than 6 months, where all possible measures of recovery have been exhausted, both suit filed and others, can be included for reference to the Lok Adalats. However, where DRTs organize Lok Adalat for cases pending in DRTs, matters can be referred irrespective of amount involved. NPA Accounts which have been categorized directly into Doubtful/ Loss category cannot be considered for settlement before 6 months of classification into NPA.

3. The branches should go through their records and identify the Borrowers' accounts coming under the purview of Lok Adalat. A list of such Borrowers should be prepared and kept ready. While finalizing such list, the willingness of the Borrowers/ guarantors, their networth, actual and as per record, value and nature of the securities available in the account are to be considered.

4. Though, pre-litigation disputes can also be taken before Lok Adalats, for selection of cases under the suit filed category, it is advisable to give priority on selection of old cases, which are pending before the Civil Courts for more than three years. Please note that DRTs also in some centers have been conducting Lok Adalats in respect of cases under their purview.

Hence, the Bank does take benefits of such Lok Adalats. However, prior sanction of the Competent Authority, based on the quantum of sacrifice shall be obtained before giving consent at DRT Lok Adalat.

5. For the purpose of organizing Lok Adalats, it will be advisable to identify the area taking into consideration of conglomeration of the branches before approaching the concerned Judicial Authorities, so that maximum number of branches can participate.

6. On getting approval from concerned Judicial Authorities for organizing Lok Adalats, summons be prepared, authorized/ signed by the Hon'ble Court and be served preferably through Court representative and as far as possible Borrowers should be approached personally. It should be seen that the Branch Manager/ officials of bank ensure that Borrowers/ guarantors remain present during the proceedings of Lok Adalat and if possible a settlement should be arrived before hand.

7. Considering the detailed guidelines contained in the recovery policy or as may be updated from time to time on negotiating compromise settlements, it should not be difficult for the Region/ branch to arrive at amount acceptable from the Borrowers.

8. Powers for sacrifice have been delegated to various functionaries for compromise settlements. However, the Region should ensure that the officials/Branch Manager, who have been delegated with adequate powers of compromise/ sacrifice and other requisite authority, should be available in the Lok Adalat so that instant and clear cut decisions can be taken as to the extent of which Bank is willing to compromise.

9. Compromise be entered and it should be ensured that in the consent terms default clause is incorporated against the Borrower and the guarantor stating that in the event of default either in full or part or non-adherence to the terms of the Award, entire contractual amount as claimed with all interests and costs thereon would become payable forthwith minus the amount already received in pursuance of the award so made.

10. Further, it is imperative that after amicable settlement is arrived at with the Borrower/s, the branches should ensure to obtain Recovery Certificates/ Decrees where applicable in such accounts and monitor the accounts very closely to ensure full recovery of compromised amount as per the consent terms filed before the Lok Adalat.

11. Where an Award has been made by the Lok Adalat in the matter which was transferred from the Court, the Bank must apply for and obtain refund of the court fees, wherever applicable.

12. It may please be noted that all such RC or decrees awarded by the Court are valid for execution like a normal decree obtained by the bank.

13. The Award passed by the Lok Adalat to be executed through the appropriate Court/ DRT, if the amount is not paid by the Borrower/ Guarantor as per the terms of the Award.

14. National Legal Services Authority encourages Pre LokAdalat Sitzings with the Borrowers/ Guarantors for better results in Lok Adalats. Hence, branches should meet the Borrowers/ Guarantors well in advance and should undertake negotiations with them before the date fixed for Lok Adalat, to achieve better results.

## 2.0 SETTLEMENT FORMULA:

1. A Decree shall be sought from the Lok Adalat for the principal amount and interest claimed in the suit as per terms of compromise with default clause, and after full payment of decree amount, the branch shall issue a discharge certificate.

2. As far as possible the branch shall endeavor to recover maximum amount due for recovery.

3. Negotiation shall start from total/gross dues owed by the borrower. However, in genuine cases where no security is available or realizable value of security is much less than the outstanding contractual dues, Borrowers/ guarantors worth is negligible, cost of suit is high, suit is being dragged for long duration without any decision etc., the bank may accept lesser amounts on merit authorized by competent authority having such delegated powers of waiver/ sacrifice. Further, as far as possible there shall be no adverse impact on Profit & Loss A/c. However, in genuine cases, if proposal is accepted at a lower amount with negative impact

on P/L, prior approval of Regional Head shall be obtained, if competent authority for sanction is below ROSAC-II.

4. All guidelines including competent authority, delegated powers of sacrifice, cooling period etc., as described in previous chapters covering compromise settlement and compromise sanction, will also be applicable to all settlements done in Lok Adalat unless any specific guidelines mentioned in this chapter.

5. As far as possible endeavor should be made to recover the entire compromise amount in bullet payment within a period of -90- days. In suitable cases the period of payment may be considered up to one year with payment of interest @ 12% simple. Compromise settlements where the time for payment of the agreed settlement amount exceeds three months shall be treated as restructuring as defined in terms of the "Prudential framework on Resolution of Stressed Assets dated June 7, 2019".

6. In case where payment of compromise amount in single-stroke is not possible, a 'substantial portion' of compromise amount to be recovered/obtained as token money at the time of compromise itself, preferably, 20 to 25% of settlement amount, to reduce NPA.

7. The negotiated agreement with the Borrower shall contain a default clause in terms of which if the Borrower makes a default, in payment, the entire debt will fall due for payment and bank may proceed to execute RC/ Decree received by Lok Adalat.

8. If a case was referred by competent court for settlement under Lok Adalat and no award is made by the Lok Adalat, on the ground that no compromise or settlement could be arrived between the parties, the record of the case shall be returned back to the court from which the reference has been received by the Lok Adalat and will advise the parties to seek remedy in a court. On receipt of the case file from the Lok Adalat, the court will proceed further with the case from the stage, which was reached before the reference to Lok Adalat.

### 3.0 SANCTIONING AUTHORITY:

The Competent Authority under whose discretionary powers the proposal falls shall take decision on the compromise settlement as per Discretionary powers delegated to different Authorities for sacrifice / write off/ waiver as mentioned in the chapter IV –Delegation of Powers.

It may be noted that every award of the Lok Adalats shall be deemed to be a decree passed by Civil Court and is binding on the parties. Regional Office shall go through all compromises proposals, which are being considered under Lok Adalat to ensure compliance as per extant guidelines.

#### 4.0 DRT – LOK ADALATS:

DRTs, in some centers, have been conducting Lok Adalats in respect of cases coming under their purview. Bank does take benefit of such DRT – Lok Adalats. However, prior sanction of the Competent Authority, based on the quantum of sacrifice, shall be obtained before giving consent at the DRT Lok Adalat.

#### 5.0 NATIONAL LOK ADALAT:

Department of Financial Services, Ministry of Finance, Government of India, New Delhi advises all the Banks from time to time in respect of the National Lok Adalat organized in all States and Union Territories in accordance with the initiative of NALSA (National Legal Services Authority).

Bank shall take maximum advantage of the medium of National Lok Adalat for Compromise Settlements, especially in hard core cases.

#### 6.0 OTHER:

- The Region may ensure participation of all branches in Lok Adalat where accounts are eligible for settlement through Lok Adalat.
- Regions/Branches may hold pre Adalat discussions with the Borrowers so that Borrowers not only attend the Lok Adalat, but amicable settlement is also reached. Thrust should be given to recover total compromise amount in a single stroke or a substantial portion of compromise amount to be obtained on or before the Lok Adalat.
- Any regulatory guidelines & changes in provisions of Lok Adalat issued by RBI / NABARD/Govt. etc from time to time will automatically be part of this policy and enforceable with the date of amendment.

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## CHAPTER VIII

### SARFAESI ACT 2002

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 hereinafter referred to as Act, is basically an Act which provides different options to banks and FIs for resolving their Non – Performing Assets and an effective tool in the hands of the bank to enforce the security interest and recover the dues thereby reducing NPAs/TWOs/PWOs.

The Act deals with following aspects:

1. Enforcement of Security Interest by secured creditor without the intervention of Court. The action under SARFAESI Act can be initiated for both movable assets eg. Vehicles, Plant & Machinery, stocks, etc. as well as 'immovable properties except agricultural land.
2. Transfer of Non-Performing Assets to asset reconstruction company, the specialized agencies created under this act, on sale on cash or Security Receipt (SR) basis, which will then resolve those assets either by disposal/ recovery or by reconstruction and realize the proceeds.
3. To provide a legal framework for Securitisation of assets.
4. It also gives an option for the Bank to take over the management of the unit and to appoint a manager to run the unit for recovering the NPA.

Bank having elected to seek remedy under DRT Act can still invoke the SARFAESI Act without withdrawing the suit filed. Both these actions can be taken simultaneously.

#### 1.0 ENFORCEMENT OF SECURITY INTEREST:

Before enforcing security interest, branches should ensure that the borrowal accounts comply with the following criteria –

1. The contractual dues in the account should be more than Rs. 1 Lac.
2. The default must have occurred i.e. the account should have become NPA as per RBI norms.
3. The security charged to the Bank must be specific, clear and available to the Bank. It must be duly and effectively charged to the Bank and duly registered with CERSAI and therefore, enforceable if the Borrower fails to pay in response to the Notice.

Before invoking the provisions of the SARFAESI Act, a due diligence study should be conducted in respect of the secured assets to be taken into possession covering nature, value of such assets, probability of finding a buyer in the shortest period (it will be better if buyer is identified before undertaking the exercise) expenses to be incurred in connection with safe-keeping / storage, appointment of security guards, estimated realisable value of the assets in case of sale etc. Branches should keep the above in mind at the time of initiating enforcement Action.

4. Initiation of recovery action by issuing notice under section 13 (2) of SARFAESI Act 2002 does not provide limitation to the security documents. The security documents in advance account should be in full force on the date of serving the 60 days notice. As an abundant caution, it should be ensured that they will be in force even at the time of auction that will follow for enforcement of security i.e. at least up to one year from the date of serving the notice.
5. The security documents should be duly filled in.
6. Either our Bank must be the sole banker to the Borrower i.e. 100% lending is done by us or in case of consortium lending consent of secured lenders representing not less than 60% of the amount outstanding in value is obtained.
7. In case of multiple Banking, if the security is exclusively charged, the bank can proceed as though it is the sole banker.
8. Even in NCLT referred cases and suit filed cases, action can be taken. An action under SARFAESI Act also facilitates abatement of reference from NCLT.
9. Since limitation Act applies to action under SARFAESI, care should be taken that the action is within limitation time. It may also be noted that SARFAESI Action will not extend limitation period and therefore filing of suit is also to be initiated timely, if required.
10. To abide the Security Interest (Enforcement) Rules, 2002 giving detailed procedure to be followed while giving by Notice, taking possession and selling of the securities.

## 2.0 CERSAI registration is mandatory for SARFAESI:

The Central government, vide its Notification No SO4619(E) dated 26.12.2019, has appointed the 24th day of January, 2020 as the date on which sections 17 to 19 of the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016 shall come into force.

The gist of the newly introduced provisions of the SARFAESI Act is as under:

1. The existing provision relating to registration of charge with CERSAI within 30 days from the date of creation, modification or satisfaction of such charge has been omitted/ removed. Even, the provision relating to registration of charge within next 30 days with payment of additional fee has also been omitted/ removed.
2. The provision relating to penalty for default in registering the transactions relating to creation, modification or satisfaction of charge has also been omitted/ removed.
3. In addition to Secured Creditors, Other Creditors may also now register the particulars of transactions, relating to creation, modification or satisfaction of any charge, with CERSAI. Further, the Central or State Government or any local authority shall also now register the attachment orders, if any, passed by such authority, with CERSAI. Moreover, any person who

obtains an order of attachment of any property from any Court or other authority, in respect of his claim against borrower, may also now register such attachment order with CERSAI.

4. Registration of transactions with CERSAI relating to creation, modification or satisfaction of charge by a secured creditor (Bank) or any other creditor or filling of attachment order shall be deemed to be a public notice from the date of filling of such particulars with CERSAI. Further, in case the charge or attachment order w.r.t any property has been registered with CERSAI, the claim of "such secured creditor" or "other creditor" shall have priority over any subsequent security interest created upon such property.
5. In order to enforce charge under SARFAESI Act, it is MANDATORY that the charge created in favor of Secured Creditor (i.e. Bank/Financial Institution) must be registered with CERSAI immediately after its creation.

It is pertinent to mention here that in case the charge created by bank on any property/asset has not been registered with CERSAI, the bank cannot proceed under SARFAESI against such property/asset. In the meantime, if any other Creditor (need not be a bank) registers its charge with CERSAI w.r.t. the said property/asset, such creditor will have priority of charge over the said property/asset and in that event, Banks interest would be jeopardized and Bank will only have a subsequent charge.

6. Upon registration of charge with CERSAI, the dues of Secured Creditor (bank) will get priority over all other dues and all Revenues, Taxes, Cesses and Rates payable to Central Government, State Government or any other Local Authority.

Thus, the bank will now have priority over all other charges, provided charge is duly registered with CERSAI, immediately after creation of the charge.

The above amendment would affect the Bank in as much as:-

- I. Charges (i.e. Security interests) not registered with CERSAI would lose priority to the charges registered with CERSAI.
- II. SARFAESI recovery/action would not be possible if charge is not registered with CERSAI.

Therefore, it is imperative on the part of Branches/Regions to ensure registration of every transaction of creation, modification or satisfaction of charge by bank with CERSAI immediately, in order to get the priority of our dues over all other dues, revenues, taxes, cesses etc.

Further, the said amendment empowered the bank that any attachment order against uncharged assets obtained by bank, from DRT or any other court, must also be registered with CERSAI immediately after obtaining such order.

### 3.0 ISSUE OF NOTICES:

Service of notice is a pre-requisite for enforcement of security interest. Hence, it should be ensured that proper notices are served upon the Borrowers/ guarantors who created the security interest.

Issuer should be an Authorized Officer: Chief Managers and Regional Managers are empowered to authorize initiation of action under SARFAESI Act, 2002 as per applicable Discretionary Lending Powers subject to reporting to next higher authority.

**Delegated powers for initiation of SARFAESI Actions are under:**

Accounts under the DLP of	Authority
Branch Head Scale IV & above.	Branch Head Scale IV & above of concerned Branch.
Branch head Scale III & below.	Regional Head / Chief Manager at Regional office. **

\*\* Regional Heads may nominate the Chief Manager & above from RO / branches as Authorised officer for branches headed by Scale III & below for initiation of action under SARFAESI Act 2002. However, the discretionary powers to pay charges for publication or other fee/charges will remain vested with Chief Manager at RO/Regional Manager as per extant guidelines of bank for the same.

**SARFAESI Actions shall include: -**

- i) Issuance of SARFAESI Notice u/s 13(2) of Act. Issuance of SARFAESI Notice is in fact also recalling an advance. However, Recall Notice issued before filing DRT suit, should allow time period to the Borrowers/ guarantors for repaying Bank's dues, beyond the time given in SARFAESI notice, if already issued under section 13 (2) of the Act.
- ii) To take possession, get the same valued and insured and safeguard the secured assets of the Borrowers.
- iii) To incur various revenue expenses including insurance charges, charges for valuation of property, stock audit/ valuation, charges of security guards and other expenses for safeguarding the property upon takeover of secured assets.
- iv) To appoint Enforcement Agencies (Recovery Agents/Security Agents) to take physical possession of the assets and safeguard the same till final sell off.
- v) To take steps for realisation of secured assets in satisfaction of Bank's dues and for the purpose to lease, assign, sell or transfer the secured assets on taking possession thereof and do all other acts, deeds, matters and things as empowered under the Act.
- vi) To facilitate smooth implementation of the Act, certain administrative powers are extended to functional authorities. However, due sanctions are to be obtained from competent authority wherever such act/ expense is likely to exceed the delegated administrative powers of respective authority.

All decisions taken under the Act shall be reported to the next higher authority. Decisions taken by the Chief Managers shall be reported to the Regional Manager concerned. It is the duty of Regional Office to ensure strict and time-bound implementation of the SARFAESI action in all eligible cases as per "Standard Operating Procedure" provided by the bank for NPA accounts. Branches as well as Authorised Officer, both should keep proper tracking of the actions under SARFAESI in their accounts.

### 3.0 (a) When Notice can be given:

- ❖ An account is classified as NPA and is not falling in any of the categories described in 3.0 (b).
- ❖ Wherever we are leader in consortium, notice must contain dues and details of Secured Assets. For consortium advances the notice must contain dues of all Banks and details of secured assets charged to Other Lenders.
- ❖ Restructuring, if any, is failed and/ or account is withdrawn from the purview of Corporate Debt Restructuring (CDR).
- ❖ Where Borrower is a Company and reference to NCLT is made by them, notice under SARFAESI may be given followed with information to NCLT seeking abatement of their reference.

### (b) When Notice cannot be given:

- When Bank has **lien on any goods, money or security under Contract Act or any other Law** for the time being in force.
- A pledge of movable asset within the meaning of **Sec. 172 of the Indian Contract Act**.
- Any security interest created in **agricultural land**.
- Any case in which the amount **due is less than 20% of the Principal amount** and interest thereon.
- Any security interest for securing repayment of any financial asset **not exceeding Rs. 1.00 Lac**.
- Any property/ies not liable for attachment (excluding the properties specifically charged with the debt recoverable under this Act) or sale under the first proviso of Sub Section (1) Section 60 of Code of the Civil Procedure, 1908.
- Any security interest, **not duly registered with CERSAI** (No query should be pending if registered).
- Any rights of **unpaid sellers under Section 47 of the Sale of Goods Act**.
- Any conditional sale, hire purchase or lease or any other contract in which no security interest has been created.
- Creation of any security interest in any **aircraft as defined in Section 2 of the Aircraft Act**.

- Creation of any security interest in any vessel as defined in Clause 55 of Section 3 of the Merchant Shipping Act.

- Handholding with reasonable amount of Cut Back arrangement is considered along with deferment of recovery & legal action by the competent authority in accounts with “temporary deficiencies”.

#### 4.0 CONTENTS OF NOTICE:

- Notice is the basic document and is the subject matter of scrutiny before the court/DRT. Branches/ Authorised Officer must exercise utmost care while preparing notice.

- Notice must contain the contractual dues (upto date of serving the notice).

- Notice must contain the details of the secured assets i.e. movable or immovable securities charged to the Bank.

- To discharge in full his liabilities to the secured creditor within sixty days from the date of notice failing which Bank shall be entitled to exercise all or any of the rights under the provision of the Act.

- The following paragraph to be incorporated in the Demand Notice to borrower and Demand Notice to the Guarantors:

*“We further invite your attention to sub section (8) of section 13 of the said Act in terms of which you may redeem the secured assets, if the amount of dues together with all costs, charges and expenses incurred by the Bank is tendered by you, at any time before the date of publication of notice for public auction/ inviting quotations/ tender/ private treaty. Please note that after publication of the notice as above, your right to redeem the secured assets will not be available.”*

This notice is a statutory notice. As per the Section 13 (13) of the Act, once such a notice is issued, the Borrower/ Guarantor must not sell or otherwise dispose off the asset without the prior written consent of the secured creditor. Non Compliance of this attracts punishment which can be imprisonment upto one year or fine or both.

As far as possible, Law officer posted at Region should go through the notices prepared/issued under SARFAESI to avoid any legal implications in future.

#### 5.0 SERVICE OF THE NOTICE:

Service of Notice may be made by delivering or transmitting the notice at the place where Borrower or his agent actually and voluntarily resides or carries on business or personally works for gains by:

a) Registered post AD (must).b) Courier, Speed post.

c) Any other means of transmission of documents like fax or electronic mail service.

d) By affixing copy of the demand notice on secured assets.

- If the Borrower is a body corporate, the demand notice shall be served on the registered office or any of the branches of such body corporate.
- The demand shall be made on all Borrowers/ mortgagors/ guarantors, if more than one. If mortgagor is deceased, demand notice must be served to all valid legal heirs.
- If notice returned unserved, service shall be effected by publishing the contents of the demand notice in two leading newspapers, one in vernacular language having sufficient circulation in that locality.

In case the Borrower/ Guarantors avoid receiving the Notice, a copy of notice should also be pasted on the outer door of the office/ property. Basically bank may have to prove: Have you dispatched and has he received or refused to accept. Therefore, an office copy of the notice together with proof of dispatch and acknowledgement, newspaper publication of notice and any undelivered covers (without being opened), photo of demand notice pasted on outer door of the office/ property etc. must be kept in safe custody by Authorised Officer & branch as well.

Bank has right to lodge caveat against the Borrowers/ guarantors after initiating action under SARFAESI, where an application or an appeal is expected to be made or has been made by the Borrower/ guarantor against the Bank's SARFAESI action under the provisions of SARFAESI Act.

Validity period of caveat application filed with DRT/ Civil Court/ High Court is -90- days, as such Bank has to proceed for taking possession of the secured assets keeping in mind the validity time of the caveat.

## 6.0 REPRESENTATION BY MORTGAGOR / BORROWER / GUARANTOR SEC.13 (3A):

- If Borrower on receipt of notice represents to the Bank or raises any objection, the Bank shall reply the representation **within fifteen days positively** on receipt of such representation/ objection (to be replied by authorized officer) with the reason for non-acceptance of the objection.
- Where the Bank (Authorised Officer) comes to the conclusion that there is need to change the demand notice, it will send a revised notice or pass such order as deemed necessary.
- In case the Borrower fails to discharge his liability in full within the notice period, the Bank may take recourse to one or more measures given under section 13 (4) of the Act including possession of Secured mortgaged properties for which Authorized Officer shall issue "Possession Notice" of secured mortgaged properties.
- In addition to this, the Act also empowers for the followings after expiry of the notice period under Sec 13 (2):
  - ✓ To take over the Management,
  - ✓ To appoint any person to manage,

- ✓ To direct by notice in writing any person who has acquired the secured assets from the Borrower and from whom any money is due or may become due, to pay the required amount to the Bank.

