



**SARASWAT CO-OPERATIVE BANK
LTD
(SCHEDULED BANK)
ESTD. 1918**

**POLICY ON COLLECTION OF DUES
AND REPOSSESSION OF
SECURITY FOR THE YEAR 2020-
2022.**

INDEX

Sr. No.	Particulars	Page No.
I	Preamble.	3
II	Objectives of the Policy.	3
III	Ownership of the Policy.	3
IV	Validity of the Policy.	3
V	Applicability of the Policy.	4
VI	Introduction	4
VII	Contours of the Policy.	4 – 5
VIII	Giving Notice to Borrowers.	5 – 6
IX	Repossession of Security	6 – 7
X	Valuation and sale of Property	7 – 8
XI	Opportunity for the borrower to take back the security.	8
XII	Engagement of Recovery Agents.	8 – 11
XIII	Publication of Photographs	11
XIV	Miscellaneous.	11

POLICY ON COLLECTION OF DUES AND REPOSSESSION OF SECURITY.

I. PREAMBLE:-

- The Banking Codes and Standards Board of India (BCSBI) – an independent and autonomous authority set up with the purpose of providing fair treatment to all customers and of which the Bank has voluntarily taken up membership, calls for a Policy on Collection of Dues and Repossession of Security to be drawn up and approved by the Board.
- The Bank is required to display the Policy on Collection of Dues and Repossession of Security on its Website for the information of the customers.
- The Bank has adopted the model policy formulated by the IBA with a few modifications.

II. OBJECTIVES OF THE POLICY:-

- To ensure fair treatment to the customers during the course of collection of dues and repossession of security with the aim of fostering customer confidence and long term relationships.
- To ensure that the Bank does not follow policies that are unduly coercive in collection of dues.
- To apprise staff members involved in the recovery process about the code of conduct to be adopted while in the process of recovery of dues.

III. OWNERSHIP OF THE POLICY:-

The ownership of the “Policy on Collection of Dues and Repossession of Security” lies with the In-charge, Centralized Recovery Department.

The Policy will be periodically updated as per the requirements, by the Centralized Recovery Dept., subject to the approval of the Competent authority.

IV. VALIDITY OF THE POLICY:-

This Policy was last approved by the Board on 22.12.2017. This Policy will remain in force till the year 2022 when the next Policy will be ratified by the Board or any changes required in the interim are approved by the Board.

V. APPLICABILITY OF THE POLICY:-

The Policy will be applicable to all the branches, Zonal Offices, SMEs, RASECs, and all the Departments handling Recovery matters.

On its approval the same will be circulated to all concerned. The Policy will also be displayed on the Website of the Bank for the information of all customers.

VI. 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 sanctioned by the bank will be fixed taking into account paying capacity and cash flow pattern of the borrower. The bank will explain to the customer upfront the method of calculation of interest and how the Equated Monthly Installments (EMI) or payments through any other mode of repayment will be appropriated against interest and principal due from the customers. The bank would expect the customers 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.

VII. CONTOURS OF THE POLICY:

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

- 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.
- The identity and authority of persons authorized to represent the Bank for follow up and recovery of dues will be made known to the borrowers at the first instance. The Bank staff or any person authorized to represent the Bank in the collection of dues and/or repossession of security will identify himself / herself and display the authority letter/ identity card issued by the Bank upon request.
- The Bank will respect the 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 the Bank will adopt civil manners for interaction with borrowers.
- Normally, the Bank's representatives will contact the borrower between 0700 hrs and 2000 hrs, unless the special circumstance of his/her business or occupation requires the Bank to contact at a different time. Customer

may also be contacted later if unable to establish contact during specified calling hours and under specific circumstances where the customer is refusing to pay, non contactable, non cooperative, disputing earlier commitments.

