

Credit Circular No 2023/04

8th March w023

**RECOVERY OF NON- PERFORMING ADVANCRS  
SECURED BY MORTGAGE OVER IMMOVAB:LE PROPERTIES**

The Credit Policy and Procedures Manual Version III Section 42 stipulates the time bound recovery procedures which should be adhered to at Branch Level and Head Office Credit Department to ensure due performance of the borrowers, thereby contributing towards controlling the buildup of NPLs

At the meeting of the Special Legal Recovery Programme conducted on 7th March 2023 it was decided to follow the procedure described below to expedite the recovery of NPLs secured by Mortgage over Immovable properties.

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| 1. Facilities amounting to Rs 1.5 Million and above secured by Mortgage over Immovable properties | 1. Initiate recovery action utilizing the Mortgage Bond under the provisions of the mortgage .act without utilizing the Loan Contract **if it contains “Arbitration Clause.** 2. In the **absence of the arbitration clause in the loan contract** the said document could also be utilized to file action as appropriate |
| 1. Facilities below Rs 1.5 Million secured by Mortgage over Immovable properties | 1. Initiate recovery action under the Small Claim’s Procedures ACT No 33 of 2022 Judicature (Amendment) Act No 34 of 2022. *(Small Claims means a debt damage or demand referred to in the seventh schedule of the Judicature Act which do not exceed Rs 1,500.000/-(Section 33)* 2. If the Loan contract contains the Arbitration clause adopt Arbitration Procedures for recovery, 3. However, at the discretion of the Legal Recovery officials any procedure advantages to the company could be adapted on a case by case basis to expedite recovery of NPLs which is the main concern of the Board of Directors and the Management |
| * **Before the dispatch of a Letter of Demand** (which is the starting point to commence litigation) it is the responsibility of the Branch Managers, Officials at the Head Office Recoverees Department to ensure that the addressee has been verified and security documents are in order, if necessary in consultation with the Legal Officer to whom the Branch has been assigned. * If a discrepancy is observed in a security documentation file by Legal Recovery Officials they should coordinate with the relevant officials at the Branch or at the Head Office\ Recoveries Department and have the discrepancy rectified to protect the company, within a period of one week * Any losses the company may sustain resulting from irregular documentation due to negligence of any employee or committed willfully by an employee, such employee (s) will be called upon to meet the loss. This involves those officials authorizing disbursements without proper documentation, | |

Please endure compliance with the above procedures with immediate effect,

Signed

Senior Manager (Legal Recoveries)

Signed Signed

Deputy General Manager CEO/ Executive Director

(Administration , Operations & Recoveries(