Bank does not prefer to take over the Management/ run the Unit. Such an action if at all desired to be taken with approval of Head Office in which case procedure as laid down under Section 15 of the Act to be followed

## 7.0 (A) POSSESSION OF MOVABLE AND IMMOVABLE SECURED ASSETS:

1) When amount demanded in Demand Notice [issued under Section 13 (2) of the Act] is not paid within time, the Authorised Officer (AO) shall proceed to realize the amount by adopting any of the means provided in sec.13 (4) including possession of secured assets.

2) The Authorised Officer shall take or cause to be taken, actual/ physical possession of the secured assets over which security interest is created by issuance of Notice Demanding Possession (as per the Proforma annexed).

3) If such possession is not delivered voluntarily by the Borrower/ Guarantor at the place and on the date and time stated in the notice of such demand, the Authorised Officer to take possession of the secured assets by following the formalities mentioned hereunder.

### 4) Possession of Movable Secured Assets:

a) Possession of movable Secured Assets to be taken by the Authorised Officer only in the presence of two independent witnesses after Panchnama drawn and signed by the witnesses (as per Proforma annexed).

b) After taking possession of the movable assets the Authorised Officer to prepare an Inventory of the Secured Movable Assets (as per Proforma annexed) and deliver a copy of the Inventory to the Borrower (viz., the owner of the Secured Movable Asset) or to his duly authorised representative.

c) If the Borrower (viz., the owner of the Secured Movable Asset) or his duly authorized representative is not available in the given address for delivering copy of the Inventory, the said fact should be recorded by the Authorised Officer in the Panchnama. In such cases, the Inventory to be sent to the Borrower by Registered Post/ Courier and the Proof of Delivery to be preserved. In case of return of such Notice, the same to be preserved without opening.

d) The Authorised Officer to keep the Secured Assets by taking as much care as owner of ordinary prudence would, under the similar circumstances, take.

e) If the Secured Asset(s) is/ are subject to speedy or natural decay, or if the expenses for keeping such property in custody are likely to exceed its value, the Authorised Officer may sell it at once.

f) After taking possession of movable secured asset the Authorised Officer to provide the Borrower Panchnama and Inventory through separate Notice/ Letter

### 5) Possession of Immovable Secured Assets: -



a) While taking possession of Immovable Secured Asset the Authorised Officer to:

- ❖ deliver Possession Notice (as per Proforma attached) to the Mortgagor or (if he is not available) to his duly authorised representative
- ❖ affix the Possession Notice on the outer door or at such conspicuous place of the secured asset, and
- ❖ Publish the Possession Notice as early as possible, but **in any case not later than 7 (Seven) days from the date of taking possession, in 2 (Two) leading Newspapers** [one in vernacular language having sufficient circulation in the locality in which the property is situated]. **The Notice to be published in vernacular Newspaper should be drawn in vernacular language.**

b) The above 3 steps are not mutually exclusive. Branches should ensure that the above 3 steps are complied with while taking possession.

c) If the Mortgagor or his duly authorised representative is not available at the place of Possession, the said fact should be recorded by the Authorised Officer by way of Panchnama. In such cases, the Possession Notice to be sent to the Mortgagor by Registered Post/ Courier and the Proof of Delivery to be preserved. In case of return of such Notice, the same to be preserved without opening.

d) The Authorised Officer to take steps for preservation and protection of Secured Assets against unauthorised entry, theft, pilferage or damage, apart from insuring the same. The Authorised Officer to consider engaging Security Agency (wherever required) to safeguard the property, apart from insuring them, if necessary, till they are sold or otherwise disposed of.

The above procedure is applicable for Symbolic as well as Actual Possession.

SOP issued may be followed for detail procedure in respect of repossession of charged movable asset/ security (i . e. Vehicle/ Machinery/ Goods) under contractual terms without intervention of the Court.

## 7.1 VALUATION OF SECURED ASSETS AND FIXATION OF RESERVE PRICE:

A Committee consisting of the Authorised Officer (AO) and any Two Officers from the concerned Branch and Regional Office may fix the Reserve Price based on the fresh valuation obtained from Approved Valuer.

### (a) VALUATION OF MOVABLE SECURED ASSETS AND FIXATION OF RESERVE PRICE:

The Authorised Officer to obtain the Estimated Value of the movable Secured Assets and fix the Reserve Price.

### (b): VALUATION OF IMMOVABLE SECURED ASSETS AND FIXATION OF RESERVE PRICE:

1) Authorised Officer shall obtain valuation of secured assets from an **Approved Valuer (duly authorized by the Bank and also registered under Wealth Tax Act)** and fix the Reserve Price, based on the **Realisable Value**.

2) A Committee consisting of the Authorised Officer and Two Officers of the concerned Branch/Regional Office may fix the Reserve Price.

3) However, in respect of Secured Assets, value of which is more than Rs 5 Crore, 2 Valuation Reports from Approved Valuers to be obtained and average of 2 valuation to be taken into consideration to arrive at Reserve Price. However, in case variance in 2 valuations is more than 25 %, fresh valuation from 3<sup>rd</sup> Approved Valuer to be obtained and Reserve Price to be fixed accordingly.

#### 7.1 (c): REDUCTION OF RESERVE PRICE:

The Authorised Officer may fix the Reserve Price lower of followings:

1. Last auction price of the property.
2. Latest Realizable value given by the approved valuer.
3. Reserve Price decided by "the committee for reduction in reserve price".

If bids are not received at the Reserve Price, Authorised Officer should decide about fresh valuation of property or reduction in last reserve price and submit the proposal to the committee for reduction in reserve price. The Committee headed by the Regional Manager and consisting of the Chief Manager/ Senior manager, Official attached to Regional Office/Recovery Dept. at RO and the Authorised Officer may reduce the Reserve Price. Quorum for the Committee shall be Regional Manager / Chief Manager at RO and any other 2 Members (including Authorised Officer, if AO is other than the RM/CM at RO).

At a time, the committee may reduce up to 10% in the reserve price which was put-up in last auction. If bids are not received at the reduced Reserve Price, the committee may further reduce reserve price @10% till successful auction of property. However, in such cases, valuation report of the aforesaid property should not be older than one year.

If the secured assets are not sold even after reduction of Reserve Price as above, the Authorised Officer may obtain fresh valuation from Approved Valuer (other than the previous Valuers) duly authorised by Bank under SARFAESI Act and decide the Reserve Price as per the above procedure and the Reserve Price below the Realisable Value to be fixed by the above Committee.

UPLOADING OF SALE/ AUCTION NOTICES ON THE BANK'S WEBSITE: As per directives all sale/ auction notices under the SARFAESI Act shall be uploaded on the Bank website Uttar Pradesh Gramin Bank for a minimum period of 30 days before date of sale/ auction. Hence branches/ Authorised Officers should be in touch with IT Department at HO through their Regional Offices for doing the needful in this regard.

#### 8.0 SALE OF THE MOVABLE PROPERTY:

- A Authorised Officer may sell the movable property taken into physical possession in one or more lots, by adopting any of the following methods:
  - a. By inviting Tenders from the public.
  - b. By holding Public Auction.

- c. By Private Treaty: In case the **auction is not successful for minimum two times**, the Authorised Officer (AO) may dispose the secured movable assets by private treaty with the consent of the Borrower.
  - B. In case sale by public auction or by inviting tender from the public, a public notice in two leading newspapers and out of them one in vernacular language having sufficient circulation should be given. The public notice must give the following details:
    - a) Details about Borrower & the secured creditor.
    - b) Description of movable secured assets to be sold for identification.
    - c) Reserve price.
    - d) Time & place of public auction.
    - e) Depositing of Earnest Money.
    - f) Sale must be on "as is where is and whatever is" basis.
    - g) **There should be clear 30 days between the notice of sale in the newspaper and actual sale.**
- If auction is by inviting public Tender, then it should be done through e-Auction as far as possible.
- C. If sale of movable property by any one the methods specified above fails and the sale is required to be conducted again, the Authorised Officer shall serve, affix and publish notice of sale of not less than - 15- days to the Borrower for any subsequent sale.

## 9.0 SALE OF THE IMMOVABLE PROPERTY:

- A. Before proceeding for sale of immovable property the Authorised Officer should obtain valuation of the immovable property from Bank's Approved Valuer.
- B. Authorised Officer may sell the immovable property taken into physical possession in one or more lots, by adopting any of the following methods :
  - a) By inviting tenders from the public.
  - b) By holding Public Auction.
  - c) By Private Treaty.
- C. In case of sale by Public Auction or by inviting Tender from the public, a Public Notice should be given in two leading newspapers (out of them one in vernacular language), having sufficient circulation in the locality in which the property is situated. The Public Notice must, inter alia, give the following details:
  - a) Details about Borrower & the secured creditor.
  - b) Description of immovable secured assets to be sold for identification.
  - c) Complete address with PIN Code of the city or area in which the secured asset is situated with boundaries and name of the owners.
  - d) Reserve Price.
  - e) Time & Place of Public auction.
  - f) Depositing of Earnest Money.

- g) Outstanding dues of Local Self Government (Property Tax, Water Sewerage, Electricity Bills, etc.) on a particular date against the property.
  - h) Any other thing which the Authorised Officer considers it material for an Intending Purchaser to know in order to judge the nature and value of the property.
- D. Notice of sale to be affixed on a conspicuous part of the immovable property and to be put on the website of the Bank.
- E. The Notice of Sale to be served on the Mortgagor.
- F. There should be clear 30 days between the Notice of Sale and actual sale. Accordingly, reasonable time period to be considered for servicing of notice to Borrower/ guarantor/mortgagor, publication of sale notice in Newspaper and the Date of Auction.
- G. If sale of immovable property by any one of the methods specified above fails and the sale is required to be conducted again, the Authorised Officer shall serve, affix and publish notice of sale of not less than - 15- days to the Borrower for any subsequent sale.

#### 9.1 SALE OF SECURED ASSETS, WITH SYMBOLIC POSSESSION:

- A. It has been experienced that branches resort to symbolic possession which may in some cases lead to compromises but in case of need such possession cannot be enforced as the Authorised Officer cannot handover the possession of the secured asset to the buyer, if any. Moreover, sale on the basis "As is Where is and As is What is Basis" after taking symbolic possession may not fetch the true value as buyer would like to discount for not having possession.
- B. As such branches should take physical possession for realisation from the secured assets.
- C. However, with the prior Authority of the Regional Manager, Authorised Officers may consider sale with symbolic possession on selective basis. In such cases it should be ensured that the Sale Notice contains clauses to the effect that sale/ auction is proposed on the basis of "Symbolic Possession", on "As is Where is and As is What is Basis" and the buyer should ascertain the status of the statutory dues and other encumbrances, if any.

#### 9.2: PROCEDURE TO BE FOLLOWED FOR SALE BY PRIVATE TREATY:

- A. In respect of sale of immovable secured assets through private treaty, it should be resorted only when the other more transparent methods i. e. e - Auction / Inviting Tenders have not been successful.
- B. Sale by Private Treaty may be resorted to only if the attempt/s for sale of secured assets through public Auction/ inviting tenders failed **at least two times**. Property shall not be sold through private treaty below the reserve price fixed by Authorized Officer in last failed public auction.

- C. Authorized Officers should prepare Minutes recording proceedings of sale by Public Auction/ Tenders including reasons for failure of the Public Auction, and reasons for going ahead with sale through Private Treaty.
- D. If the Bank sells the secured assets through Private Treaty such sale should be on the basis of terms settled between the Bank and the Purchaser.
- E. Where the e- Auction of the secured asset(s) ( movable / Immovable) failed in two attempts as mentioned above, the Authorized Officer may identify a purchaser for the property through private treaty.

**The detailed procedure for sale through private treaty is as under:**

- ❖ A Notice along with terms and conditions mentioning all the details of the assets should be displayed in the notice board of the Branch as well as Banks website informing the public that the property is available for sale through Private Treaty and requesting the interested parties to contact the Authorized Officer concerned. Notice should be displayed in vernacular language also. Branch may also give publicity on the availability of such property by contacting interested parties/ customers, if any.
- ❖ If any person comes forward to purchase the property for an amount not less than the reserve price fixed in the last failed e - auction, he should submit an application in structured format to the Authorized Officer along with EMD @ 10% of Reserve Price.
- ❖ The Authorized Officer shall issue 15 days' notice to the Borrower( s)/ Guarantor( s)/ Mortgagor( s) for sale of properties through Private Treaty in structured format informing him that in case of his failure to pay the entire outstanding dues, the property shall be sold at a price offered by the proposed buyer. The notice should also be affixed in the conspicuous part of the immovable property.
- ❖ On expiry of 15 days from the date of service of notice mentioned above, the Authorized Officer shall issue a letter of offer to sell the secured asset( s) to the prospective buyer specifying the terms and conditions of the sale through Private Treaty. Upon agreeing to the terms and conditions of sale of the property, the proposed purchaser shall submit a letter accepting the offer for purchase of property through private treaty in the structured format.
- ❖ On payment of 25% (including EMD amount) of the sale price, the Authorized Officer shall issue a sale confirmation advice. On confirmation of sale, purchaser shall deposit balance 75% amount within 15 days from date of receipt of confirmation or maximum within 3 month if extended by Authorised officer at the request of purchaser.
- ❖ On receipt of total sale consideration and compliance of the terms of payment, the Authorized Officer shall issue a Certificate of Sale for the properties in favour of the purchaser. Cost of Stamp duty and Registration of Sale Certificate will be borne by the purchaser. The Authorized Officer should also obtain receipt of possession and original Title deeds.

9.3 The Authorised Officer shall not confirm sale without obtaining written consent from the Borrower/ Mortgagee if the bid received is below OR equal to the Reserve Price.

#### 9.4 Inspection by prospective purchaser:

The prospective purchasers/tenderers will have to be provided with the details of assets under sale and opportunity for inspection. For convenience, a common date and time may be fixed for inspection for all prospective purchasers and intimation to this effect to be made as part of the Sale Notice to be published in newspaper.

### 10.0 TAKING POSSESSION OF SECURED ASSETS UNDER SECTION 14 OF THE ACT:

If the Authorised Officer apprehends/ encounters obstacles from the Borrower/ Guarantor/Mortgagee in taking possession of the secured asset, then the Authorised Officer to approach the concerned District Magistrate/ Chief Metropolitan Magistrate (within whose jurisdiction the secured asset is situated) under Section 14 of the Act, seeking assistance in taking possession of the secured assets.

U/s 14 of SARFAESI Act, the CMM/DM are empowered for the following purposes:

- (i) For taking possession of any secured assets and forwarding such assets and documents to the secured creditor.
- (ii) The CMM or DM may authorize any subordinate officers to assist in taking possession of secured asset.

It is clarified that CMM and DM are equivalent positions in metropolitan cities and nonmetropolitan cities respectively. CMM / DM carry out the above functions through officials of revenue Department and/ or Police Department.

Proforma of the Affidavit to be filed before the CMM / DM is given under Annexure. The same may be modified suitably on a case to case basis, in consultation with the Legal Officer attached to the concerned Region or paneled advocate of the bank.

As per the directions issued by Secretary Govt. of U.P., the prescribed fee for providing police assistance for physical possession under sec 14 of SARFAESI act, will be decided by the District Police Commissioner/Senior Superintendent of Police/Superintendent of Police of concerned district. It should be deposited on actual basis in the treasury in the prescribed manner on or before the prescribed date as decided by District Police Commissioner/Senior Superintendent of Police/Superintendent of Police of concerned district, after obtaining prior permission/approval from the competent officer of the regional office. Branches/ Regional Offices has to ensure compliance of tax rules described under GST/TDS etc. as applicable on the fee paid for police assistance. Records of the fee paid for police assistance as described above, will be maintained at both level at branch as well as at regional office levels and full recovery of such amount will be made from the debtor/auction amount. Branches/regional offices should ensure to make full adjustment of such amount as soon as recovery is received in these accounts.

### 10.1 A secured creditor has to move an application for above assistance in writing supported by the following:

1. A copy of notice issued U/s 13 (2) of SARFAESI Act with proof of service OR with copy of Newspaper publication.
2. A copy of objections raised by Borrower U/s 13A.
3. Reply of the secured creditor to the objection.
4. A copy of the set of mortgage documents.
5. A copy of documents evidencing symbolic possession, if any. If symbolic possession is taken then a copy of possession notice published in newspaper.

10.2 Under section 14 SARFAESI Act, it is not obligatory on the part of CMM /DM to issue notice to Borrower/ guarantor or scrutinize documents of mortgage.

10.3 Branches, are advised not to treat the application as a legal proceeding, instead it is to be treated as an application for seeking help/ police protection. It is for CMM/ DM to decide on the necessary force required for the purpose.

10.4 As per the amended Act, the Chief Metropolitan Magistrate or the District Magistrate should pass orders in regard to Application filed by the Bank under Section 14 of the Act, within a period of 30 days from the date of the Application. If the Chief Metropolitan Magistrate or District Magistrate is not able to pass orders within the said period of 30 days, he should record reasons therefor and pass orders within a period not exceeding in aggregate 60 days.

### 11.0 CONFIRMATION OF SALE:

a) The highest bidder has to pay 25% (inclusive of earnest money deposited) of the Sale Price in terms of the sale notice immediately and the balance 75% of the Sale Price to be paid in 15 days of sale confirmation letter issued by the Authorised Officer or such extended period as may be agreed upon in writing between the purchaser and the secured creditor, in any case not exceeding three months.

b) After receipt of the full Sale Price within time, the Sale Certificate to be issued.

c) **Right of Mortgagor to Redeem:** As per amendment in sub-section 8 of Section 13 of the SARFAESI Act states where the amount of dues of the secured creditor together with all costs, charges and expenses incurred by him is tendered to the secured creditor at any time before the date of publication of notice for public auction or inviting quotations or tender from public or private treaty for transfer by way of lease, assignment or sale of the secured assets-

- ❖ the secured assets shall not be transferred by way of lease assignment or sale by the secured creditor; and



- ❖ in case, any step has been taken by the secured creditor for transfer by way of lease or assignment or sale of the assets before tendering of such amount under this sub-section, no further step shall be taken by such secured creditor for transfer by way of lease or assignment or sale of such secured assets

d) In such sale the title of transferee will be the same as if sale executed by Mortgagor. Sale proceeds are to be adjusted first towards Expenses, then Contractual Dues and rest, if any, to be refunded to the Borrower/ Guarantor.

Sec 19 of the Act provides that the DRT/DRAT can direct the secured creditor to return the asset taken over to the borrower/guarantor and also make payment of compensation and cost to him, if DRT/DRAT find that possession taken was wrongful. Hence adequate care must be carried while proceeding under SARFAESI Act. Branch/Authorised Officer shall ensure that –

- ✓ Security is valid and enforceable and
- ✓ Asset belongs to borrower/guarantor
- ✓ Title of the deed is clear

before proceeding to possession and action is strictly as per rules/procedure specified under SARFAESI Act. It is suggested to obtain fresh title investigation report from empaneled advocate, other than who issued title investigation report earlier, and Inspection of security charged by branch officials before initiating action.

## 12.0 OTHER MODE OF RECOVERY/ SETTLEMENT OF ACCOUNT UNDER THE PROVISIONS OF SARFAESI ACT, 2002:

### A. Banks and financial institution can accept immovable property to settle their claims:

Now the banks are empowered to accept any immovable property in realization of a claim from a defaulted Borrower, as the banks were not able to find appropriate buyers to buy for these secured assets. If the sale of such asset is postponed due to lack of a bid at the reserve price, the secured creditor (including banks) may bid for the asset at a subsequent sale and make appropriate adjustments of the amount due to the Bank. This change enables the banks to secure the asset(s) in part fulfillment or full and final fulfillment of the defaulted loan. Branches should take prior permission from controlling offices before bidding for such immovable property.

### B. Conversion of debt into equity:

Earlier, the SARFAESI Act would not allow securitization or reconstruction companies to convert the debt of the Borrower Company into equity. However, the Act allows for converting any part of debt into equity shares of a Borrower company, and such conversion shall always be deemed as valid. The change ensures ARCs with more legal protection while restructuring loans and supporting weak units.

## 13.0 CHALLENGING THE ACTION TAKEN BY THE BANK UNDER THE PROVISIONS OF THE ACT



The Borrower or any other aggrieved person has right to file application before the concerned Debt Recovery Tribunal challenging the action taken by the Bank under the provisions of the Act.

The Application can be filed only before the Debts Recovery Tribunal within whose jurisdiction:

- a. the cause of action, wholly or in part, arises;
- b. where the secured asset is located; or
- c. The branch or any other office of a bank or financial institution is maintaining an account in which debt claimed is outstanding for the time being.

As per section 17(4-A) of amended SARFAESI ACT 2002, the Debts Recovery Tribunal shall have the power to decide the propriety of tenancy, if someone claims tenancy over the secured asset at the time of taking physical possession or otherwise. If any suit is filed by the borrower/guarantor/tenant etc. in civil court, Branch/Authorised Officer shall ensure that provisions of sec 17(4-A) & 34 of SARFAESI ACT 2002 (Sec 34 says civil court not to have jurisdiction) are brought to the notice of civil court and suit shall be dismissed at an early date.

#### 14.0 OTHERS:

- The provisions of the SARFAESI Act 2002 cited above are indicative/gist only and in case of need/doubt, the main Act shall be referred for any clarification.
- Any modifications/ additions/amendments made by Competent Authority in the Acts referred above and/or regulatory guidelines issued by RBI / NABARD/Govt. etc. in this regard from time to time will automatically be part of this policy and enforceable with the date of amendment.

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## CHAPTER IX

### Scheme for Re-Possession / Seizure

#### 1. Re-Possession of vehicle:

Branches are assigning the cases of repossession of the vehicles to the Enforcement/Recovery Agencies before the account becomes NPA. Legal provisions are available in the security document i.e. Instrument of Hypothecation of Vehicle, wherein it is mentioned that in case the borrower makes any default in payment of installment, the Bank after following the procedure given in the document, may take charge or possession of the vehicle or seize it and recover, receive, appoint receiver or remove and/or sale it. Also the Bank obtains the blank TTO forms duly signed by borrower so that it can complete the process of sale.