- The Borrower's requests to avoid calls at a particular time or at a particular place will be honoured 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.
- Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

VIII. GIVING NOTICE TO THE BORROWER:

- While written communications, telephonic reminders or visits by the Bank's representatives to the borrower's place or residence, will be used as loan follow up measures the Bank will not initiate any legal or other recovery measures including repossession of security without giving 8 days due notice in writing.
- The Bank will consider any genuine representation received from the borrower before initiating the recovery proceedings. The Bank will follow all such procedures as required under law for recovery/ repossession of security.
- In the event of invocation of trigger for repossession of security, borrower/guarantor will be informed that he has defaulted in meeting repayment obligation and advised to regularize the account.
- Borrower will also be specifically advised that the costs incurred by the Bank to effect recoveries will be borne by him/her. He/she will also be advised that in the event of sale

proceeds falling short of the amount due, the balance will be recovered from his/her personal effects.

- The notice to the borrower will be sent by registered post.
- If the Bank has reasons to believe that the borrower or his close family members are avoiding the service of notice or for any other reason the notice cannot be served, a copy of the notice will be affixed on the outer door or some other conspicuous part of the house or business premises.
- If the borrower responds to the notice and regularizes the account or the appropriate authority permits him further time or a compromise settlement is reached, no further action would be necessary.

IX. REPOSSESSION OF SECURITY:

- Repossession of security will be 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 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 the necessary cost will be charged to the borrower.
- The Security Re-possession procedure will be set in motion only after the attempts made by the Bank to discuss with the borrower the ways and means to overcome financial hurdles have failed.

- Repossession of security will involve repossession, valuation and realization of security through legally permitted means.
- Before initiating the process of repossession of the asset financed by the Bank, the borrower will be served with another notice by the Bank Official/Authorized Officer stating therein to handover the asset along with related documents to the Bank / Authorized Officer or else regularize the account.
- If the notice to hand over the asset by the borrower is not complied with by the borrower, the process for the repossession of the asset will be initiated.
- The repossession of the asset will be taken in the presence of two witnesses, a Panchnama will be drawn up containing full details of the assets seized. The repossession will be made only through legally permitted means.

X. VALUATION AND SALE OF PROPERTY:

- Required notices with acknowledgement due will be sent to the borrowers and guarantors informing them about the repossession of the security demanding closure of the account within a specified period failing which the repossessed assets will be disposed off.
- 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 the right to recover from the borrower the balance due if any, after sale of property. The 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 of 7 days time to respond will be sent to the borrower. Thereafter the Bank will arrange for sale of the hypothecated assets in such

manner as deemed fit by the Bank. In respect of cases under SARFAESI Act as per the provisions of the Act, 30 days notice of sale will be sent. When public auction or by tender is envisaged, the same will be published in two leading news papers out of which one will be in a local vernacular paper.

- Valuation of the repossessed assets will be carried out as per extant instructions of the Bank and would be valued by approved valuer of the Bank.
- Sale of Assets will be carried out by any of the transparent modes to secure fair price of the seized assets i.e., by public auction, by inviting tenders, by obtaining quotations from parties dealing in the assets seized etc.
- Before the date of actual sale, the borrower will be issued a notice of sale giving him reasonable time (depending upon the nature of security) say 7 days. For perishable items a shorter notice period will be given.
- The Bank will handover the possession of the asset to the borrower any time after repossession and before concluding sale transaction of the asset in case the borrower has liquidated Bank's dues in full or a compromise settlement has been reached between the borrower and the Bank.

XI. OPPORTUNITY FOR BORROWER TO TAKE BACK THE SECURITY:

- As indicated earlier in the Policy document, the Bank will resort to repossession of security only for the purpose of realization of its dues and as the last resort and not with intention of depriving the borrower of the property.
- Accordingly the Bank will be willing to consider handing over possession of the property to the borrower any time after repossession and before the sale transaction of the property takes place, provided the Bank's dues are cleared in full.