The extant guidelines for repossession/seizure of vehicle are applicable on NPA accounts also.

The modified guidelines for seizing the vehicle in retail vehicle loan/tractor loans, where there is overdue in the account (even though the account is not classified as NPA) are as follows:

- Branches shall identify the vehicle loan account (Standard &NPA) where over dues are more than 30 days.
- Branches shall write a letter to Borrower (as per draft enclosed herein) informing him the overdue amount with a request to clear the overdue amount within 15 days.
- Wherever the borrower regularize the account, branch to obtain written application from the borrower for payment of remaining dues regularly in future. For better recovery branch should endeavor to obtain postdated cheques for remaining dues as promised by borrower.
- In case of non-payment of over dues by Borrower, Branch shall send a recall notice demanding the entire outstanding amount (as per draft enclosed herein) giving a time period of 30 days. The letter shall be sent by Registered Post with Acknowledgement due or through speed post. The acknowledgement Due or the track record of speed post shall be preserved by the branch as a proof of having served the recall notice.
- If the Borrower fails to deposit the entire amount within the given period the branch through Regional office will allot the case to Enforcement Agency/ Recovery Agency duly empanelled by the Region after approval from Head Office, to seize the vehicle. The entire process of auction, publishing of auction in the newspapers, valuation etc. shall rest with the Authorized Officer (AO) nominated same as in SARFAESI-2002.
- All the charges incurred in the process shall be borne by the Borrower.

- A copy of the letter given to Enforcement Agency shall be given to the Borrower requesting him to cooperate with the empanelled Enforcement Agency.

## 2. The job role of Enforcement Agency/Recovery agent shall be as under:

- The Regional office shall appoint Enforcement/ Recovery Agency duly empanelled by the Region after approval from Head Office.
- The empanelled Enforcement Agency (EA) before seizing the vehicle shall inform the nearest police station.
- Empanelled Enforcement agency shall seize the vehicle, following the code of conduct and the MOU executed between the Bank and the Enforcement Agency (EA). The Regional Manager shall on behalf of the Bank execute MOU (as per enclosed draft for this purpose) with the Enforcement Agency (EA) empanelled.
- The Enforcement Agency (EA) shall have a proper storage facility and the vehicle shall be parked in such storage space with proper security and with a valid insurance.
- The inventory of the vehicle seized shall be prepared by the Enforcement Agency (EA) and a copy shall be given to the Borrower and the signature of the Borrower on such inventory shall be taken for having noted the contents of inventory and having found the same as correct.
- The responsibility of the security of such seized vehicle shall be with the Enforcement Agency (EA).
- A photograph of the seized vehicle shall be taken by the Enforcement Agency (EA) at the time of taking inventory.
- The valuation of the seized vehicle will be obtained by EA/RA from the used car dealers/ reputed garages or from any other authorized valuer immediately preferably within 15 days of seizure of vehicle & should be submitted to respective Authorized Officer /Branch for auction.
- The vehicle shall be auctioned by holding Public Auction or by inviting Tenders from the public. The notice of auction shall be published in two leading newspapers, out of which one shall be in vernacular language having sufficient circulation giving a clear notice of 30 days. If auction is by inviting public Tender, then it should as far as be possible through e-Auction. The seized vehicle shall be auctioned above the reserved price fixed based on the latest valuation.
- If no bid is received in the auction the branch shall arrange for the subsequent auctions giving a clear notice of 15 days following the process same as suggested for SARFAESI cases.
- Branch shall follow for recovery of balance amount, if any, after appropriation of the sale proceeds of the vehicle in case the amount received from the sale of vehicle is not sufficient to cover the entire outstanding amount. If the sale proceeds are more than the dues (with all charges) of the Bank, the surplus amount will be refunded to Borrower.
- In the meantime if borrower deposit total overdue amount along with expenses incurred on seizure of vehicle i.e. rent, insurance and enforcement agency charges etc.

or gives the postdated cheques to the branch, branch may release the vehicle to the borrower.

### 3. [Pre-requisite conditions for the Branch:](#)

- Before seizing the vehicle, branch shall ensure that our charge is noted with R.T.O. as a financier and irrevocable power of attorney duly signed and notarized is on record before, simultaneously or subsequent to seizer. Registration Book of the vehicle shall be required to be obtained from borrower.
- It should also be ensured that documents are in order and insurance of the vehicle is in force.
- Before seizure exercise branch shall calculate the overdue amount correctly.

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## CHAPTER X

### ENFORCEMENT / RECOVERY AGENTS/DETECTIVE AGENCY

#### 1.1 APPOINTMENT OF ENFORCEMENT/ RECOVERY AGENTS/DETECTIVE AGENCY:

With a view to facilitate smooth action for Recovery of NPA, the Head Office is authorized to appoint Enforcement Agencies for taking physical possession of assets, guarding of the secured assets, sale and post-sale actions under SARFAESI Act or otherwise. For the purpose of this, the Regional Manager shall recommend the name of the ENFORCEMENT/ RECOVERY AGENTS along with full details to the Head Office. Based on the recommendations of the Regional Manager, General Manager/ Chairman shall be authorized to appoint EA/RAs.

Similarly, Objective behind the appointment of Detective Agency aims to significantly supplement efforts of the field officials in recovering bank's dues in NPA accounts by utilizing services of the Detective Agencies:

- ❖ Locate the borrower(s)/ co-borrower(s)/ guarantor(s)/ mortgagor(s), including their legal heirs who are either untraceable or not available at the addresses given in Bank's records;
- ❖ Ascertain latest information about their present address(es)/ occupation(s), business(es), income streams, details of their all assets, whether charged or uncharged, their location, value and ownership, etc.
- ❖ Give details of bank accounts maintained by the defaulting borrower(s)/guarantor(s), including their legal heirs;
- ❖ Give details of credit facilities availed/to be availed by defaulting borrower(s)/ guarantor(s) from other Banks;
- ❖ Confirm present state of ownership of the secured assets by personal visit(s)/ market report, duly confirmed by the documents.
- ❖ Gather any other information which the Bank cannot access by utilizing normal channels like CIBIL/internet/local enquiries and which may be considered necessary by the Bank for recovery of the Bank's dues;

#### 1.2 REVIEW OF WORKING OF EA, RA & Detective Agency, THEIR AGREEMENTS, REMOVAL, RECORDING OF WORK ALLOTTED etc.:

Before assigning any work to Enforcement/ Recovery Agents/ Detective Agency, the Regions should verify the caution list of such service providers maintained by IBA.

All terms and conditions of outsourcing arrangement with the Enforcement/ Recovery Agents/Detective Agency should be codified in a written agreement by the Regional Heads duly vetted by Legal Officer/ Legal Adviser of the Bank. A specific clause should be incorporated in the Agreement to the effect that, in case of failure of resolution of the allotted account by the Enforcement Agent/ Recovery Agent/ Detective Agency within a specified cutoff date, the work allotment shall stand cancelled automatically without intimation to the Enforcement Agent/ Recovery Agent/Detective Agency, unless the validity period of the Agreement is extended by the Bank and the Enforcement Agent/ Recovery Agent/ Detective Agency in writing. The duly executed agreements should be available for inspection.

Regional Offices should conduct “Sensitization Programs/workshops” for EA/RA/BCs/VLEs at least once in six months.

Since their activities may expose the Bank to potential reputation and legal risk, the services rendered by the Recovery/ Enforcements Agents/ Detective Agency should be regularly reviewed. Branches are advised to review the performance of RA/ EA/ Detective Agency every month and submit the feedback to their Regional Offices. Regional office will analyse the performance of each EA/RA in their region, at least once in a month, based on the feedbacks received from branches and monthly recovery performance submitted by EA/RA/ Detective Agency. In case the RA/ EA/ Detective Agency engages sub-agents/representative for carrying out the work assigned to them, concerned EA/RA has to submit records like ID card issued by agency along with police verification copy of all such sub-agents to concerned Regional Offices. It is also applicable for all employees/representatives engaged by EA/RA/ Detective Agency at any time. Compliance of the same shall be ensured by RO. Allocation of accounts to any EA/RA/ for recovery shall also be duly communicated to concerned borrowers.

If the services of any EA/ RA /DA is not found to be satisfactory, the same should be terminated in terms of the agreement entered into with them and should be circulated to all the concerned so as not to consider the said service provider for future agreements after obtaining prior approval from Head Office.

Regional Manager/Chief Manager at Region shall allocate NPA/ SARFAESI accounts to the EA/RA, as per their Discretionary Lending Powers, as per details given below:

Sr. No.	Designation	Amount of NPA (per account)
1	Chief Manager	Upto their DLP
2	Regional Manager	Above Chief Manager’s DLP

Once a Detective Agency has been empaneled, Regional Manager will be the competent authority to assign any task to the Detective Agency.

Regional Manager must ensure that while assigning any task, a letter must be given to the Detective Agency clearly stating the nature of task and the fees which will be payable for that task, to avoid any dispute/complaint at a later stage. While giving an assignment to the Detective Agencies, the endeavor should be that only reasonable number of assignments are given to a particular Detective Agency depending upon bank's requirement, agency infrastructure and competence, to get better results.

In case bank engages service of recovery/enforcement/seizure agent/Detective Agency for any recovery case, the identity of the agent must be disclosed to the borrower.

Branches are advised to maintain a register for recording work allotted to RA/ EA as per the following details:

1. Sr. No.
2. Name of Agency
3. Name, Address, Tel No., Mobile No., Fax No., of contact person of RA/ EA.
4. Whether trained.
5. Cases allotted (Note record for allotment of work during last three years/ outstanding cases)
6. Date of allotment of work
7. A/cs given for recovery during review period - No. of A/Cs & Amt.
8. Recovery made during review period No. of A/Cs & Amt. (Account wise details to be maintained separately)
9. Rate of Commission agreed (within policy framework) and expected job
10. Commission paid during review period
11. Details of complaints received against RA/ EA for not following RBI guidelines
12. Remarks

Note: Separate folio for each Recovery Agent be maintained

## 2.1 PAYMENT OF FEES:

It may be appreciated that Recovery/ Enforcement Agents may be required to initiate various steps depending upon stage of specific NPA account inter alia factors like age of NPA/ suit/ decree, locating charged/ uncharged assets, taking possession/ sale etc. and also where such actions are to be initiated in part only.

Schedule of fees/ charges and incentives payable to Recovery/ Enforcement Agents for Accounts already allotted to Recovery/ Enforcement agents:

1. Fees/ Charges for other Recovery related Services
  - a. Facilitating /Assisting the bank/Authorised Officer for taking symbolic possession of immovable assets including pre- possession inspection & pasting of 13(4) at premises (per secured asset)

For Metro Area - Rs. 9000/-

For non-Metro area – Rs. 7000/-

Note –

- In case where Authorised Officer can take physical possession directly without taking symbolic possession, charges for symbolic possession should not be paid.
- For open plot/ site where symbolic possession itself considered as physical possession, charges payable for symbolic possession as mentioned above only be paid.

**b. Professional fees for filling application & obtaining order from District Magistrate/ Chief Metropolitan Magistrate/ Chief Judicial Magistrate (DM/CMM/CJM)**

Metropolitan Area	Rs. 15000/- Per Application
Non-Metropolitan Area (Other area)	Rs. 12000/- Per Application

Incentives payable – paid per application over & above the fees:

If DM/CMM/CJM order received within 30 days from the date of filing application	Rs. 10000/-
If DM/CMM/CJM order received within 45 days from the date of filing application	Rs. 7000/-
If DM/CMM/CJM order received within 60 days from the date of filing application	Rs. 5000/-

**c. Facilitating bank in seizure of securities / taking actual possession of movable and Immovable Assets (Per secured asset)**

Estimated value of security of Assets	Proposed fees for facilitating bank in Seizure of securities/ taking actual possession of movable and Immovable Assets (Per Secured Asset)-	
Upto Rs. 25 Lakh	Metro Area	0.4% of value of property
	Non-Metro Area	0.3% of value of property
Above Rs. 25 Lakh & up to Rs. 1 Crore	Metro Area	Rs. 10000 + 0.3% incremental value of property
	Non-Metro Area	Rs. 7500 + 0.2% incremental value of property
Above Rs. 1 crore & up to Rs. 5 Crore	Metro Area	Rs. 32500 + 0.025% incremental value of property
	Non-Metro Area	Rs. 22500 + 0.020% incremental value of property
Above Rs. 5 crore & up to Rs. 10 Crore	Metro Area	Rs. 42500 + 0.020% incremental value of property
	Non-Metro Area	Rs. 22500 + 0.015% incremental value of property
Above Rs. 10 crore & up to Rs. 25 Crore	Metro Area	Rs. 52500 + 0.0075% incremental value of property
	Non-Metro Area	Rs. 38000 + 0.005% incremental value of property



Above Rs. 25 crore	Metro Area	Rs. 63750 + 0.005% incremental value of property (Max Rs. 70000/-)
	Non-Metro Area	Rs. 45500 + 0.0025% incremental value of property (Max Rs. 65000/-)

Note –

- If fraud declared accounts, the recovery agent will be entitled for incentive of 1.00% of amount recovered over and above fee structure provided herein above, provided this recovery is not under compromise or OTS approved by bank.
- While allotting the account to EA/RA, region should give in writing with specific time bound programme for completing each stage of the activity and review the progress at each stage.
- For open plot/ site where symbolic possession itself considered as physical possession, charges payable for symbolic possession as mentioned above only be paid.
- In case, there is no satisfactory progress even after six months, assignment be withdrawn from EA/RA and be given to another EA/RA
- Branch has to maintain the record of above payment borrower wise in separate register. The said expenditure be claimed /recovered as legal/ other expenses.

## 2. Fees/ commission for sale of charged asset for mobilization of bidder

Commission /fees payable to seizure/ Enforcement Agent for sale of seized asset through Auction or otherwise –

Following Commission/Fees will be paid to Seizure / Enforcement Agent / Recovery Agent / empanelled broker who have played active role for arranging the bidder and providing necessary assistance to him to sale the property, irrespective of whether he has assisted for taking physical possession or not.

Amount credited in NPA/ PWO Account through sale of Asset	Fees payable on amount credited in the NPA/TWO/PWO account through sale of assets.
Up to Rs. 10 lakh	2% of the amount
More than Rs. 10 lakhs but up to Rs. 50 lakh	Rs. 20000/- + 1.5% of excess of amount over Rs. 10 Lakh
More than Rs. 50 lakhs but up to Rs. 1 Crore	Rs. 80000/- + 1.25% of excess of amount over Rs. 50 Lakh
More than Rs. 1 crore but up to Rs. 5 Crore	Rs. 142500/- + 0.75% of excess of amount over Rs. 1 crore
More than Rs. 5 Crore	Rs. 442500/- + 0.25% of excess of amount over Rs. 1 crore subject to maximum Rs. 5.00 lakh

In cases where Seizure / Enforcement supporting agent have played a proactive role in recovering dues through OTS or otherwise (normal recoveries) after initiating SARFAESI action under the Act but there is no sale of asset, fees / charges shall payable as under: –

Amount credited in NPA/ PWO Account	Fees payable on amount credited in the NPA/TWO/PWO account.
Up to Rs. 10 lakh	1% of the amount
More than Rs. 10 lakhs but up to Rs. 50 lakh	Rs. 10000/- + 0.75% of excess of amount over Rs. 10 Lakh
More than Rs. 50 lakhs but up to Rs. 1 Crore	Rs. 40000/- + 0.50% of excess of amount over Rs. 50 Lakh
More than Rs. 1 crore but up to Rs. 5 Crore	Rs. 6500/- + 0.125% of excess of amount over Rs. 1 crore
More than Rs. 5 Crore	Rs. 115000/- + 0.05% of excess of amount over Rs. 1 crore subject to maximum Rs. 1.25 lakh

- Rates mentioned above are all inclusive of incidental charges / actual expenses whatsoever may be payable.
- In case the accounts are settled under some specific settlement scheme, approved by the bank, where no efforts of the Enforcement Agent / Recovery Agent are involved no amount should be paid to the Recovery Agent.
- Amount of commission will be payable upon issue of sale certificate and handing over possession to buyer. If property sold in symbolic possession, the above charges is payable after handing over the possession to buyer and after completion of all sale formalities. In case sale is cancelled due to any court stay, above charges shall not be paid
- The Enforcement Agent / Recovery broker who is bringing the prospective buyer has to submit letter with signature of the buyer prior to submission of Bid to the authorised officer, then only he will be eligible for above commission.
- In case amount gets upgraded the fees will be on the amount required for upgradation accounts of the borrowers.

3. TDS and GST on fee paid to agency will be deducted as per applicable rules (all inclusive).

4. Schedule of fee for Detective Agency will be as under:

Fixed fees – Rs. 15000/-

Incentive for locating uncharged and unencumbered assets –

- ✓ Rs. 20000/- per property if value of traced property is up to Rs. 50 lakh
- ✓ Rs. 30000/- per property if value of traced property is above Rs. 50 lakh & up to Rs. 1 crore
- ✓ Rs. 50000/- per property if value of traced property is above Rs. 1 crore

- ❖ Professional Fees shall be payable per borrower in two phases (50% at the time of entrustment and remaining 50% on submission of final report). In order to arrive at a value of the property for making payment of incentive mentioned above. The going rates in the area has to be arrived through Index price from local property agent, etc.
- ❖ If the property traced is already mortgaged to any other Bank / FI the same shall not be considered as uncharged property and no incentive shall be paid.
- ❖ Similarly, before making payment to DA, the branch/Region has to cross verify with CERSAI Portal as to existence of any encumbrance / charge on the property traced by DA. As far as possible, legal opinion/title investigation reports is to be obtained.
- ❖ Incentive for uncharged assets traced shall be payable per property only, if the final report is submitted within one month of entrustment along with documentary proof of uncharged assets, fixed incentive of Rs.5000/- per property will be paid. (Interim Report should not be taken into consideration payment of fees)
- ❖ In cases where the Detective Agency fails to submit the Final Report within 3 months of allotment of account, further entrustment of work to such Detective Enforcement/ may be restricted / considered strictly on merit by Regional Authority.

5. Statutory fees to be deposited at CMM/DM/CJM, Police Bhatta, Mamledar Fees/Tahsil office or any other statutory fees: At Actual Basis

6. Publication of Statuary Notices i.e. Possession Notice, Auction Notice:

Actual Basis - Region shall obtain three quotations from publication agencies, negotiate and give the work to lowest-L1.:

7. Safeguarding the secured asset by appointing security guards/for safe keeping in the warehouse/godown:

(A) For cases other than seizure of vehicle- Actual Basis - Region shall obtain three quotations from security agencies and negotiate and give the work to lowest-L1.

(B) Storage charges for seizure of vehicle (per Vehicle)-

- Two Wheler- Rs. 50 per day
- Other vehicle- Rs. 100 per day

No parking charges will be payable beyond 60 days of seizure of vehicle.

8. In unsecured (clean) advances or secured advances for which fee/incentives/commission are not specified above, if recovery is made within 4 months of allocation through cash/compromise/upgradation, the fees/service-charges payable as under:

Mode of Recovery	Amount to be paid
Cash Recovery as part payment	3% of Recovered Amount
Cash Recovery as full payment	4% of Recovered Amount
Cash Recovery through compromise/OTS	2% of Recovered Amount

The maximum ceiling for an amount payable to the agency as per the above mentioned fee structure will be Rs.3.00 Lacs. (per borrower)

In cases where the accounts get upgrade through the effort of Recovery Agents, fees shall be payable on the amount recovered for upgradation of the accounts. Branch/Region/Zone should ensure to recover the fees/charges paid to Recovery Agent from borrower while upgrading the account.

- Fees/ service Charges will include all charges/ expenses incurred by the recovery agents.
- The recovery Agent has to submit the bills for payment of fees/ service charges to the branches and same will be forwarded with recommendation to the regional authorities for approval. Branch will pay the same to Recovery Agent/Enforcement agent (after deduction of GST/TDS, as applicable) only after getting approval from Regional Authority.
- Additionally, reimbursement of reasonable and actual out of pocket expenses for Security, Insurance, Statutory/ Legal compliances only (after taking the possession of securities charged to bank) may be paid after being satisfied about the need for such expenses and the reasonableness of the amount taking into consideration the local conditions etc.
- Branch has to maintain the record of the above payments borrower wise in a separate register. The said expenditure will be claimed/ incorporated as legal/ other expenses in all demand notices and also while considering compromise proposals and filing recovery suits at any court/ submission of suit claims to DRTs etc. if so warranted in respect of any account.
- In case of Repossession/seizure of vehicle, the empaneled Enforcement Agency (EA) before seizing the vehicle shall inform the nearest police station.
- Empaneled Enforcement agency shall seize the vehicle, following the code of conduct and the MOU executed between the Bank and the Enforcement Agency (EA). The Regional Manager shall on behalf of the Bank execute MOU (as per enclosed draft for this purpose) with the Enforcement Agency (EA) empaneled.
- The Enforcement Agency (EA) shall have a proper storage facility and the vehicle shall be parked in such storage space with proper security and with a valid insurance.
- The inventory of the vehicle seized shall be prepared by the Enforcement Agency (EA) and a copy shall be given to the Borrower and the signature of the Borrower on such inventory shall be taken for having noted the contents of inventory and having found the same as correct.

- The responsibility of the security of such seized vehicle shall be with the Enforcement Agency (EA).
- A photograph of the seized vehicle shall be taken by the Enforcement Agency (EA) at the time of taking inventory and copy of the same will be provided to branch as well
- On the request of Authorised Officer, Valuation of the seized vehicle shall be obtained by EA/RA from the used car dealers/ reputed garages or from any other authorized valuer immediately preferably within 15 days of seizure of vehicle & should be submitted to respective Authorized Officer (AO)/Branch for auction. But it is primary duty of branch and Authorized Officer (AO) to obtain valuation in time and complete auction to avoid any delay, causing depreciation in value of asset.
- While calculating the time period for the purpose of the Fees/ Incentives, there will be moratorium period of six months in case the recovery is delayed due to stay in SA/ Appeal filed by party before DRT/ DRAT/ High court against the SARFAESI writ action or any other situational circumstances generated due to Govt. orders etc. upto the satisfaction of Regional Authority.
- TDS & GST on fee paid to the agency will be deducted as per rules applicable (Fee is inclusive of GST etc.). If Agency claims GST, the extant guidelines of the bank will be applicable.

## 2.2PROCEDURE FOR APPOINTMENT OF RECOVERY AGENTS/ ENFORCEMENT AGENTS/DETECTIVE AGENCY:

Enforcement / Recovery Agent/ Detective Agency (EA/RA/DA) will be appointed/ empaneled by Regional Head after getting [approval from General Manager/Chairman at Head Office](#), based on his recommendations. The empanelment of EA/RA/DA will be for 1 year subject to review of satisfactory performance by Regional Head. The empanelment may be renewed subject to periodical review, based on performance and conduct of EA/RA/DA. However, renewal of EA/RA/DA is fully on the discretion of Regional Head and no separate approval of General Manager is required if renewal is in continuation of previous empanelment/renewal. For appointment/ empanelment of EA/RA/DA Regional Manager will forward proposal to Head office with full details on prescribed format.

### Regional Authority must ensure following before endorsing proposal:

- Verification of documents with original provided by applicant to full satisfaction of the Region.
- Directives of RBI vide their letter no RBI/2007-08/296.DBOD.no Leg.BC.75/9.7.005/2007-08 dated 24.04.08 and thereon & also the guidelines issued by the bank from time to time have been complied with.
- Recovery/Enforcement Agents should have certificate for completion of 100 Hrs training program by IIBF in this regard.

- Since there are no regulatory and statutory guidelines for Detective Agencies, preferably the Agency has to be member of "Association of Private Detectives & Investigators" of India, also known by the name APDI.
- Recovery/Enforcement agency is having work experience with at least two other scheduled commercial Bank/RRBs/FI at the time of appointment or working in our bank satisfactorily for at least 2 years. In such cases where EA/RA/DA is already working in our bank, Regional head should attach proper record of recovery /recovery proceedings made by such EA/RA/DA. EA/RA/DA should produce sufficient proof of experience/empanelment, issued from competent authority only.
- If Agency is already working in any region of our bank, region should seek a feedback about working and recovery performance of EA/RA/DA from the region where it is currently working and this feedback must be enclosed along with other required documents / proposal sent to Head Office for approval.
- Regional Authority should ensure that EA/RA/DA has not been black listed by other banks/FIs.
- Regional Authority should care proper due diligence while endorsing the proposal for appointment of EA/RA/DA.
- The Enforcement Agency (EA) shall have a proper storage facility where the vehicle shall be parked in such storage space with proper security after seizure.

#### Documents to be obtained along with application from EA/RA:

- KYC of Key person
- Registration of recovery agency having details of registered office.
- Details of Local office
- Experience certificates
- IIBF 100hrs training certificate of key person authorized to agreement (EA/RA)
- Membership of "Association of Private Detectives & Investigators" of India, also known by the name APDI
- GST registration, if applicable.
- Copy of Partnership deed/Article of association/Memorandum of Association, as the case may be.
- After approval from Bank's General Manager/Chairman, a clean security deposit of Rs.2,00,000/- will be obtained from EA/RA/DA in form of FDR issued by our bank, which will be lien marked and kept with agreement at concerned Regional Office. If an EA/RA/DA applies in more than one Region, he has to produce additional clean security deposit of Rs. 2,00,000/- to each Regional Office in form of FDR issued by our bank.

The above guidelines shall also be effective for existing empaneled EA/RA/DA on next/yearly renewal of agreement/empanelment and shall be adhered as per guidelines issued time to time.

- An Undertaking / Agreement with Rs. 100/- stamp is to be obtained and duly executed, covering, inter alia, the following:
  - I. adoption of lawful means,
  - II. not to accept cash;
  - III. he or his employees shall be solely responsible for any step taken beyond authority/ law and shall indemnify bank against all losses/claims for all such acts.
  - IV. will appoint agents/ employees only in accordance with guidelines of RBI as applicable,
  - V. will follow code as laid down in Model policy on code for collection dues and repossession of security and Code issued by RBI/NABARD/ Govt. etc.

Salient features of the same are given hereunder:

- The customer would 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.
- 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 repossession will identify himself/ herself and display the authority letter issued by the bank upon request.
- The bank would respect privacy of its Borrowers.
- 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.
- 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.
- Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
- 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.

- All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/ visits to collect dues.

Note: All the members of the staff or any person authorized to represent our bank in collection or/ and security repossession would follow the guidelines set as mentioned above.

While acting as an external agency on behalf of the Authorized Officer of the Bank, scope of services to be provided by Recovery agent/agency to the Authorized Officer, would be as follows:-

1. To assist in serving the notices under SARFAESI Act, 2002 to the defaulting borrower and guarantor.
2. Enforcing/assisting in conducting pre-takeover inspection of assets identified for taking possession and to ascertain the feasibility of take over preservation and sale ability of the assets.
3. Enforcing/assisting in taking possession of stocks, machinery, immovable properties, & will prepare the panchanama and inventory as per guidelines.
4. Enforcing/assisting in obtaining orders from Magistrate/assistance of local administration for taking possession of assets wherever resistance from the borrowers/guarantors is anticipated.
5. Safeguarding of the seized assets by appointing security guards in cases of immovable properties.
6. Safe custody of movables in the warehousing/ godown for storage, preservation, maintenance etc.
7. Enforcing/assisting in conducting sale of assets through permitted modes under the Act by inviting tenders/quotations/holding public auction/private treaty to secure maximum sale price.
8. Enforcing/assisting in receipt of sale proceeds, issue of sale certificate etc. as per the provisions of the Act.

Other terms of reference of the said assignment are as under:



1. The commission will be paid on the amount recovered and credited to the Bank account. The amount deposited with the Court/DRT will not be considered for payment of commission.
2. The charges payable shall be linked to the total amount recovered in particular NPA account assigned to Recovery agent/agency and not on piecemeal basis.
3. The charges payable to Recovery agent/agency will be as per Recovery Policy of the Bank which will be subject to further negotiation by the Authorized Officer on case to case basis.
4. The payment of commission will be paid on **NO CURE NO PAY** basis.
5. Recovery agent/agency shall execute an AGREEMENT in the approved format requisite stamp paper. The terms and conditions agreed upon to be followed in total.
6. Recovery agent/agency shall carry out the instructions of the Authorized Officer of the Bank upon written entrustment of work and undertake the enforcement job assigned to them in the presence/supervision of Bank's Authorized Officer.
7. The actual time frame for carrying out the assignment/s entrusted to Recovery agent/agency shall be spelt out to the Bank well in advance to ensure smooth implementation of the decisions of the Authorized Officer of the Bank.
8. Recovery agent/agency empanelment does not confer any right or claim that he/they alone should be entrusted with the Bank's work.
9. Recovery agent/agency empanelment/engagement as Recovery Agent does not construe employment in the Bank in any manner whatsoever.
10. Recovery agent/agency shall maintain highest professional and ethical code of conduct in their dealings. Further, they shall not divulge any information gathered during the course of their assignment.
11. Recovery agent/agency performance will be reviewed time to time preferably half yearly/yearly basis and if their services are not required/ found up to the mark then Bank will depanel them and the cases/ matters entrusted to them will be taken back .
12. Any NPA account assigned to Recovery agent/ agency for recovery may be withdrawn by the Bank without assigning any reason. In case of failure of resolution of the allotted account within a specified cut-off date, the work allotment shall stand cancelled automatically without intimation to them, unless the validity period of the Agreement is extended by the Bank in writing.

13. Bank will have the discretion to dispense with their services at any stage of recovery action in any account. Further, the Bank reserves the right to terminate the agreement at any point of time by issuing -7- days notice whereupon Recovery agent/agency shall cease to perform any job/work assigned under this agreement. In the event of termination of the agreement, they shall handover possession of the movable/immovable assets, along with all relevant documents etc. to the Authorized Officer or any other person/agency as informed by the Bank.
14. The Authorised Officer will utilize their services in bad accounts of the Region.
15. The Bank will not be held responsible for any legal impediments/complications etc. created by the borrowers/guarantors due to act of agency.
16. The Bank shall not be responsible for any untoward circumstances which may be the result of any action taken by the borrowers/guarantors due to act of agency.
17. Recovery agent/agency will follow code of conduct prescribed by RBI for Recovery Agents.
18. Recovery agent/agency conduct will not tarnish the image of the bank.
19. The Bank shall not be responsible for any correspondences that may occur due to any action taken by Recovery agent/agency as Bank's Recovery Agent.

#### Competent Authority for payment of fees and settlement of disputes:

Regional Manager will be the competent authority to finalize the bill/claim on appropriate rates (as per Bank's extant guidelines), submitted by the EA/RA/Detective Agencies and its payment. The fees will be paid as per terms and conditions mentioned in the empanelment letter issued by the Regional Manager while assigning the task. Regional Manager shall be the competent authority for settlement of disputes.

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## CHAPTER XI

### Recovery through Bank Mitras/BCs/VLEs

In order to facilitate speedy recovery of bank dues, branches can use Bank Mitras/BCs/VLEs as the extended hands of branches. This will help to improve Bank's portfolio and increase the income of Bank Mitras/BCs/VLEs too.

#### 1. Allotment of accounts to Bank Mitras/BCs/VLEs:

Following accounts are eligible for allotment to Bank Mitras/BCs/VLEs:

- Overdue KCC accounts,
- PNPA accounts (SMA 0,1 & 2 accounts) (other than KCC & CC/OD accounts)
- NPA accounts
- PWO/TWO accounts

Provided that these accounts are-

- Not assigned to any EA/RA at the time of consideration for assignment.
- Effective Recovery action is not being carried out by revenue department through acts Promulgated by State Government or otherwise.
- No Compromise under Lok adalat/General compromise/OTS scheme is alive.

For efficacy of Bank Mitras/BCs/VLEs in recovery, Regional Offices shall conduct "[Sensitization Programs/Workshops](#)" for Bank Mitras/BCs/VLEs at least once in six months.

Branches will allocate loan accounts to Bank Mitras/BCs/VLEs working in their branches after getting approval from Regional Manager/Chief Manager at RO.

Branches will forward list of eligible accounts for allocating to Bank Mitras/BCs/VLEs for approval of Regional Authority on prescribed format as per annexure-XIV.

After getting approval from Regional Authority, allotment of accounts to Bank Mitras/BCs/VLEs shall be communicated by branch in writing with period (start date & end date) for which accounts are being assigned to them for recovery. Incentive will be payable at specified rate for recovery during the same period only, unless extended. Allocation of accounts to any Bank Mitras/BCs/VLEs for recovery shall also be duly communicated to concerned borrowers.

Since their activities may expose the Bank to potential reputation and legal risk, the services rendered by the Bank Mitras/BCs/VLEs should be regularly reviewed.

Allotment of accounts to Bank Mitras/BCs/VLEs for recovery will be for 3 months at one time. However, it may be extended for next 3 months, if found effective. Branches are advised to review the performance of Bank Mitras/BCs/VLEs every fortnight and submit the feedback to their Regional Offices. Regional Office will analyse the performance of each Bank Mitras/BCs/VLEs, at least once in a month.

If the services of any Bank Mitra/BC/VLE is not found to be satisfactory, branch may withdraw allotment after communicating the same to concerned Bank Mitras/BCs/VLEs and RO as well.

## 2. PAYMENT OF INCENTIVES:

Incentives payable to Bank Mitras/BCs/VLEs for Accounts already allotted to them are as under:

<b>A. For Full payment/ renewal of Overdue KCC accounts</b>	
Accounts O/s upto Rs. 50000/-	Rs. 250 per account
Accounts O/s More than Rs. 50000/- & up to Rs. 160000/-	Rs. 500 per account
Accounts O/s More than Rs. 160000/- & up to Rs. 300000/-	Rs. 750 per account
Accounts O/s More than Rs. 300000/-	Rs. 1000 per account
<b>B. Recovery in PNPA accounts (SMA 0,1 &amp; 2 accounts) (other than KCC &amp; CC/OD accounts)</b>	1% of cash recovery
<b>C. Recovery in NPA accounts</b>	2% of cash recovery
<b>D. Recovery in PWO/TWO accounts</b>	10% of cash recovery

If recovery comes by efforts made by Bank Mitras/BCs/VLEs in NPA accounts allocated to them, including compromise/settlement cases, incentive will be payable at same rate as specified above.

### Others important points:

- Bank Mitras/BCs/VLEs will present bill at branch for recovery in accounts allotted to them.
- Same will be forwarded by branch with recommendation to concerned Regional office for approval.

- After getting approval from Regional Authority, incentive will be payable to Bank Mitras/BCs/VLEs for recovery. Payment will be made from A/C XXXX0052201001 (Commission Paid Others).
- For PNPA accounts (as mentioned above at 2-B), incentive will be payable for recovery against the overdue instalments only.
- TDS /service charges on incentive paid to Bank Mitras/BCs/VLEs will be deducted as per rules applicable.
- Branches/Regional Offices shall ensure that "Code of conduct" as issued by RBI / NABARD/Govt. etc are being complied by Bank Mitras/BCs/VLEs during recovery.
- Other guidelines which defines conduct & behavior of a EA/RA given under chapter "Enforcement/Recovery Agent" in this policy, are also applicable for Bank Mitras/BCs/VLEs during recovery.

Any regulatory guidelines issued by RBI / NABARD/Govt. etc from time to time will automatically be part of this policy and applicable with the date of amendment.

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## CHAPTER XII LEGAL ACTION

1. Before initiating legal action, Bank may adopt any one or more of following strategy:
  - a. Efforts to be initiated for compromise settlement.
  - b. Appropriate action to be taken under SARFAESI Act, 2002.
  - c. Ascertain the availability and realisability of securities, net worth of borrowers, guarantors and enforceability /validity of documents.
  - d. Issuance of legal notices.
2. It is advised to **keep documents alive and under all circumstances**, steps be taken to prepare for filing suit and it is ensured that the suit is filed within limitation period.

Accounts requiring legal action shall be referred to Regional Office at least 6 months in advance before the expiry of documents so that the Regional Office and Advocate/s will have sufficient time to study the case.

On receipt of sanction from Regional Office, all the relative papers, Xerox copy of documents, etc. shall be referred to the concerned advocate/s as advised by RO, against proper acknowledgement. On receipt of the draft of legal notice to be served, the branch shall immediately verify the facts and particulars and return the same to the Advocate/s with corrections, if any.

**The authority for sanction of taking legal action against the borrower shall be vested with the Chief Manager at Regional Office/ Regional Manager based on the clear recommendations of the Branch Manager.**

It is advisable that while preparing such proposal branch should also put on record the possible strategies/ available avenues to execute the decree/ RC to realize the dues.

If there is no response to the legal notice/s, our Advocate/s shall be suitably instructed to proceed with filing of the suit, etc. rather than to wait for a reminder from him/them. The plaint prepared by the Advocate shall be thoroughly scrutinized. The plaint shall rely not only on the documents and ledger outstanding but also on the correspondence between the borrower and bank where he/they have agreed to regularise the account, sought time to repay the dues and financial statements (Balance Sheet & P&L Account) prepared and made available to the bank. **The plaint original application (OA) shall be got vetted by Law officer of bank/Legal advisor of bank.**

It is advisable that empaneled advocates should be requested to file application under order 39 of code of civil procedure for interim sale of hypothecated movable assets, along with filing of plaint, in eligible cases where movable assets are subject to speedy and natural decay.

### 3. WAIVER OF LEGAL ACTION:

In case the sanctioning authority is of the view that initiation of legal action will only amount to increasing of the cost without any fruitful results, such sanctioning authority may request for waiver of legal action to the Regional Office (unless such an action is required as a coercive measure, for instance against Wilful Defaulters).

Similarly, in cases where continuing the legal suit is not considered to be fruitful, the proposal for waiver (Withdrawal) of legal suit should be submitted to Regional Office for such sanction.

In both the circumstances, the powers for sanction or waiver of legal action shall vest with the Chief Manager at Regional Office/ Regional Manager, as per their respective DLP. Cases which are covered under CGTMSE and other guarantee cover schemes, extant guidelines issued by concerned authorities shall be adhered for waiver of legal action.

### 4. Following steps to be taken while preparing for filing suit in civil court or DRT -

- Branch should appropriate the credit balance in any current / savings account / and/or Deposit Receipts in the name/s of the Borrower/s or Guarantor/s, prior to filing the suit.
- Reasonable notice to be given to the borrower before filing suit.
- In the case of pledged & hypothecated goods, take possession of the assets and sell the same after giving due notice.
- In case the LIC policies are assigned to Bank, surrender the policies and appropriate the account with surrender value so received from LIC, after giving due notice to the concerned borrower(s)/guarantor(s).
- The proceeds of securities such as, NSC, Mutual Fund, shares, debentures etc. should be appropriated/ adjusted against the loan account after giving due notice to the concerned borrower(s)/guarantor(s) as per extant bank norms.
- Ensure that documents / securities are enforceable against borrowers /guarantors.
- Proper and meaning full discussions to take place and Advocate should be briefed accordingly before filing suit
- Ensure that the draft Plaint is prepared by Advocate within a reasonable time of assignment of the case.

- All details with facts and figures stated in the draft Plaint/OA suit be verified and should be sent to the Competent Authority for approval along with the list of documents.

A case involving Rs 20 lakhs and above shall be filed in Debt Recovery Tribunal (DRT) and below Rs.20 lakhs is to be filed in civil Court.

#### 5.(a) Proceeding before DRT

Debt Recovery Tribunals: DRTs have been established under the Recovery of debt due to Banks and Financial institutions Act 1993.

When the Recovery suit is filed in DRT, they give a serial number and issue summons to borrowers / guarantors called defendants.

- Prompt serving of summons is very important for quick disposal of the case and the Branch / Advocate should ensure to see that the summon is served within a period of one month.
- Branches should obtain interim orders for restraining the mortgagor(s) from transferring, alienating or disposal of mortgaged assets in any manner.
- If summons are served on the defendants, proceedings commence with evidence by way of affidavits filed by Bank and defendants/opposite parties.  
No cross examination of witness is allowed without specific permission of DRT. As such evidence by affidavit of parties is followed by arguments ending up in Recovery Certificate.
- Our Advocate should file Evidence by way of affidavits as aforesaid, clarifications / documents in time as required by DRT. Ensure that adjournment is not sought on this count. Reply to be filed without delay.
- Any attempt by Defendants' to seek adjournment on various grounds including that their compromise proposal is pending for consideration before the Bank should be opposed by our Bank's Advocate.
- Suit file during prosecution of the suit in civil court/DRT there can be instances of death of defendants. In such case, the bank should implead in the suit the legal heirs of the deceased defendant within a period of 90 days. Else the suit as against the legal heirs may abate.

#### 5.(b) Recovery Certificates & its Execution.



- Presiding Officer of DRT issue Recovery Certificates to be executed by Recovery Officer of DRT.
- The Branch should supply details of securities charged and others for execution of RC to the Recovery Officer.
- Branch should ascertain details of assets by making enquiries from all the sources viz. the Income Tax / Wealth Tax Returns, CBD etc. of the borrowers/ guarantors.
- Branch should supply the Assets details within one month of the issuance of the RC. Therefore, it is advised that branch should start to use all resources to collect information of assets of the borrowers / guarantors as and when case filed.
- Under Section 28 (4A) of the DRT Act, the Recovery Officer can order any judgment debtor to declare on affidavit his assets. Branch must move Application for such an order to get full details of assets.
- Adjournments sought by defendants to be opposed by our Advocate.
- Where the Judgment Debtor is entitled to any shares or Debentures in any Company or has deposits in any other Bank or Company, the Bank should initiate "Garnishee" proceedings.
- Wherever the Bank is convinced that the defendant is willfully avoiding payment despite having sufficient means, the branch may file Application before the Recovery Officer for arrest and detention of the party.

#### 5.(c) Proceedings before Civil Court

- ❖ Case to be filed with the Civil Court within a reasonable time after approval received from appropriate Authority
- ❖ Advocate may be instructed to file Application for interim sale of hypothecated movable assets, which are subject to speedy and natural decay, along with filing of Plaint.
- ❖ Plaint should contain description of all relevant documents and securities charged to the Bank.
- ❖ While filing the Suit, Xerox copies of documents only need to be given to the Advocates & Original Documents should be retained with the Branch till Court requires the same.
- ❖ In case original documents are required to be filed with court, a certified copy shall be retained and court be prayed for keeping the same in safe custody as far as possible.

- ❖ Interim reliefs such as injunction against sale of properties, attachment before judgment, appointment of Receiver, Decree for admitted dues should be prayed as a rule.
- ❖ Account Extracts should be produced and certified as per the provisions of Bankers Books Evidence Act and be annexed to the Plaint.
- ❖ In case branch is proceeding for destruction of old record, records pertaining to suit filed case are to be preserved.

#### 5.(d) Procedure after filing the Suit with the Civil Court/DRT

- ❖ Civil Court gives a Suit number and issue summons to borrowers /guarantors called defendants.
- ❖ Branches should obtain interim orders for restraining the mortgagor(s) from transferring, alienating or disposal of mortgaged assets in any manner. Attachment of uncharged assets of the borrower and guarantors including debtors and appointment of receiver where there is an income from the charged assets or otherwise to the borrower(s) and guarantor(s).
- ❖ Serving of summons is very important for quick disposal of the case and the Branch / Advocate should take maximum care to see that the summons is served within a period of one month.
- ❖ If summons are served on the defendants, proceedings commence with evidence, which as per the recent amendment to Civil Procedure Code can be filed, by way of affidavits followed by cross-examination of Bank's witnesses and vice versa followed by arguments ending up in Judgment and Decree.
- ❖ Evidence by way of affidavits as aforesaid, clarifications / documents required by Civil Courts should be filed in time and no adjournment should be sought on this score. Reply to counter-claims raised by the borrower/s should be filed immediately.
- ❖ Attempt to take adjournment by Defendants' should be opposed by the Bank's Advocate if sought on any ground including that their compromise proposal is pending under consideration before the Bank.

#### 5.(e) Passing of decree

- ❖ Branches must ensure that the statement of expenses, e.g. court fees, advocates fees and other expenses be claimed in the decretal amount along with the claims as made in the plaint.

- ❖ Within one month of obtaining the Judgment Decree the execution Application has to be filed by the Branch.
- ❖ In addition to or in the alternative the Branches concerned may consider applying to the Court for an Order under Order 21 Rule 41 of Civil Procedure Code, requiring the Judgment Debtor to declare on Affidavit before the Court all the particulars of his attachable assets.
- ❖ In case of a Decree for realisation of the hypothecated book-debts, the Court will appoint a Commissioner or Receiver to realise the book-debts by sending notices of demand to the Debtors of the Borrower / Guarantor who is the Judgment Debtor and if necessary by filing a Suit and taking legal proceedings against the Debtors for recovery of the amounts which are due by the Debtors and which are hypothecated to the Bank.
- ❖ Where the Judgment Debtor i.e. borrower / Guarantor is entitled to any shares or Debentures in any Company or has deposits in any other Bank or Company, the Bank should initiate Garnishee Proceedings.
- ❖ The Branch should initiate action and proceed with the execution of the decree for the entire outstanding, if there is a case of default in payment as stipulated in the decree.
- ❖ If any money is deposited by the Judgment Debtor with the Court's Office/court Receiver, pending disposal of the suit, Branch should follow up with them and ensure early withdrawal/collection of money.
- ❖ Even if an Appeal is filed by the Judgment Debtor against the Bank before the Appellate Court challenging the money decree passed by the lower Court in Bank's favour, the Bank should nevertheless proceed to apply for execution of the decree passed by the lower Court, unless the execution of decree is stayed by a specific order.
- ❖ Where there are two or more Judgment Debtors in the decree obtained by the Bank, and in the absence of anything to the contrary provided in the decree, the Bank has an option to execute the entire decree either against any one or more or some or against all the Judgment Debtors.
- ❖ If the decree is sought to be executed after a period exceeding two years from the date of the decree or if the decree is sought to be executed against the legal representative/s of the Judgment Debtor, then an Application will have to be made

in the first instance before the executing Court for leave of the Court to execute the decree.

- ❖ If a decree is passed against a partnership firm the Bank will have to apply for leave of the Court under Order 21 Rule 50 of C.P.C. for the purpose of executing such a Decree against a partner who was not made a party to the suit or who was not individually served with the Summons in the Suit.

#### 5.(f) Recovery through Mortgage Suit:

Wherever the collateral security has been mortgaged to cover the advance and the Bank wants to realise its dues through such security, the mortgage suit is to be filed.

The limitation period for the enforcement of a debt secured by a mortgage made by deed is governed by section 20 of the Limitation Act 1980 and, in relation to the principal, is twelve years from the date the cause of action accrued. The Court of Appeal has now held that it makes no difference to the limitation rules if there is no express covenant in the mortgage deed to repay the principal.

#### 5.(g) Recovery through Summary Suit :

A summary Suit can be filed as per the provisions laid down in Order 37 of Code of Civil Procedures (CPC) at specific centers notified by the respective High Court. The summary procedure is not available when the Plaintiff seeks to enforce any securities by way of mortgage, hypothecation or pledge or any other charge on any property. So far as Bank advances are concerned, Summary Suits can normally be filed, inter alia in the following cases:

- A. When the suit is against a borrower on a mere Promissory Note or a Term Loan Agreement, wherein no security is to be enforced; or
- B. When the suit is against a borrower on a Pro-Note or Term Loan Agreement and / or guarantor on his Letter of Guarantee, wherein no security is sought to be enforced against either of them; or
- C. When the suit is against a guarantor alone on his Letter of Guarantee, wherein no security is to be enforced against him; or
- D. When, in a Bills Purchase or Discount facility, the suit is against the borrower (who would be the drawer) and acceptors and guarantors, if any, wherein there is no security to be enforced.

- E. In the suits tried under Order 37 of CPC the Defendant has to apply for leave to defend such suit and the Court may not grant such leave but decree the suit in favour of Bank if the Court is satisfied that the Defendant has no substantial defense to raise or that the defense intended to be put up by him is frivolous or vexatious. Even when he is permitted to defend the suit, the Court has powers to direct him to give such security and within such time as the Court may fix.
- F. Order 37 of CPC applies to all High Courts, City Civil Courts and Courts of Small Causes. It also applies to all other courts, subject to proviso that the High Court may, by notification in the Official Gazette, restrict the operation of the Order only to such categories of suits as it deems proper. The summary procedure normally takes shorter time than the usual procedure. Therefore, in cases mentioned hereinabove or where the security is negligible after taking the decision at appropriate level to give up such security the Branch Advocates may be instructed to consider filing wherever possible, a Summary Suit under Order 37 of CPC.
- G. In summary suits, the Defendants should appear in the Court within 10 days of service of summons and apply for leave to defend. Otherwise the Plaintiff shall be entitled to get Decree in his favour, in terms of the claim in the Plaint

#### 5.(h) Recovery through Money Suit:

Where there are no securities by way of Mortgage and the Bank is to recover the dues on the basis of loan documents or amounts paid to the Borrower, the suit will be filed to get a money decree against Borrower/ Guarantor.

The Branches must ensure to file statutory pre - litigation Mediation under section 12 - A of the Commercial Court Act, 2015, well within limitation period by paying the requisite fees. If the mediation fails, then recovery suit be filed and it should be vigorously followed up.

#### 6. Recovery through Criminal Complaints, Complaints U/s 138 N.I. Act:

A cheque is a negotiable instrument. Crossed and account payee cheques are not negotiable by any person other than the payee. Bank obtains signed Post dated cheques issued in Salary /SB/Current accounts for receiving repayment of installments /as security like personal loans, vehicle loans etc.

In cases of default in payments in such a/c through theses PDC, Bank can raise criminal complaint U/S 138 of N.I. Act. When a bank presents a valid cheque obtained from borrower for recovery of installments/dues, bank called 'payee & the bank who is directed to pay the

amount is known as 'drawee'. When the 'drawee' returns a cheque unpaid, same is called "Dishonor of cheque". When a cheque is dishonoured, the drawee bank immediately issues a 'Cheque Return Memo' to the payee. However, if the cheque issuer fails to make a payment, then the payee has the right to prosecute the drawer legally.

The payee may legally sue the defaulter / drawer for dishonour of cheque only if the amount mentioned in the cheque is towards discharge of a debt or any other liability of the defaulter towards payee.

The Negotiable Instruments Act, 1881 is applicable for the cases of dishonour of cheque due to "insufficient fund" maintained in drawers/borrower's a/c whose cheque has been presented.

According to Section 138 of the Act, the dishonour of cheque is a criminal offence and is punishable by imprisonment up to two years or with monetary penalty or with both.

If payee decides to proceed legally, then the drawer should be given a chance of repaying the cheque amount immediately. Such a chance has to be given only in the form of notice in writing.

The payee has to send the notice to the drawer within 30 days from the date of receiving "Cheque Return Memo" from the drawee bank. The notice should mention that the cheque amount has to be paid to the payee within 15 days from the date of receipt of the notice by the drawer.

If the cheque issuer fails to make a fresh payment within 30 days of receiving the notice, the payee has the right to file a criminal complaint under Section 138 of the Negotiable Instruments Act.

However, in such cases branch should register a complaint in a magistrate's court within 30 days of the expiry of the notice period through empaneled advocate as suggested by Regional Authority. Complaint under Sec 138 of NI Act does not deal with limitation of loan documents.

On receiving the complaint, along with an affidavit and relevant paper trail, the court will issue summons and hear the matter. If found guilty, the defaulter can be punished with monetary penalty which may be twice the amount of the cheque or imprisonment for a term which may be extended to two years or both.

## 7. Steps after obtaining recovery certificate from DRT / decree from Civil Court

Debt Recovery Tribunals, in cases before them, issue Recovery Certificates to the Recovery Officer for recovery of the amount of debt specified in the Certificates. On the basis of the

said Recovery Certificates, the Recovery Officer proceeds to recover the amount in any of the following ways:

- (a) Attachment and sale of the movable and immovable properties of the borrower / guarantor.
- (b) Arrest of the defendant and his detention in prison.
- (c) Appointing a receiver for the management of the movable or immovable properties of the defendant.
- (d) Issue Garnishee Order against third parties if any amount is due from them to the defendant.

When a Recovery Certificate is issued by DRT or Decree has been obtained by the Bank in its favour, prompt steps should be taken for execution of such Recovery Certificate / decree for recovery of the Bank's dues. Lack of prompt action and proper follow up at the Branch/Regional level in the matter of execution of Recovery Certificate / decree may jeopardize and adversely affect the Bank's interest and result in the weakening, deterioration and frittering away of the securities obtained by the Bank. Such delays will also make it difficult to enforce or realise the securities for recovering the RC / decretal amount. In many cases, after a Recovery Certificate /decree is obtained, the Branch / Regional Office fails to identify the assets of the borrower/ guarantor, which can be attached in execution of the decree, with the result that the execution proceedings remain pending without the decree getting executed. In the absence of details of attachable assets, Bank's Advocates for recovery are also helpless, resulting in the entire proceedings being futile, in spite of the Bank having to incur enormous legal costs. Branch should make local enquiries to ascertain the attachable assets of the Judgment Debtor. Where the Branch has on its records copies of Income Tax / Wealth Tax Assessment Returns, ascertainment of assets will be easier.

Branches should closely liaison with the execution of the case and the Recovery Officer for the purpose of ensuring execution of Recovery Certificate / Decree.

## 8. Arrest of defendants / judgment debtors

The DRT has the power to pass interim orders by way of injunction, attachment to direct the defendant to furnish security in pending cases. In case of disobedience of such orders the DRT can order such persons to be detained in civil prison for a term not exceeding 3 months. The Branch should file petition seeking injunction and attachment orders against defendants and their properties. Wherever such orders are defied by the defendants, the Branch must file petition for arrest of the defendants.

In case of Recovery Certificate issued by DRT, the Recovery officer has got the powers under Section 25 of the DRT Act inter alia, to recover the amounts under the RC by arrest and detention of the judgment debtors in prison. Therefore, in cases wherever our Bank / Branch concerned is convinced that the borrower / judgment debtors are intentionally avoiding making payments though they have means to pay, in fit cases, the branch may, after obtaining permission from the authority which has authorized filing Recovery Application, file an Application before the Recovery Officer for arrest and detention of such judgment debtors.

In execution of money decree awarded by the Civil Courts, the executing court can send the judgment debtor into prison if the Court is satisfied that the judgment debtor, with the object of delaying the execution of decree, has after filing of the suit in which decree was passed dishonestly transferred, conceal or remove any part of the property. Branches should also take action against such properties in consultation with the advocate of the Bank for realising the Bank's dues.

#### 9. FILING CONSENT MEMO/ COMPROMISE MEMO/ MEMO OF WITHDRAWAL:

a) Consent Memo/ Joint Compromise Memo with default clause should be filed in Courts/ DRTs, in respect of accounts in which Bank enters into compromise settlement with Borrowers. Such Memo should be signed by all contesting Defendants. In case of difficulty in getting signature of all Defendants/ contesting Defendants, suitable clause should be incorporated in the Memo (in consultation with dealing Advocate) to ensure honouring of compromise terms by the consenting Defendant.

b) On recovery of full dues in terms of the compromise settlement, Bank should file suitable Memo of Settlement/ Memo of Withdrawal in the concerned Courts/ DRTs and ensure refund of eligible Court Fee/ Application Fee.

c) If the Borrower/ Guarantors fail to make payment of the Compromise amount in terms of the Sanction, execution proceedings to be initiated in the appropriate Court/ DRT on the basis of the Consent Decree passed by the Hon'ble Court/ DRT.

Note: In any case, where a suit is being filed/complaint is being registered with competent court, No an official below the level of Chief Manager at RO will be bank's representative/execute the legal papers on behalf of bank.

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## CHAPTER XIII

### PRUDENTIAL / TECHNICAL WRITE OFF

Technical write-off shall refer to cases where the non- performing assets remain outstanding at borrowers' loan account level, but are written-off (fully or partially) by the Bank only for accounting purposes, without involving any waiver of claims against the borrower, and without prejudice to the recovery of the same.

Prudential / Technical write off is generally resorted to by the bank in respect of following advances accounts on case to case basis-

1. Accounts which do not contribute any income to the bank or its continuation in the Balance Sheet is deemed to be undesirable as an asset.
2. **NPAs in Doubtful and Loss category against which 100% provision** has been made in books.
3. In case of partial technical write-offs, the prudential requirements in respect of residual exposure, including provisioning and asset classification, shall be with reference to the original exposure, provided that the amount of provision including the amount representing partial technical write-off shall meet the extant provisioning requirements, as computed on the gross value of the asset.

Bank will generally consider account wise Technical write off looking to prospect of realisability in immediate future.

A decision on PRUDENTIAL / TECHNICALWRITE OFF will always be taken by the committee headed by Chairman at Head Office level. Chairman will sanction the accounts under Technical Write Off and the same will be appraised to Hon'ble Board of Directors.

#### **Constitution of Committee:**

Constitution of Committee	Quorum	Convener
1. Chairman 2.General Manager 3. Asstt. General Manager (Credit/Credit Monitoring) 4.Chief Manager(Credit/ Recovery)& Chief Manager (Operations) 5.Senior Manager (Credit) & Sr. Manager(Operations/ Recovery) 6.Sr. Manager(Rec.)/ Manager (Rec)in charge at HO	1. Chairman 2. General Manager 3. One Chief Manager, 4. One Sr. Manager & 5. Sr.Manager (Rec.)/Recovery In charge at HO	Sr. Manager/In charge of Recovery at HO (NPA Mgmt.)

Authority may be granted account wise or for a class of accounts (Outstanding Balance/Sector/Age of NPA etc.).

**No Authority, except mentioned above, shall Technically write off any account.**

Resorting to partial and technical write-offs should not show the remaining part of the loan as standard asset. In respect of all the accounts authorized for TWO, further follow up action in respect of filing of Suit/legal Action, SARFAESI Action, Examination of Staff Accountability, Status of Quick Mortality, Fraud or otherwise, Compromise Settlements etc. will be continued by branches and monitoring thereof by respective Regional Heads and / Head Office level will be continued on the lines of any other NPA accounts notwithstanding the status of the account as Technically written off at Head Office level. Bank may undertake technical write-offs in respect of accounts categorised as wilful defaulters or fraud without prejudice to the criminal proceeding underway against such debtors.

In case of technically written off accounts, if branch, acting in the interest of bank, upgrade the account making it operative by way of recovery, as per norms, General Manager at Head Office shall be the competent authority for reversal of TWO and authorizing necessary reversal entries at Head Office level.

**Technical Write off of the following accounts will be considered only on case to case basis:**

- ❖ TODs in current/Saving account and adhoc / one time bills purchase/discounting.
- ❖ Accounts where frauds have been reported.
- ❖ Quick Mortality accounts (NPA within one year of sanction/disbursement).
- ❖ Staff accounts and staff related/guaranteed accounts.
- ❖ Advances accounts such as Cash Credit, Demand Loan, Term Loan etc. wherein Borrower/s are also having outstanding TOD in current account/ S.B. account etc.

In the aforesaid accounts, Technical write off can be considered by the competent authority after scrutiny of the account on merits.

Since the provisioning is made to the debit of profit and loss account, any recovery in a PWO/TWO account directly adds to the profit of the bank.

The cooling period in respect of exposures subjected to technical write- offs shall be as per frame work of Settlement, if dues are settled under compromise/OTS. In other cases, no fresh exposure will be sanctioned till outstanding of dues under PWO/TWO.

#### Accounting Procedure:

Under the system of TWO no accounting entry is to be passed at Branch/RO level. The relative advances accounts will continue to remain as any other NPA account. All entries related to Technical write off will be passed at Head Office level only.

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## CHAPTER XIV

### FINAL WRITE OFF

Final write off may be considered by the bank only when it becomes clear that there is **absolutely no chance of further recovery in the account**:

- ✓ Either by way of Realization of Assets charged, OR
- ✓ By way of proceeding against uncharged assets standing in the name of Borrower(s) and Guarantor(s), OR
- ✓ By way of proceeding for Personal Liability of Borrower(s) and Guarantor(s) AND
- ✓ Further continuing of the account in the books for follow up / recovery will only add to cost to Bank and wastage of resources.
- ✓ Thorough checkup has been made regarding non availability of assets and means of the borrower/ guarantor/s (or legal heirs) have been ascertained.

#### 1. Coverage

Accounts satisfying following conditions may be considered for Final Write Off –

- No realizable Assets are available for recovery of outstanding balance in the account.
- There is no recovery since long and even after Sale of Secured Assets under SARFAESI Act entire loan is not recovered and there is no possibility of recovery of outstanding amount.
- Account is classified as Doubtful –III, Doubtful - Unsecured or Loss Asset and/or Prudentially/Technically Written Off earlier.
- Staff Accountability has been Examined and properly dealt with.
- Borrower(s)/guarantor(s) is either not traceable or having no resource to repay the loan and there is no possibility of recovery.

#### 2. Delegation of Authority

**No Final Write Off will be considered at branch level and Branch Heads have not been delegated any Authority to sanction Final Write Off.** Identification of the eligible account will be done by the Branch and the Write Off proposal, on prescribed format along with Staff Accountability Certificate and Compliance Certificate, will be submitted to the Regional Manager with required details, justification and recommendations.

**Delegation of Authority for Final Write Off is as under–**

Name Of Authority (Head of SAC)	Discretionary Powers For Final Write Off
Regional Manager ( Scale IV)	Upto Rs. 75,000/- (Book Dues*)
Regional Manager (Scale V)	Upto Rs. 1,50,000/- (Book Dues*)
General Manager	Upto Rs. 3,00,000/- (Book Dues*)
Chairman	Upto Rs. 5,00,000/- (Book Dues*)
Board Of Directors	Full Power

\*In case of Final write off 'Book Dues' refers to Outstanding dues plus charges outstanding in NPA expenses or otherwise for concerned account.

### 3. Settlement Advisory Committee Approach

Committee approach shall be adopted for Write Off proposals. Settlement Advisory Committee (SAC) will examine and recommend the Write off proposal for consideration of sanctioning authority. The Settlement Advisory Committee shall function at all levels of sanctioning authority i.e. at HO level & RO level as per Compromise proposals.

- The Final Write off proposal will be examined and recommended by respective 'Settlement Advisory Committee'.
- The Write off proposal along with staff accountability certificate and Compliance Certificate should be submitted to the sanctioning Authority.
- PSR of the sanction will be done by the next Higher Authority. All the proposals sanctioned under Final Write off Scheme are to be placed for perusal of the Honb'le Members of Board in their next Meeting.

#### Certificate For Final Write-off of NPA / PWO/TWO Account

Name of Account :

1. All the possible measures / methods of recovery have been explored and exhausted in the account.
2. All the securities charged to the Bank have been sold / auctioned and share of our Bank is received and appropriated in the account. Presently there are no tangible securities available to fallback upon for recovery and there are NIL or very meager chances of further recovery through any mode..
3. The Borrowers / Guarantors are either not traceable or of no means as per our discrete enquiries / market reports.
4. Continuance of the account in the books of the Bank and further exploring for recovery will only add to further cost and wastage of time to the Bank.
5. Staff accountability has been examined and dealt appropriately.

Place :

Date :

Members of SAC:

(Branch Manager)      (Sr.Manager)      (Chief Manager)      (Regional Head)

## CHAPTER XV

### RECOVERY THROUGH ACTS PROMULGATED BY STATE GOVERNMENT

In order to facilitate speedy recovery of bank dues through coercive means the State Govt. has promulgated following acts which is being effectively used by the Bankers/FIs to recover the Bank dues, particularly in small loans sanctioned under State Govt. sponsored schemes & agricultural loans.

#### 1. U.P. Agricultural Credit Act. 1973

The State of U.P. is predominantly having an agrarian economy & major portion of credit dispensation is under agricultural sector. As per provisions of the above act, any loan which has been extended to the farmer for the agriculture purpose, as defined in the Act, if fails to repay the loan, the Bank may forward a certificate to the District Collector requesting him to recover the bank dues together with expenses of recovery as arrears of land revenue.

The District Collector on receipt of the Recovery Certificate from the Bank takes appropriate steps as prescribed in the above Act & recovers the Bank dues. The Act also provides recovery of dues from the legal representative of the deceased agriculturists & guarantors.

The U.P. Agricultural Credit Act, 1973 is the major recovery tool of the Bank for initiating legal proceedings against the defaulting agriculturists through coercive methods.

#### 2. U.P. Public Moneys (Recovery of dues) Act 1972

The U.P. Public Money Act 1972 facilitates recovery of following non-agricultural loans:-

- a. Loans sanctioned under State Govt. Sponsored Schemes, which have been declared as State Sponsored Scheme by the State Govt. from time to time.
- b. Certain specified activities identified by the State Govt.

Through the above Act, Banks issue recovery certificates against the defaulting borrowers & send the same to the District Collector for recovery of Bank dues as arrears of land revenue through coercive methods. The non-agricultural loans sanctioned under Govt. Sponsored Schemes are mainly covered under the above Act.

#### Benefits of the Above Acts

The benefits accruing to the Bank through enactment of above acts by the State Govt. are as under:

- Simplified procedure for initiating legal proceedings against the defaulting borrowers for speedy recovery of Bank dues.
- No stamp duty/court fees to be paid for initiating legal proceedings.
- The time taken for recovery is quite short as compared to civil suit/other legal procedures.

#### Authority to issue Recovery Certificate

- (i) The cases where repayment period is completed and dues are still to be recovered, the Branch Manager will be authorized to issue the Recovery Certificate.
- (ii) The cases where repayment period is not completed and 'account' becomes irregular, the branch Manager will propose & recommend for issuing of R.C. and will seek permission from respective Regional Office. In such cases, concerned Regional Manager/ Chief Manager at RO of concerned Regional Office will be authorized to grant permission to branch for issuing Recovery Certificate.

#### Others:

- Branch Manager will ensure that loan documents of account are 'ALIVE & Enforceable' at the time of issuance of Recovery Certificate.
- Once Recovery Certificate is issued in conformity with the above, Loan Document of RC issued accounts will henceforth be treated as 'Alive'.
- Before issuing the R.C. branch should ensure that all pre measures have been taken such as issuing of Notices to borrower & Guarantor, personal contacts etc.

Any regulatory guidelines issued by RBI / NABARD/Govt. etc from time to time will automatically be part of this policy and enforceable with the date of amendment.

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## Chapter XVI

### Policy on Collection of Dues and Repossession of Security

#### 1. Introduction:

The debt collection policy of the bank is built around dignity and respect to customers. Bank will not follow policies that are unduly coercive in collection of dues. The policy is built on courtesy, fair treatment and persuasion. The bank believes in following fair practices with regard to collection of dues and repossession of security and thereby fostering customer confidence and long-term relationship.

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 inform the interest rate and the repayment schedule, to the customer through sanction letter. 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.

Bank's Security Repossession Policy aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of the property. 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 inconsonance with the law.

#### 2. General Guidelines:

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

- a) The customer would 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.
- b) 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 repossession will identify himself / herself and display the authority letter issued by the bank and upon request.
- c) The bank would respect privacy of its borrowers.
- d) 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.
- e) Normally the bank's representatives will contact the borrower between 0800 hrs and 1900 hrs, unless the special circumstances of his/her business or occupation requires the bank to contact at a different time.

- f) Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
- g) The bank will document the efforts made for the recovery of dues and gist of interactions with the borrowers.
- h) All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- i) Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.
- h) In cases where party has disposed off the securities charged to the bank, FIR shall be lodged after giving proper notice, say 30 days to borrower, mortgagor & purchaser in consultation with bank-empaneled advocate.

### 3. Giving notice to borrowers

While telephonic reminders or visits by the banks representatives to the borrowers place or residence will be used as loan follow up measure, the bank will not initiate any legal or other recovery measures including repossession of the security without giving due notice in writing. The minimum time that would be given to the borrower to pay the debt would be 7 (seven) days failing which the Bank would proceed to take possession of the asset. However, if the customer deliberately avoids acknowledging or establishing contact with the Bank, then the Bank will be free to proceed with the repossession of the security.

**4. Right to Set Off:** The very concept of a set off means adjusting what is due to somebody else against what is payable to you. The right of set off is also known as the right of combination of accounts. A bank has a right to set off a debt owing to a customer against a debt due from him.

The right to set-off would be conferring upon the banks two kinds of rights: Firstly, the customer will not be able to make any kind of withdrawal from the account maintained with the bank if the customer is liable to the bank for some money. Secondly, it also further enables the banker to debit against the balance accrued any amount that is due to himself. It should be noted that in case of Joint Account the bank cannot set off a debt due from a customer alone, against the joint debt. Also, the bank cannot transfer money from the credit balance of a particular joint account in satisfaction of the debit balance of an individual account of one of the holders of the joint account. If such recourse is taken otherwise, then the other holder of the joint account would be placed in the position of a guarantor of the individual debts of the other account holder without actually knowledge of the specificities of the debts of the other account holder. However, this position can be remedied if there is an express contract between both the parties to the effect that one holder of the joint account can stand as a guarantee of the other holder of the account in personal capacity.

If borrower fails to discharge his liabilities, branch may set off his deposits, made lien towards advance with permission of Regional Head, preferably in NPA accounts.



In case of NPA accounts, if Liquid security is being diluted, with permission of Regional Head, such recovery would not change the categorization of account i.e. account will remain categorized as NPA. Such set-off will be made only after giving notice to borrower/guarantor at least for 7 days to repay his dues.

## 5. Repossession of Security

Repossession 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, valuation of security and realization of security through appropriate means. All these would be carried out in a fair and transparent manner. Repossession will be done only after issuing the third and final notice as detailed above. Due process of law will be followed while taking repossession of the property. The bank will take all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business and necessary cost will be charged to borrower.

## 6. Valuation and Sale of Property

Valuation and sale of property repossessed by the bank will be carried out as per law and in a fair and transparent manner. The bank will have right to recover from the borrower the balance due if any, after sale of property. Excess amount if any, obtained on sale of property will be returned to the borrower after meeting all the related expenses provided the bank is not having any other claims against the customer.

In the case of hypothecated assets after taking possession if no payment is forthcoming, a sale notice will be given as per the provisions of the SARFAESI Act/ any other applicable law. Thereafter the bank will arrange for sale of the hypothecated assets in such manner as deemed fit by the bank inclusive of E-auction. When sale is envisaged by public auction or by tender, the same will be published in two leading newspapers out of which one is in local vernacular paper.

## 7. Engagement of recovery agents

The bank will utilize the services of recovery agents for collection of dues and repossession of securities. Recovery agents will be appointed as per guidelines in this regard. In this respect:

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

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Annexure-I

**Status Note on NPA Accounts**

Reference No :-

Date:-

Name of Branch:- \_\_\_\_\_ Sol ID:- \_\_\_\_\_ REGION:- \_\_\_\_\_

CUST ID: \_\_\_\_\_ A/C No.: \_\_\_\_\_

Name of Borrower/ Borrowers / Proprietor/ Partner/Directors :-		(Amt. in Lakh)
	Name	Net Worth
1		
2		
3		

<b>Address and Contact Details of Borrower :-</b>

Name of Guarantors :-		(Amt. in Lakh)
	Name	Net Worth
1		
2		

<b>Address and Contact Details of Guarantors :-</b>			
	Name of Guarantors	Contact Details	Address
1			
2			

<b>Address of Unit / Workplace :-</b>

Details of Facilities:-								
S r	Name of Facility	Account number	Type of Facility (CC/ OD/ TL/ DL/ Others)	Name of Scheme	Limit Sanctioned (Amt.in Lakh)	Date of Sanc.	Rate of Intt.	O/s Bal. (In lakhs)
1								
2								
3								

Repayment Schedule :-

Details of Document :-	
Date of Documents:-	
Date of Last Review	
Reviewing Authority	
Date of LAD	
Whether all documents are enforceable	
Whether Mortgage is Effective	

Details of Associates:-		
Name		
Address		
Constitution		
Details of associated Bank & Branch		
Facilities availed		Amount of Sanction..... Date of Sanction.....
Other information		

Details of Securities:-	
(A) Primary Security:	
(B) Collateral Security:-	
(C) Details of last valuation report:-	At the time of Sanction :
	At the time of Recall :
(D) Details of Legal Report (NEC etc.):-	
(E) Details of CERSAI Registration:-	
(F) Details of Insurance:-	
(G) Details of Vehicle Registration:-	
(H) Other Information	

Details of Recovery:-	(Amt. in Lakh)
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Total Recovery since NPA			Recovery in Current Financial Year			Last Recovery		Overdue	
Cash Recovery	Subsidy	Other	Cash Recovery	Subsidy	Other	Date	Amt.	Principal	Interest

Dues Calculation (In Rs.)	
a. Total Outstanding	
b. Interest Reversal	
c. Unapplied Interest:	
d. <b>Total Dues (a+b+c)</b>	
<b>Less</b>	
e. Any Subsidy	
f. Claim Pending	
<b>Net Dues (d-e-f)</b>	

<b>Details of Guarantee Claims:-</b>  Institution:- CGTMSE/ CGFMU/Any Other Claim filed for Rs._____ On _____ Claim admitted for Rs._____ On _____ Received Rs. _____ On _____ Amount to be Refunded Rs. _____ Net Amount available for Appropriation Rs. _____ In case the claim is not yet received, give details of follow up. _____ If Rejected – Reasons thereof _____
--

<b>Details of NPA:-</b>	
Date of NPA	
Date of Account become 1 <sup>st</sup> time NPA	
Reason of NPA:	
<div style="height: 100px;"></div>	
Provision as on .....	Rs.
<u>Whether any staff lapses if Yes, mention details :-</u>  <div style="height: 100px;"></div>	

<u>Whether staff accountability examined, action taken and report available with record :-</u>	
Category of NPA (Substandard/ DB-1/ DB-2/DB-3/ Loss)	

<b>Details of Legal Action:- RC/ Suit filed etc.:-</b>	
Details of Notices sent-	
Date of Recall:-	
Date of RC File:-	
Amount of RC File:-	
Date of Suit/ DRT/ Decree:-	
Amount of Suit/ DRT/ Decree	
Case Number:-	
Name of Court:-	
<u>Name &amp; Contact details of empanelled Advocate:-</u>	
Present Status (Last hearing and other development in case) :-	

<b>Details of SARFAESI Act 2002:-</b>			
Date of 13(2)		Amount (Rs.)	
Date of 13(4):-		Amount (Rs.)	
Position of DM/CMM permission:-			
Detail of Possession:-			
Symbolic			
Physical			
Details of Auction:			
Whether Recovery Agent is appointed, If Yes, Give full details :-			
Present Status:			

<b>Details of Audit/ Inspection/ Irregularities :-</b>	
Any Persistent irregularities / other information	

Comments on last visit/inspection of stock/securities/unit etc.	
Date:	Visited by :-
<u>Observation:-</u>	

Branch Comments and recommendation for noting of status note:		
Date:-	Signature Joint Manager/CreditIncharge	Branch Head

## Regional Manager

**Note:** For further clarification & guidance, Please refer "Recovery Policy 2024".

## Annex-II

### PROFORMA FOR COMPROMISE PROPOSALS (Applicable for all cases irrespective of Amount)

BRANCH: \_\_\_\_\_

REGION: \_\_\_\_\_

RE: COMPROMISE PROPOSAL – A/C NO. \_\_\_\_\_

Issue for Consideration: To consider compromise proposal of Mr./Ms./M/S \_\_\_\_\_  
by accepting Rs. \_\_\_\_\_ with total sacrifice of Rs. \_\_\_\_\_ (Rs. \_\_\_\_\_ by way of Write off and Rs. \_\_\_\_\_  
by way of waiver) towards full and final settlement.

(Note: All fields of proposal should be filled completely before reporting to competent Authority. Regional Offices should ensure the same for preparing quarterly reports)

<b>1 a</b>	Asset Classification (Sub_Std/D1/D2/D3/Loss/PWO)	
<b>b</b>	PAN no. of borrower(NA for deceased)	
<b>2</b>	Date of NPA	
<b>3</b>	Date of PWO, if applicable	
<b>4 a</b>	Whether Fraud Reported	
<b>b</b>	Whether Red Flagged account	
<b>c</b>	Whether Quick mortality Reported	
<b>d</b>	Whether declared as Wilful defaulter	
<b>5</b>	Sector(KCC/OtherAgriculture/MSME/Retail/ Others)	
<b>6 a</b>	Purpose & Nature of Loan (Activity)	
<b>b</b>	Scheme & Code	
<b>7a</b>	Date of Sanction of last exposure of borrower	
<b>b</b>	Authority who Sanctioned the last exposure of borrower and his cadre (e.g. BM scale-I, BM scale-II, etc. or SM at RO, CM at RO etc.)	
<b>c</b>	Date of Last Review & Reviewing Authority cadre	
<b>8.</b>	<b>Sanctioning Authority of this Compromise &amp; cadre</b>	
<b>9</b>	Is the Account staff related/staff guaranteed	
<b>10</b>	<b>a.</b> Date of filing Suit/DRT & Amount <b>b.</b> Date of R.C. & Amount	
<b>11</b>	If CBI case/Police Case, give status & details	
<b>12</b>	<b>Total Contractual Dues</b> (Including interest at contracted rate & legal exp. /other charges)	
<b>13</b>	<b>Total Notional Dues-</b> O/S Balance (as on date of settlement) Rs. _____ <b>Add:</b> <b>i)</b> Interest Reversal (Unrecovered) Rs. _____ <b>ii)</b> Unapplied Interest @ 8.5% simple from _____ to _____ (date of settlement of a/c) Rs. _____ <b>Less:</b> Notional interest @ 8.5% simple on amt. lying in Sundry Dep. A/C, Claims received from CGFTI etc. Rs. _____ from the date of receipt of such amt. <b>Net unapplied Interest</b> Rs. _____ <b>iii)</b> Legal & Other Expenses Rs. _____ <b>Total Notional Dues</b> Rs. _____	
<b>14</b>	<b>Total Compromise Amount</b> <b>i)</b> Amount offered in compromise Rs. _____ <b>ii)</b> FDRs/liquid security available/offered Rs. _____	

	iii) Amt. lying in Sundry Deposit A/C	Rs. _____
	iv) Any other amount	Rs. _____
	<b>TOTAL</b>	Rs. _____
<b>15</b>	<b>Sacrifice</b> :By way of write off	Rs. _____
	By way of waiver	Rs. _____
	<b>TOTAL</b>	Rs. _____
<b>16</b>	Retainable Portion of Claim received from ECGC /CGFTI (Net of Refundable amount)	Rs. _____
<b>17</b>	Provision	Rs. _____
<b>18</b>	Net effect on Profit & Loss A/C	Rs. _____

**18. TERMS OF PAYMENT: Total settlement amount i.e. Rs \_\_\_\_\_ amount will be paid as under:**

**Token Money:** Rs..... date ..... **Rest settlement amount:** Rs..... Date.....

Compromise settlements where the time for payment of the agreed settlement amount exceeds three months shall be treated as restructuring as defined in terms of the "Prudential framework on Resolution of Stressed Assets dated June 7, 2019". Whether such restructuring is being sanctioned by competent Authority as per discretion given through restructuring guidelines of Bank (Yes/No).....

If Yes, Authority who allowed .....

19. Details of Security with Value and Date of Valuation: (Valuation at the time of sanction and of recent date but not later than 12 months) In case of immovable properties details about the location & land area & construction area, should be given separately or each property.

a) At the time of Sanction of Advance-

S.N.	Details of Security	Value (Rs.)	Date of Valuation	Name of Valuer	Whether Approved	Bank

b) As per Recent Valuation, not older than 12 months-

S.N.	Details of Security	Value (Rs.)	Date of Valuation	Name of Valuer	Whether Approved	Bank

20. Details of Prop./Partners/Directors/Guarantors –

S.N.	Name of Prop./Partners/ Directors	Net Worth As on -----	Name of Guarantors	Net Worth As on -----
1.				
2.				
3.				

22. Details of Facilities with our Bank -

Fund Based & Non Fund Based	Limit	Outstanding

23. Details of Guarantee Claims –

Institution: CGFTI/DICGCI/ECGC/Any Other

Claim filed for Rs. \_\_\_\_\_ On \_\_\_\_\_ claim Received Rs. \_\_\_\_\_ on \_\_\_\_\_

Amount to be Refunded Rs. \_\_\_\_\_ Net Amount for Appropriation Rs. \_\_\_\_\_

If Claim not Received/Rejected – Reasons thereof \_\_\_\_\_

24. Steps taken under SARFAESI Act 2002, if Applicable –

1. Notice Issued U/S 13(2) on \_\_\_\_\_

2. Possession taken on – \_\_\_\_\_ Symbolic /Physical \_\_\_\_\_

3. Status of Auction \_\_\_\_\_

4. Whether Recovery Agent is Appointed, If yes, Give details \_\_\_\_\_



5. Present Status \_\_\_\_\_

25. Status of Legal Action –

DRT/Suit Filed - Date: \_\_\_\_\_ For Rs. \_\_\_\_\_ Name of Advocate: \_\_\_\_\_

Decreed- Date: \_\_\_\_\_ For Rs. \_\_\_\_\_

Date of Last Hearing & Present status of the suit and or execution of Decree: \_\_\_\_\_

26. Compliance –

1. Details of action initiated for examining staff accountability and developments thereafter to be given:

2. Staff Accountability Certificate and Certificate of Compliance with RBI guidelines is enclosed.

3. Total exposure of borrower/s is being considered for compromise.

4. Whether all possible recovery measure have been exhausted.

5. Borrower has been apprised that no fresh exposure will be sanctioned before Cooling period  
Of 12 months. (Yes/No)

6. Whether fraud has been detected /reported in the account so far (Yes/No)

7. PAN No. & KYC of borrower (Not applicable for deceased borrowers) has been updated in  
account for reporting to CIC.

27. Justification for accepting present Compromise Offer:

28. Recommendations of the Settlement Advisory Committee:

(Signatures of Branch Head)

Recommendation /Sanction:

(Signatures of Members of Sanctioning Authority (SAC) with Name & Designation)

Place:

Date:

Encl. 1. Staff Accountability Certificate

2. Compliance Certificate

---

**PSR :**

**Name, Designation & Sign. Of PSR Authority**

**Place:**

**Date:**

PROFORMA FOR STAFF ACCOUNTABILITY CERTIFICATE

Name of Account \_\_\_\_\_ at Branch \_\_\_\_\_

This is to certify that:

1) The account has not met with quick mortality. / The account has met with quick mortality and the action has been initiated for examining the lapses.

2) Staff accountability has been examined. No staff lapses were found. / Lapses were found & Action taken /initiated against officials:

Nature of Lapses, if applicable.....

Name and Designation

Action Taken against them

a)

b)

C)

3) The authority approving the compromise/write off proposal did not sanction the advance in question in his individual capacity.

BRANCH MANAGER

CHIEF MANAGER

REGIONAL MANAGER

Place:

Date:

---

PROFORMA FOR COMPLIANCE CERTIFICATE FOR COMPROMISE PROPOSALS

Name of Account	
Branch	
Region	

This is to CERTIFY that the extant RBI guidelines have been complied while considering captioned compromise proposal for recommendation/sanction.

BRANCH MANAGER

CHIEF MANAGER

REGIONAL MANAGER

Place:

Date:

**शाखा प्रबन्धक**

उत्तर प्रदेश ग्रामीण बैंक

शाखा-

जिला-

महोदय

**विषय: समझौता प्रस्ताव श्री/श्रीमती /मे०.....खाता संख्या.....**

उक्त सन्दर्भ में आपको अवगत कराना है कि आप द्वारा ऋण खाते के निपटान हेतु दी जाने वाली सुविधा का हम लाभ प्राप्त करना चाहते हैं। अतः आपसे सन्दर्भित ऋण खाते के निपटान हेतु निम्न अनुरोध करना है:

1. यह कि हमने /उपरोक्त ऋणी ने आपकी शाखा से ..... उद्देश्य हेतु रु. .... का बैंक ऋण दिनांक.....को लिया था। वर्तमान में खाते में रु ..... एवं ब्याज इत्यादि अवशेष है |
2. इस आवेदन के साथ हमारे द्वारा अपने (ऋणियों के) **पैन कार्ड एवं आधार कार्ड** की प्रति संलग्न की जा रही है (Not applicable for Deceased)
3. यह कि उक्त बकाया/ऋणों के निपटान हेतु हम रु..... (रु .....मात्र) देकर समझौता अंतर्गत निपटान चाहते हैं | जिसका न्यूनतम 25 प्रतिशत जो कि रु .....(रु .....मात्र) होता है, इस समझौता प्रस्ताव के साथ ही शाखा में जमा किया जा रहा है |
4. यह कि समझौता अंतर्गत शेष निपटन राशि हम एकमुश्त दिनांक..... तक जमा करने हेतु वचनबद्ध हैं  
**अथवा**  
यह कि समझौता अंतर्गत शेष निपटन राशि हम रु .....की .....मासिक किस्तों में दिनांक..... तक जमा करने हेतु वचनबद्ध हैं |
5. यह कि निपटान राशि हम .....स्रोत से जमा करेंगे |
6. निपटान राशि पर बैंक द्वारा प्रभारित वसूली प्रभार/कलेक्शन चार्ज , यथायोग्य देने हेतु सहमत हैं ।
7. यह कि उपरोक्त वर्णित बिन्दुओं के अनुसार यदि उक्त निपटान राशि का कुल भुगतान समय से नहीं होता है तो बैंक को यह अधिकार होगा कि सम्पूर्ण ऋण राशि की वसूली निर्धारित नियम एवं शर्तों के अनुरूप करे|
8. समझौता पश्चात् हमारे द्वारा **12** माह से पहले बैंक की किसी भी शाखा में किसी भी ऋण हेतु आवेदन प्रस्तुत नहीं किया जायेगा |

**नोट:** यह स्वीकृति 3 माह तक वैध रहेगी तथा 3 माह के अन्दरपूर्ण समझौता न जमा होने पर उक्त स्वीकृति स्वतः निरस्त मानी जायेगी।

भवदीय

नाम.....

पिता/पति का नाम.....

पता.....

मो. न.....

**Format for Account wise Reporting of compromise settlements by the Regions**  
**On Monthly/Quarterly Basis** (Amt. in Rs.)

Region	
SOL	
Branch Name	
A/C Number (Complete A/C Number)	
Name of A/C	
Purpose	
Scheme code	
Loan Sanction Date	
Sanction Amount	
Authority who sanctioned loan	
Scale/Cadre of Authority who sanctioned loan	
NPA category (Sub_STD/D1/D2/D3/Loss/ PWO)	
NPA date	
O/S	
Total Dues	
Compromise Amount	
Period of Repayment of settlement amount (Months)	
If Period of Repayment of settlement amount exceeds 3 months, Authority who allowed	
Date of Sanction of Compromise Settlement	
Compromise Sanctioning Authority	
Scale/ Cadre of Compromise Sanctioning Authority	
Whether Fraud	
Whether Red Flagged	
Whether Wilful Defaulter	
Whether Quick Mortality	
Whether Staff Lapses	
Whether A/C closed	

Annex-IV

Draft reminder letter

NOTICE TO THE DEFAULTED VEHICLE LOAN BORROWER

Regd. A. D. / Speed Post

Date \_\_\_\_\_

To,

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Dear Sir/Madam,

Re:- Over Due in Your Vehicle Tractor / Loan account No. \_\_\_\_\_

We refer to Vehicle Loan availed by you and inform you that there is an overdue of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ Only) w.e.f. \_\_\_\_\_ in your captioned vehicle loan account.

We advise you to kindly regularize your account by deposit of overdue amount within 15 days from the date of receipt of this letter. In case of non clearance of overdue amount within 15 days from date of receipt of this letter, we will be constrained to initiate appropriate legal action, including appointment of Enforcement/ Seizure Agency, for seizing the vehicle hypothecated at your responsibility.

Yours Faithfully

Branch Manager

Copy to -

\_\_\_\_\_ (Guarantor/s)

\_\_\_\_\_  
\_\_\_\_\_

-For information and request to pursue borrower for deposit of overdue amount to avoid unpleasant action against the borrower as well as against you.

Annex-V

Draft recall letter  
Regd. A. D / Speed Post  
To \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date \_\_\_\_\_

Dear Sir/Madam,

Re:- Over Due in Your Vehicle Tractor / Loan account No. \_\_\_\_\_

Please refer to our registered letter no. \_\_\_\_\_ dated \_\_\_\_\_ wherein we had requested you to make the payment of overdues within 15 days from date of the receipt of letter and you were further informed that in case of non-payment of overdues we will be constrained to initiate appropriate legal action including appointment of Enforcement/ Seizure Agency for further action. We note that in spite of our above letter you have not paid the overdue amount in your captioned account. Hence we hereby give you notice to make the payment of total outstanding of Rs. \_\_\_\_\_ (Rupees \_\_\_\_\_ Only) and interest thereon till date of payment within 30 days from the date of receipt of this letter. This letter may be treated as recall notice for your above loan account.

In case of nonpayment of entire outstanding along with the interest within 30 days from the date of receipt of this letter, we will initiate legal action including appointment of enforcement / seizure agency for seizure of vehicle financed and sale of the same at your cost and expenses.

This is in terms of documents executed by you with the bank at the time of availing the loan.

Yours Faithfully

Branch Manager

Copy to -

\_\_\_\_\_ (Guarantor/s)  
\_\_\_\_\_  
\_\_\_\_\_

-For information and request to pursue borrower for deposit of entire outstanding to avoid unpleasant action against borrower as well as against you.

**Annexure – VI.1**

(On Letter Head of the Branch)

**NOTICE TO BORROWER**

{ UNDER SUB-SECTION (2) OF SECTION 13 OF THE  
SARFAESI ACT, 2002 }

To,  
(Name and complete  
Address of the borrower)

Dear Sir,

Re: Credit facilities with our .....

- 1) We refer to our letter no.....dated..... conveying sanction of various credit facilities and the terms of sanction. Pursuant to the above sanction, you have availed and started utilizing the credit facilities after providing security for the same, as hereinafter stated. The present outstanding in various loan/credit facility accounts and the security interests created for such liability are asunder:

Nature and type of facility	Limit	Rate of Interest	O/S as on (Inclusive of Interest upto ..... )	Security agreement with brief description of securities

- 2) In the letter of acknowledgement of debt dated ..... you have acknowledged your liability to the Bank to the tune of Rs ..... as on..... The outstanding stated above include further drawings and interest upto ..... Other charges debited to the account are Rs.....

OR

In the audited balance sheet of the company for the year ended....., you have confirmed and acknowledged liability to the Bank to the tune of Rs.....lacs as on 31<sup>st</sup> March, 20 ..... The outstanding stated above include further drawings and interest upto ..... Other charges debited to the account are Rs.....

- 1) As you are aware, you have committed defaults in payment of the interest on above loans / outstanding for the quarter ended..... You have also defaulted in payment of installments of Overdraft which have fallen due for payment in ..... and thereafter.

- 2) Consequent upon the defaults committed by you, your loan account has been classified as Non Performing Asset on ..... in accordance with the RBI directives and guidelines. In spite of our repeated requests and demands you have not repaid the overdue loans including interest thereupon.

- 3) Having regard to your inability to meet your liabilities in respect of the credit facilities duly secured by various securities mentioned in Para 1 above and classification of your account as a non performing asset, we hereby give you notice under sub-section (2) of section 13 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 and call upon you to pay in full and discharge your liabilities to the Bank aggregating Rs.....as stated in Para 1 above, within 60 days from the date of this notice. We further

give notice that failing payment of the above amount with interest till the date of payment, we shall be free to exercise all or any of the rights under sub-section (4) of section 13 of the said Act, which please note.

- 4) Please note that, interest will continue to accrue at the rates specified in Para 1 above for each credit facility until payment in full.
- 5) We invite your attention to sub-section 13 of section 13 of the Act in terms of which you are barred from transferring any of the secured assets referred to in Para 1 above by way of sale, lease or otherwise (other than in ordinary course of business), without obtaining our prior written consent. We may add that non-compliance with the above provision contained in section 13(13) of the said Act is an offence punishable under Section 29 of the Act.
- 6) We further invite your attention to sub-section (8) of section 13 of the said Act in terms of which you may redeem the secured assets, if the amount of dues together with all costs, charges and expenses incurred by the Bank is tendered by you, at any time before the date of publication of notice of public auction/inviting quotations/tender/private treaty. Please note that after publication of the notice as above, your right to redeem the secured assets will not be available.
- 7) Please note that this Demand Notice is without prejudice to and shall not be construed as waiver of any other rights or remedies which we may have including without limitation, the right to make further demands in respect of sums owing to us.

Yours faithfully,

(Name and Designation)

**AUTHORISED OFFICER**



NOTICE TO GUARANTOR  
{ UNDER SUB-SECTION(2) OF SECTION 13 OF THE  
SARFAESI ACT, 2002 }

To,  
(Name and complete  
Address of the Guarantor)

Dear Sir,

Re: Your guarantee for credit facilities granted to .....

1. As you are aware, you have by a guarantee dated ..... guaranteed payment on demand of all moneys and discharge all obligations and liabilities then or at the time thereafter owing or incurred to us by Shri/M/s .....for aggregate credit limits of Rs ..... lacs with interest thereupon more particularly set out in the said guarantee document. To secure the guarantee obligation you have also provided following securities to us.
2. We have to inform you that the borrower has committed default in payment of his liabilities and consequently his account has been classified as Non Performing Asset. A copy of the notice dated under Section 13(2) of The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 sent by us to the borrower is enclosed. Since the borrower has committed defaults, in terms of the guarantee you have become liable to pay to us the outstanding amount of loan/credit facilities aggregating Rs..... plus interest and we hereby invoke the guarantee and call upon you to pay the said amount within 60 days from..... the date of this notice. Please note that interest will continue to accrue at the rate specified in Para 1 of the Notice dated served on the borrower (copy enclosed).
3. We further wish to inform you that in regard to the security provided by you to secure your guarantee obligations for the due repayment of the loans and advances by the Borrower, this Notice of 60 days may please be treated as notice under sub-section (2) of Section 13 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. We further give you notice that failing payment of the above amount with interest upto the date of payment, we shall be at liberty to exercise all or any of the rights under sub-section (4) of Section 13 of the said Act, which please note.
4. We invite your attention to sub-section 13 of Section 13 of the said Act in terms of which you are barred from transferring any of the secured assets referred to in Para 1 above by way of sale, lease or otherwise (other than in ordinary course of business), without obtaining our prior written consent. We may add that non-compliance with the above provisions contained in Section 13(13) of the said Act is an offence punishable under Section 29 of the Act.
5. We further invite your attention to sub-section (8) of Section 13 of the said Act in terms of which you may redeem the secured assets, if the amount of dues together with all costs, charges and expenses incurred by the Bank is tendered by you, at any time before

the date of publication of notice of public auction / inviting quotations / tender / private treaty. Please note that after publication of the notice as above, your right to redeem the secured assets will not be available.

6. Please note that this Demand Notice is without prejudice to and shall not be construed as waiver of any other rights or remedies which we may have, including without limitation the right to make further demands in respect of sums owing to us.

Yours faithfully,

(Name and Designation)

**AUTHORISED OFFICER**

**Enclosed:** As above copy of 13(2) notice sent to Borrower.

(Notice on this format will be sent when Guarantor is not Mortgagor)

NOTICE TO GUARANTOR

{UNDERSUB-SECTION (2) OF SECTION 13 OF THE SARFAESI ACT, 2002}

To,  
(Name and complete  
Address of the Guarantor)

Dear Sir,

Re: Your guarantee for credit facilities granted to .....

1. As you are aware, you have by a guarantee dated ..... guaranteed payment on demand of all moneys and discharge all obligations and liabilities then or at the time thereafter owing or incurred to us by.....for aggregate credit limits of Rs..... lakh with interest there upon more particularly set out in the said guarantee document.
2. We have to inform you that the borrower has committed default in payment of his liabilities and consequently his account has been classified as non-performing asset. A copy of the notice dated ..... under section 13(2) of The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 sent by us to the borrower is enclosed. Since the borrower has committed defaults, in terms of the guarantee you have become liable to pay to us the outstanding amount of loan/credit facilities aggregating Rs..... plus interest and we hereby invoke the guarantee and call upon you to pay the said amount within 60 days from the date of this notice. Please note that interest will continue to accrue at the rate specified in Para 1 of the Notice dated..... served on the borrower (copy enclosed).
3. Please note that this Demand Notice is without prejudice to and shall not be construed as waiver of any other rights or remedies which we may have, including without limitation the right to make further demands in respect of sums owing to us.
4. We further invite your attention to sub section (8) of section 13 of the said Act in terms of which you may redeem the secured assets, if the amount of dues together with all costs, charges and expenses incurred by the Bank is tendered by you, at any time before the date of publication of notice for public auction/ inviting quotations/ tender/ private treaty. Please note that after publication of the notice as above, your right to redeem the secured assets will not be available.

Yours faithfully,

(Name and Designation)  
AUTHORISED OFFICER

**Enclosed :** As above copy of 13(2) notice sent to borrower.

## POSSESSION NOTICE

{ See Rule 8(1) }  
(For immovable property)

Annexure VI.4

Whereas,

The undersigned being the Authorised Officer of the Uttar Pradesh Gramin Bank under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002) and in exercise of powers conferred under section 13(12) read with Rule 3 of The Security Interest(Enforcement) Rules, 2002 issued Demand Notice dated, \_\_\_\_\_ calling upon the Borrower Shri/M/s..... to repay the amount mentioned in the Notice being Rs.....(Rupees )only, as....., together with further interest thereupon at the contractual rate plus costs, charges and expenses till the date of payment, within 60 days from the date of receipt of the said Notice.

The Borrower having failed to repay the amount, Notice is hereby given to the Borrower and the Public in general that the undersigned has taken possession of the property described herein below in exercise of powers conferred on him under sub-section (4) of section 13 of the Act read with Rule 8 of the Security Interest (Enforcement)Rules,2002,on this the.....day of.....of the year.....

The Borrower/Guarantors/Mortgagors in particular and the public in general is hereby cautioned not to deal with the property and any dealings with the property(ies) will be subject to the charge of Uttar Pradesh Gramin Bank for an amount of Rs.....(Rupees ) only and

further interest thereon at the contractual rate plus costs, charges and expenses till the date of payment. The Borrower's attention is invited to provisions of sub-section (8) of section 13 of the Act, in respect of time available, to redeem the secured assets.

### Description of the Immovable Property

All that part and parcel of the property consisting of Flat No..... /PlotNo .....in Survey No ..... / City or Town Survey No. /khasraNo ..... within the registration sub-district .....and District.....

Bounded:

On the North by :

On the South by :

On the East by :

On the West by :

Date :

Place :

(Name of the Authorised Officer)

Chief Manager / Authorised Officer

Uttar Pradesh Gramin Bank

APPENDIX-1  
{See Rule 4(1)}  
**PANCHNAMA**

WHEREAS

We

Sl. No.	Name of the Panch and Father's/Husband's Name	Address	Age	Occupation
1.				
2.				
3.				
4.				
5.				

The above mentioned Panchs on being called by Shri.....the Authorised Officer of Uttar Pradesh Gramin Bank, under The Securitisation and Reconstruction of Financial Assets and enforcement of Security Interest Act,2002 (54 of 2002) and in exercise of powers under section 13(4) of the said Act today entered the premises of Shri/M/s..... at..... and demanded the payment of the dues mentioned in the Demand Notice dated in respect of Loan Account bearing No and on its non-payment, taken over possession of movable properties as detailed in the Inventory attached to this Panchnama between the hours..... A.M./P.M.and A.M./P.M. in our presence.

The Borrower's attention is invited to provision of sub-section (8) of section 13 of the Act, in respect of time available, to redeem the secured assets.

We also here by state that during takeover of possession.....(tobe filled in case of occurrence of any incidence).

Therefore, we declare that the facts of the Panchnama mentioned herein are true and correct to the best of our observations and knowledge.

Sl. No.	Name & Address of Panch	Date	Time	Signature
1.				
2.				
3.				
4.				
5.				

DRAWN BEFORE ME

(Name & Designation)

**AUTHORISED OFFICER**

APPENDIX - II

{See Rule 4(2)}

**INVENTORY**Inventory of movables taken possession in Loan Account bearing No.....

Inventory of movable properties taken possession of at the premises of Shri/M/s.....,

Plot No...../Gali No....., House No..... Street No, ..... of.....

under section 13(4) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security

Interests Act, 2002 and the Security Interest (Enforcements) Rules, 2002 made there under, on

this.....day of.....20.....by Shri..... Authorised Officer of Uttar

Pradesh Gramin Bank under the said Act, between the hours .....A.M./P.M. to .....A.M./P.M.

SI. No.	Description of Article	Estimated Value	Place where kept for safe custody (Name of the person if necessary)
1.			
2.			
3.			

Panchas :

SI. No.	Name and Address of Panch	Signature
1.		
2.		
3.		
4.		
5.		

Drawn by me today the.....day of.....,20.....at.....A.M./P.M.

Signature of Borrower/Representative

Signature of Authorised Officer

**APPENDIX - II-A**

{ See Proviso to Rule 6(2) }

**SALE NOTICE FOR SALE OF MOVABLE PROPERTIES**

E-Auction Sale Notice for Sale of Movable Assets under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 read with proviso to Rule 6(2) of the Security Interest (Enforcement) Rules, 2002.

Notice is hereby given to the public in general and in particular to the Borrower (s) and Guarantor (s) that the below described movable property hypothecated/pledged/charged to the Secured Creditor, the constructive/physical (whichever is applicable) possession of which has been taken by the Authorised Officer of Uttar Pradesh Gramin Bank, Secured Creditor, will be sold on "As is where is", "As is what is" and "Whatever there is" on (mention date of the sale), for recovery of Rs due to the Uttar Pradesh Gramin Bank, Secured Creditor, from {mention name of the Borrower(s)} and {mention name of the Guarantor(s)}. The Reserve Price will be Rs and the earnest money deposit will be Rs  
(Give short description of the movable property with known encumbrance, if any)

For detailed terms and conditions of the sale, please refer to the link provided in ..... Secured Creditor's website, i.e. www.(give details of website).

Date:

Place:

AUTHORISED OFFICER

APPENDIX - IV-A

{See Proviso to Rule 8 (6)}

**SALE NOTICE FOR SALE OF IMMOVABLE PROPERTIES**

E-Auction Sale Notice for Sale of Immovable Assets under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 read with proviso to Rule 8 (6) of the Security Interest (Enforcement) Rules, 2002.

Notice is hereby given to the public in general and in particular to the Borrower(s) and Guarantor(s) that the below described immovable property mortgaged/charged to the Secured Creditor, the constructive/physical (whichever is applicable) possession of which has been taken by..... the Authorised Officer of Uttar Pradesh Gramin Bank, Secured Creditor, will be sold on "As is where is", "As is what is" and "Whatever there is" on (mention date of the sale), for recovery of Rs..... due to the Uttar Pradesh Gramin Bank, Secured Creditor, from {mention name of the Borrower(s)} and..... {mention name of the Guarantor(s)}. The Reserve Price will be Rs..... and the earnest money deposit will be Rs.

(Give short description of the immovable property with known encumbrance, if any)

For detailed terms and conditions of the sale, please refer to the link provided in .....Secured Creditor's website, i.e. www. (give details of website).

Date:

Place:

AUTHORISED OFFICER



APPENDIX-III

{ See Rule7(2)}

**CERTIFICATE OF SALE**

(For movable property)

WHEREAS

The undersigned being the Authorised Officer of the Uttar Pradesh Gramin Bank under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002) and in exercise of powers conferred under sub-section (12) of section 13 read with Rules 6 & 7 of The Security Interest (Enforcement) Rules, 2002 has in consideration of the payment of Rs..... (Rupees) only sold on behalf of the Uttar Pradesh Gramin Bank in favour of..... (purchaser),the following movable property secured in favor of the Uttar Pradesh Gramin Bank by..... (the names of the Borrowers) towards the financial facility..... (description) offered by Uttar Pradesh Gramin Bank.

The undersigned acknowledge the receipt of the sale price of Rs ..... (Rupees ..... ) only in full and handed over the delivery and possession of the items listed below.

Description of the movable property/ies :

LIST

- 1)
- 2)
- 3)
- 4)
- 5)

Date :

Place:

(Name & Designation) AUTHORISED OFFICER

APPENDIX - V

{See Rule 9(6)}

CERTIFICATE OF SALE

(For Immovable property)

WHEREAS

The undersigned being the Authorised Officer of the Uttar Pradesh Gramin Bank under The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002) and in exercise of powers conferred under section 13 read with Rules 8&9 of The Security Interest (Enforcement) Rules, 2002 sold on behalf of the Uttar Pradesh Gramin Bank in favour of.....(purchaser), the immovable property shown in the schedule below, secured in favour of the Uttar Pradesh Gramin Bank by (the names of the Borrowers) towards the financial facility ..... (description) offered by Uttar Pradesh Gramin Bank. The undersigned acknowledge the receipt of the sale price of Rs..... (Rupees ..... )only, in full and handed over the delivery and possession of the scheduled property. The sale of the scheduled property was made free from all encumbrances known to the secured creditor listed below on deposit of the money demanded by the undersigned.

Description of the Immovable Property

All that part and parcel of the property consisting of Flat No..... / Plot No ..... in Survey No ..... / City or Town Survey No. /khasra No ..... within the registration sub-district .....and District.....

Bounded:

On the North by :

On the South by :

On the East by :

On the West by :

List of encumbrances:

- 1)
- 2)

Date :

Place

:

(Name of the Authorised  
Officer) Chief Manager /  
Authorised Officer  
Uttar Pradesh Gramin Bank

Affidavit

**BEFORE THE HON'BLE DISTRICT MAGISTRATE /  
CHIEFMETROPOLITANMAGISTRATE  
AT.....**

(Under Section 14 of the Securitisation and Reconstruction of Financial Assets & Enforcement of Security Interest Act,2002)

Application No. / Case No..... of 20.....

Uttar Pradesh Gramin Bank, a body corporate constituted under the Regional Rural Banks Act, 1976, having its Head Office at Taramandal, Gorakhpur and having one of its Branches, amongst other places ,at (Branch Address),represented by its Authorised Officer

..... Applicant

And

- 1)
- 2)
- 3)

(Name & Address of Borrower(s)/Mortgagor(s)

..... Opponents

Affidavit in support of application under Section 14 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act,2002

I, ....., aged about ..... years, son of Late/Shri.....,presently working as Chief Manager at ....., Uttar Pradesh Gramin Bank and acting as Authorised Officer on behalf of Uttar Pradesh Gramin Bank, ....., Branch, do hereby solemnly affirm and state on oath as under :-

1. That the deponent named above is Chief Manager and also Authorised Officer of the Applicant Bank acting on behalf of .....Branch in terms of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act,2002(SARFAESI Act).
  2. That the deponent is fully conversant with the facts and circumstances of the case as per the records and thus is competent to sign and verify thisaffidavit.
1. That the deponent hereby declare that:
    - (i) The Opponent No..... had availed from the Applicant Bank an aggregate amount of Rs.....(Rupees..... )only under various credit facilities.
    - (ii) To secure the above mentioned credit facilities, Opponent No.(s).....

have created security interest in respect of the following properties in favour of the Applicant Bank and the Applicant Bank is holding a valid and subsisting security interest over such properties and the claim of the Applicant Bank is within the limitation period:-

Sr. No.	Details of the Property	Nature of Charge (Hypothecation / Equitable Mortgage / Simple Mortgage)	Person who created Charge in favour of the Applicant Bank	Date of Creation of Charge and Extension of Charge	Documents through which Charge is created / extended

(iii) The Opponents have defaulted in payment of the dues under the credit facilities. Consequent upon the default committed by the Opponents, the borrowal accounts of the Opponent No \_\_\_\_\_ have been classified as Non Performing Asset (NPA) as on in the books of records of the Applicant Bank in conformity with the guidelines issued by Reserve Bank of India(RBI).

(iv) The Applicant Bank have served upon the Opponents on ..... Notice dated issued under Section 13(2) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, demanding the Opponents to pay to the Applicant Bank Rs..... (Rupees ..... ) only within 60 (Sixty)days.

## The Applicant Bank has not received any representation / objection during said period of 60 days or thereafter till date, from the Opponent(s).

OR

## The Applicant Bank has received representation / objection dated from the Opponent No \_\_\_\_\_ on \_\_\_\_\_ The Applicant Bank has examined the said representation / objection and the reasons for non-acceptance of such representation / objection have been communicated to the Opponent No \_\_\_\_\_ on through reply dated of the Applicant Bank.  
(## Please delete the inapplicable paragraph given above)

(v) The Opponents have failed to make repayment of the dues under the credit facilities availed by the Opponent No \_\_\_\_\_, in spite of the above Notice dated \_\_\_\_\_ and the Applicant Bank is therefore entitled to take, through its Authorised Officer,

possession of the secured assets under the provisions of sub-section (4) of Section 13 read with Section 14 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.

- (vi) The Applicant Bank, in exercise of its power under sub-section (4) of Section 13 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, read with Rules made there under, has taken possession of secured assets (open plots) as described in Sr. No of Clause-3(ii) above, and also / or taken symbolic possession of secured assets described in Sr. No(s) of Clause-3(ii)above.

As on the date of filling the accompanying Application under Section 14 of the Act, the Opponents are liable to pay to the Applicant Bank an aggregate amount of Rs..... (Rupees )only.

The Applicant Bank, therefore, prays that orders be passed and directions be issued to take actual (physical) possession of the secured assets described in Sr. No(s) of Clause-3(ii) above and such seized assets may please be handed over to the Applicant Bank, as provided in Section 14 of the SARFAESI Act and the Security Interest (Enforcement) Rules, 2002, framed thereunder.

- (i) The Applicant Bank has complied with all formalities under the provisions of the above Act and the Rules made thereunder.
- (ii) None of the secured assets is / are in possession of any Lessee(s) under valid lease made prior to creation of mortgage by the Opponents or made in accordance with the provisions of Section 65-A of Transfer of Property Act prior to receipt of Notice under Section 13(2) of SARFAESI Act by the Borrower.

Verification: The deponent declares that the contents of above paragraphs and the annexed Application under Section 14 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, are true and correct to the best of my knowledge & belief, as per records of the Bank, and the deponent believes the same to be true.

Place :

Date :

(DEPONENT)

CHIEF MANAGER/AUTHORISED OFFICER  
Uttar Pradesh Gramin Bank

**Annex-VII**  
**Proposal of permission for Filing Civil Suit/DRT**

Branch  
Date

1. Name of the Party & Address.

2. Details of Prop./Partners/Directors/Guarantors

S.N.	Name of Prop./Partners/ Directors	Net Worth As on -----	Name of Guarantors	Net Worth As on -----
1.				
2.				
3.				

3. Position of Account

a) Purpose for advance & Scheme No.:.....

Nature of Account: .....

b) Date of sanction :

Date of first disbursement : .....

Sanctioning Authority/ with reference

No. & Date :

c) Limit Sanctioned :

Amount Sanctioned :

4. Operative figures for cash credit accounts for the period from.....to.....

Interest earned .....average Balance.....Minimum Balance.....

Maximum Balance.....Turn Over .....

Value of Stock.....Date of last credit in the a/c.....

5. Repayment Schedule for term loan

A) Repayable by .....monthly/Quarterly/Half Yearly/.....installments

1<sup>st</sup> instalment Rs.....Due on.....

B) Recovery received Since Default:

C) Balance Outstanding Rs.....

D) Over Due as on ..... Rs. .... Principal :.....

Interest .....Rs. ....Total :.....

E) Present Market Value : Rs. ....

F) Condition & maintenance of securities

( i.e. Machinery: Stock etc) and realizable value : Rs. ....

G) Date of Last credit in loan a/c by borrower it self: Rs. .... Date.....

H) Date of last inspection of account .....Carried by .....with their comments

6. Particulars of Security

A) D.P. Note( ind.& Sev. D.P.Note ) : For Rs. ....Dated.....

B) Legal / Equitable Mortgage of Land property executed for .....Area.....Rs. ....

- C) Hypothecation for : of .....  
(Whether of Movable or Machinery , Agril Machinery, Vehicle or Standing Crop )
- D) General form of guarantee signed for : Rs... Dated .....  
1) Mr./Mrs/Ms. .... R/O:.....  
2) Mr./Mrs/Ms ..... R/O:.....
- E) L.A.D. dated.....signed by all the borrowers & or Guarantors confirming debit balance  
as on ..... respectively.
- F) Are Documents in order in all respect :.....
- G) Is any of the borrowers /guarantors deceased? : .....  
( If so, action taken each as obtaining letter of undertaking & L.A.D.)
7. Action taken by The Branch ( in last 12 months )
- A) Recovery Notice / Spot Inspection : .....
- B) Personal Contact at the time of inspection  
Recovery etc on : .....
- C) Regd A.D.Letter sent on : .....
- D) Legal /Recall Notice served on : .....
8. Observations of the branch on : .....
- A) Borrower's attitude - Are they cooperative?. :.....  
Are they willful defaulters? : .....
- B) Are there Genuine difficulties in repaying our dues? .....  
(Like Natural Calamities / flood etc)  
Please give precisely efforts made for the recovery.
9. Recommendations of the Branch Manager: .....

Date  
Branch :

For : Uttar Pradesh Gramin Bank  
Branch :  
Signature-

Note: For any other necessary details or information please attach separate sheet

**Annex-VIII**

**Request for Empanelment as Enforcement Agent/ Recovery Agent/Detective Agent  
With Uttar Pradesh Gramin Bank**

The General Manager  
Uttar Pradesh Gramin Bank  
Head Office  
2nd and 3rd floor,  
NBCC Commercial Complex,  
Vardan Khand, Gomti Nagar Extension,  
Lucknow - 226010

**(Through The Regional Manager)**

Paste Recent  
Photo

Sir,

With reference to the empanelment for: Enforcement Agent /Recovery Agent ( ) or Detective Agent ( ), we request for our empanelment with Uttar Pradesh Gramin Bank.

**Required details are given hereunder:**

- Name of Firm :
- Constitution :
- Name of Key Person :
- Address of the Firm :
- Pan No. :
- GST No. :
- Telephone/Mobile No. :
- E-mail ID :
- Infrastructure Available & staff :
- Past Experience As Recovery Agent :
- Detail of 100 Hr. Training of IIBF :
- Membership of APDI :
- Proposed Area of operation :

**List of Documents to be enclosed –**

- Request Letter (typed) with a latest PP Photograph of the key person (s)
- Certificate Issued by IIBF 100 Hrs Training/APDI membership
- Copy of PAN Card
- Copy of GST No. (If Any)
- Copy of Address Proof
- Copy of Partnership deed/ Article of Association/Memorandum of association, as applicable
- Proof of Experience/ Empanelment with other Banks / FIs (minimum 2).

I / We certify that the particulars furnished above are true, correct and complete to the best of my / our knowledge and belief. In case the particulars submitted by me / us are found to be false or not true and / or suppression of material facts by me / us while submitting the form is revealed at a later date, the Bank shall have the right to cancel my / our empanelment. I / We also certify and confirm that I / We have not been depanelled by any Bank/FI.

Date:

Signature  
(Authorized Signatory)

Place:

**Note: Photograph and all attachments should be self-attested by key person & should be duly verified & counter-signed by Regional Head.**



## Annex-IX

### शुद्ध अपलेखन (pure write off) प्रस्ताव प्रारूप

शाखा –

क्षेत्र –

विषय : शुद्ध अपलेखन (pure write off) प्रस्ताव श्री..... खाता संख्या:.....

क. सं.	विवरण	
1.	आस्तियों का वर्गीकरण	
2	अनर्जक होने की तिथि (एन0पी0ए0 दिनोंक)	
3	क्षेत्र- (सेक्टर) प्रा.क्षे./ (कृषि/लघु उद्योग अन्य प्रा.प्रा0), अन्य	
4	संघटन & (Constitution)	
5	योजना	
6	क्रियाकलाप	
7	प्रथम स्वीकृति की तिथि एवं स्वीकृतिदाता	
8	अन्तिम समीक्षा की तिथि एवं समीक्षा अधिकारी	
9	लामार्थी का वर्तमान क्रियाकलाप	
10	ऋणी जानबूझकर बकायेदारों की सूची में है / बैंक द्वारा चिन्हित है	
11	खाता स्टाफ से सम्बन्धित है/स्टाफ ने गारन्टी ली है	
12	सूट फाइल /डी आर.टी./आर0सी0 की तिथि	
13	अपलेखित की जाने वाली धनराशि (रु0)	

ऋणी / जमानतदार की वर्तमान हैसियत

क.सं.	ऋणी	नवीनतम हैसियत	जमानतदार	नवीनतम हैसियत
1				
2				

बैंक द्वारा प्रदत्त ऋण सुविधा का विवरण –

ऋण खाता सं0	सीमा	अवशेष
योग :		

प्रतिभूतियों का विवरण : (प्राथमिक व समपाश्वरिक)

प्रतिभूति का प्रकार (कृषि/गैर कृषि )	मूल्य रु0	मूल्यांकन तिथि	क्या प्रतिभूति वसूली योग्य है	यदि प्रतिभूति वसूली योग्य नहीं है तो कारण

शुद्ध अपलेखन हेतु राशि की गणना :

	धनराशि		धनराशि
(अ) अवशेष ( दिनांक.....)		(ब) समायोजन हेतु उपलब्ध धनराशि (यदि कोई हो)	
(स) अपलेखित की जाने वाली धनराशि (अ-ब) त्र रु0			

यदि खाता सीजीएफटी योजनान्तर्गत है तो – दावा तिथि..... दावा राशि रु0 .....

दावा प्राप्त रु0 ..... दिनोंक .....

यदि दावा प्राप्त नहीं है /अस्वीकृत है तो कारण दें .....

वसूली हेतु किये गये प्रयासों का विवरण व शुद्ध अपलेखन हेतु शाखा प्रबन्धक की स्पष्ट आख्या व संस्तुति –

शाखा प्रबन्धक

समझौता परामर्श समिति / स्वीकृत प्राधिकारी द्वारा प्रस्तुत विचारणीय बिन्दु/आख्या एवं संस्तुति –

शुद्ध अपलेखन (pure write off) प्रस्ताव श्री ..... रु0 ..... पर सम्यक विचारोपरान्त व शाखा प्रबन्धक की संस्तुति के आधार पर रु0 ..... के अपलेखन की संस्तुति /स्वीकृति की जाती है।

दिनोंक—

स्वीकृत प्राधिकारी

पी0एस0आर0 अधिकारी की टिप्पणी:—

पी0एस0आर0 हेतु सक्षम अधिकारी के हस्ताक्षर  
दिनोंक:—

Annex-X

**Certificate For Final Write-off of NPA Account**

**Name of Account:**

- 1. All the possible measures / methods of recovery have been explored and exhausted in the account.**
- 2. All the securities charged to the Bank have been sold / auctioned and share of our Bank is received and appropriated in the account. Presently there are no tangible securities available to fallback upon for recovery and there are NIL or very meager chances of further recovery through any mode.**
- 3. The Borrowers / Guarantors are either not traceable or of no means as per our discrete enquiries / market reports.**
- 4. Continuance of the account in the books of the Bank and further exploring for recovery will only add to further cost and wastage of time to the Bank.**
- 5. Staff accountability has been examined and dealt appropriately.**

**(Branch Head)**

**(Regional Head)**

**Place:**

**Date:**

## Annex XI

**Format for submission of List of Large Defaulters of ₹1 crore and above (suit-filed and non-suit filed accounts) to Head Office on monthly basis by 4th day of following month.**

Field	Field Name	Type	Description	Remarks
1.	Reporting Cycle	Alpha Numeric	Month for which the data is reported	The reporting cycle data for month of January 2024, should be filled as 'JAN24'
2.	Member ID	Alpha Numeric	The field is required to include Reporting Member Code as assigned by CICs.	Contains ID of the member reporting the data
3.	Member Name/ Region	Character	Name of the member	Must contain the name of the member who is reporting the data.
4.	Member Branch	Character	Branch name of the member	Name of the branch should be fed.
5.	STATE	Character	Name of state	Name of state in which branch is situated.
6.	Borrower Name	Alpha Numeric	Minimum length of the Name should be 2 characters for individual borrowers and 4 characters for non-individual.	The legal name of the borrower to be reported.
7.	Borrower PAN	Alpha Numeric	Must be 10 characters. The first five characters must be letters, followed by four numbers, and followed by a letter.	Permanent Account Number (PAN) as defined by the Income Tax Department
8.	Borrower Address	Alpha Numeric	Permanent Address / Registered address of the borrower	
9.	Outstanding Amount	Numeric	Should be a Numeric Value	Outstanding amount in ₹ lakh (rounded- off)

10.	Suit Status	Numeric	<b>Valid Values</b> 01 - Suit filed 02 – Non-Suit Filed	Indicates whether suit has been filed or not.
11.	Asset Classification	Character	Valid Values <b>For Non-Suit Filed Accounts.</b> 'DOUBT' for doubtful accounts. 'LOSS' for loss accounts. <b>For Suit Filed Accounts</b>  'DOUBT' for doubtful accounts. 'LOSS' for loss accounts. 'SUBST' for substandard accounts. 'STD' for standard accounts.	Asset classification
12.	Asset Classification Date	Alpha Numeric	Month in which the account was classified as 'DOUBT'/'LOSS'/'SUBSTD'/'STD' in the format 'mmmyy' where mmm stand for the first 3 characters of the month. The date of classification 'march 2000' should be filled up as 'MAR00'.	Indicates the date of asset classification
13.	Other Member	Character	The names may be fed in abbreviated form e.g., BOB for Bank of Baroda, SBI for State Bank of India etc.	The names of other lenders from whom the borrower has availed credit facility should be indicated.
14.	Director/ Promoter Name	Character	Minimum length of name should be 2 characters	Name of Director/Promoter.
15.	Director/ Promoter DIN	Alpha Numeric	DIN Number length should be 8	DIN of the Director/ Promoter.

16.	Director/ Promoter PAN	Alpha Numeric	Must be a minimum of 10 characters. The first five characters	PAN of the Director/Promoter.
-----	------------------------------	------------------	---	----------------------------------

			must be letters, followed by four numbers, and followed by a letter.	
17.	Guarantor Name	Character	Minimum length of name should be 2 characters	Full name of the Guarantor should be indicated.
18.	<b>Guarantor</b> CIN	Alpha numeric	Corporate identification number of guarantor entity	Only in case of legal entities
19.	Guarantor PAN	Alpha Numeric	Must be a minimum of 10 characters. The first five characters must be letters, followed by four numbers, and followed by a letter.	In case of individual /legal entities

**NOTE:**

- Reporting structure of the data would be row level, which would enable to report multiple directors and guarantors of the borrower.
- A director other than whole-time director, including an independent director/ nominee director shall not be included.
- In case of Government undertakings, instead of giving names of Chairman/Director, etc., a legend 'Govt. of \_\_\_\_\_ undertaking' should be mentioned.
- Separate files for suit filed and non-suit filed accounts shall be submitted.

## Annex XII

**Format for submission of data on cases of wilful default (suit-filed and non-suit filed accounts) to Head Office on a monthly basis 4th day of following month.**

Field	Field Name	Type	Description	Remarks
1.	Reporting Cycle	Alpha Numeric	Month for which the data is reported	The reporting cycle data for month of January 2024, should be filled as 'JAN24'.
2.	Member ID	Alpha Numeric	The field is required to include Reporting Member Code as assigned by CICs.	Contains ID of the member reporting the data.
3.	Member Name/ Region	Character	Name of member	Must contain the name of the member who is reporting the data.
4.	Member Branch	Character	Branch name of the member	Name of the branch of the member to be fed.
5.	STATE	Character	Name of state	Name of state in which member branch is situated.
6.	Borrower Name	Alpha Numeric	Minimum length of the Name should be 2 characters for individual borrowers and 4 characters for non-individual.	The legal name of the borrower to be reported.
7.	Borrower PAN	Alpha Numeric	Must be 10 characters. The first five characters must be letters, followed by four numbers, and followed by a letter.	Permanent Account Number (PAN) as defined by the Income Tax Department
8.	Borrower Address	Alpha Numeric	Permanent Address / Registered address of the borrower	
9.	Outstanding Amount	Numeric	Should be a Numeric Value	Outstanding amount in ₹lakh (Rounded off)
10.	Suit Status	Numeric	Valid Values 01 - Suit filed 02 – Non-Suit Filed	Indicates whether suit has been filed or not.
11.	Other Member	Character	The names may be fed in abbreviated	The names of other lenders from whom

			form e.g., BOB for Bank of Baroda, SBI for State Bank of India etc.	the borrower has availed credit facility should be indicated.
12.	Director/ Promoter Name	Character	Minimum length of name should be 2 characters.	Full name of Director/ Promoter should be indicated.
13.	Director/ Promoter DIN	Alpha Numeric	DIN Number length should be 8	8-digit Director/ Promoter Identification Number of the Director.
14.	Director/ Promoter PAN	Alpha Numeric	Must be 10 characters. The first five characters must be letters, followed by four numbers, and followed by a letter.	PAN of the Director/ Promoter.
15.	Guarantor Name	Character	Minimum length of name should be 2 characters	Full name of guarantor
16.	Guarantor CIN	Alpha Numeric	Corporate identification number of guarantor entity	Only in case of legal entities
18.	Guarantor PAN	Alpha Numeric	Permanent account number	In case of individual / legal entities

#### NOTE:

- Reporting structure of the data would be row level, which would enable to report multiple directors and guarantors of the borrower.
- The data / information should be submitted to Head Office is to be countersigned by Regional Head.
- Separate files for suit filed and non-suit filed accounts shall be submitted

### **ANNEXURE-XIII**

#### **NOTE FOR CONSIDERATION OF IDENTIFICATION COMMITTEE (FOR EXAMINATION OF WILFUL DEFAULTER OF BORROWER/ GUARANTOR/ PROMOTER/ DIRECTOR/ PERSONS WHO ARE IN CHARGE AND RESPONSIBLE FOR THE MANAGEMENT OF THE AFFAIRS OF THE ENTITY)**

1. Region :
2. Branch :
3. Name of the Borrower :
4. Constitution :
5. Line of Activity :
6. Nature of limits sanction & :  
present position

(Separate sheet may be attached if required)

(Amt in lac)

Nature of Facility	Sanctioned Limit	Outstanding as on
Total		

7. Details of Security with Value and Date of Valuation: (Valuation at the time of sanction and of recent date but not later than 12 months) In case of immovable properties details about the location & land area & construction area, should be given separately or each property.

a) At the time of Sanction of Advance- **Separate sheet may be attached, if required)**

S.N.	Details of Security	Primary/ Collateral	Value (Rs.)	Date of Valuation	Name of Valuer	Whether Bank Approved

b) As per Recent Valuation, - **(Separate sheet may be attached, if required)**

S.N.	Details of Security	Primary/ Collateral	Value (Rs.)	Date of Valuation	Name of Valuer	Whether Bank Approved

8. Details of Prop./Partners/Directors/Guarantors –

S.N.	Name of Prop./Partners/ Directors	Annual Income As on -----	Net Worth As on -----	Name of Guarantors	Annual Income As on ----- --	Net Worth As on -----
1.						
2.						
3.						



9. Date of NPA & Asset Classification :

10. Banking arrangement :

- a) Sole/Multiple/Consortium: If Consortium or Multiple banking arrangement, total exposure of the borrower with member Banks / Institutions with outstanding, limit and overdue, if any. Also Asset Classification in each of the member / participating Banks / Institutions to be given.
- b) Whether group account: If yes, names of associate / sister concerns, their limits, outstanding with us and other Banks if any and the asset classification in each of the member / participating Banks / Institutions to be given.
- c) If associate / sister concern account with us is NPA, status of examination of staff accountability.

11. Critical evaluation by the branch of the causes / reasons that led the account to becoming NPA (Comprehensive analysis to be made by the branch) :

Branch should comment on the following broad points in detail:

- a) Whether it is a Business failure?
- b) Whether it is a failure on the part of the Management of the Firm / Company?
- c) Whether the account became NPA because of the Regulatory decisions / involvement?
- d) Whether there is any diversion/siphoning of funds by the party?
- e) Whether it is a monitoring failure on the part of the branch officials?
- f) Whether any fraud is committed by the borrower?
- g) What are the mitigating actions taken by the branch?
- h) Whether Wilful Default Identified as per policy guidelines?

12. Whether a suit has been filed, if so, status thereof :

13. Date of first Sanction and Sanctioning Authority :

14. Date of last regular review / short review or Status Note & the Reviewing Authority :

15. Whether the facility was ever enhanced after the first sanction and if so, date of last such enhancement and the Authority sanctioning the enhancement:
16. Whether the terms and conditions stipulated by the Sanctioning Authority / Reviewing Authority were complied with. Non-compliance, if any, may be pointed out with the details of efforts made for the same:
17. Whether non-compliance has impact on account becoming NPA :

Observations, if any, during inspection of the branch in respect of reasons for account becoming NPA and the comments of the branch there for: (To be enclosed)

Observations, if any, of Concurrent Auditors / Credit Audit / Stock Audit / Statutory Auditors / NABARD /RBI in respect of reasons for account becoming NPA and the comments of the branch therefore:

18. Whether means & Income of borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity have been critically analyzed:
19. Comment on instances of Wilful Default:

**Officer / Manager**

**Branch Head**

**Certificate:**

The undersigned committee have gone through and analysed all details and means (including Income resources) of concerned, as per existing policy guidelines on “Treatment of Wilful Defaulters and Large Defaulters” and committee is of opinion that Mr./Mrs/Ms ..... (Name of Concerned) is recommended to be declared as “Wilful Defaulter”.

**Observations / Comments / Recommendation of Regional Identification committee:**

**Signature of committee**

**To be enclosed:**

- Annexure-XII
- Proof of Means & Income

वसूली हेतु एनपीए मित्रों को आवंटन पीएनपीए एवं अतिदेय केसीसी ऋण खातों का बैंक/

**क्षेत्रीय कार्यालय :**

[illegible]

### हस्ताक्षर-

शाखा प्रबन्धक का नाम -

**क्षेत्रीय कार्यालय की टिप्पणी -**

हस्ताक्षर क्षेत्रीय प्रबन्धक / मुख्य प्रबन्धक  
नाम-