- If satisfied with the genuineness of the borrower's inability to pay the loan installments as per the schedule which resulted in the repossession of security, the Bank will consider handing over the property, after receiving the installments in arrears. However, this will be subject to the Bank being convinced of the arrangements made by the borrower to ensure timely repayment of the remaining installments in future.
- If the amounts are repaid, either as stipulated by the Bank or dues settled as agreed to by the Bank, the possession of the seized assets will be handed back to the borrower within seven days after getting permission from the competent/sanctioning authority, or court/DRT concerned if recovery proceedings are filed and pending before such forums.

XII. ENGAGEMENT OF RECOVERY AGENTS:

- a. The Bank may utilize the services of Recovery Agents for collection of dues and repossession of securities. Recovery agents will be appointed as per regulatory guidelines issued in this regard.
 - The name and address of all Recovery Agents on the Bank's approved panel will be placed on the Bank's website for information of all concerned.
 - Only Recovery Agents from the approved panels will be engaged by the Bank.
 - In case the Bank engages the services of such Recovery/enforcement/ seizure agents for any recovery case, the identity of the agent will be disclosed to the borrower.
 - The Recovery Agents engaged by the Bank will be required to follow a code of conduct covering their dealings with customers.

b. Reserve Bank of India in their Master Circular on Loans & Advances – Statutory & Other restrictions (Circular No.RBI / 2013-14 / 76, DBOD. No. Dir. BC 14/13.03.00/2013-14 dated 01.07.2013) has advised the Banks to take into account the following specific considerations while engaging recovery agents.

- Agent will include agencies engaged by the Bank and the agents/ employees of concerned agencies.
- Bank will have a due diligence process in place for engagement of recovery agents, which will be so structured to cover, among others, individuals involved in the recovery process. Due diligence will generally conform to the guidelines issued by RBI on outsourcing of financial services vide circular DBOD No. BP.40/ 21.04.158/2006-07 dated 03.11.2006. Further Bank will ensure that the agents engaged in the recovery process carry out verification of the antecedents of their employees, which may include pre-employment police verification, as a matter of abundant caution, Bank may decide the periodicity at which re-verification of antecedents should be resorted to.
- To ensure due notice and appropriate authorization, the Bank will inform the borrower, the details of recovery agency firms/ companies while forwarding default cases to the recovery agency. Further, since in some of the cases, the borrower might not have received the details about the recovery agency due to refusal / non availability / avoidance and to ensure identification, Bank will ensure that the agent also carries a copy of the notice and the authorization letter from the Bank along with the identity card issued to him by the Bank or the agency firm / company. Further, where the recovery agency is changed by the Bank during the recovery process, in addition to the Bank notifying the borrower of the change, the new agent will carry the notice and the authorization letter along with his identity card.
- The notice and the authorization letter will, among other details, also include the telephone no. of the relevant recovery agency. Bank will ensure that there is a tape recording of the

content / text of the calls made by recovery agents to the customers, and vice – versa. Banks may take reasonable precaution such as intimating the customer that the conversation is being recorded etc.

- The up to date details of the recovery agency firms / companies engaged by banks may also be posted on the Bank's website.
- Where a grievance / complaint has been lodged, bank will not forward cases to recovery agencies till they have finally disposed of any grievance / complaint lodged by the concerned borrower. However, where the bank is convinced , with appropriate proof, that the borrower is continuously making frivolous / vexatious complaints, it may continue with the recovery proceedings through the Recovery Agents even if a grievance / complaint is pending with them. In cases where the subject matter of the borrower's dues might be sub - judice, banks will exercise utmost caution, as appropriate, in referring the matter to the Recovery Agencies, depending on the circumstances.
- The Bank will have a mechanism whereby the borrower's grievance with regard to the recovery process can be addressed. The details of the mechanism will also be furnished to the borrower while advising the details of the recovery agency as at item no (iii) above.
- Incentives to Recovery Agents:- The Bank will not set very stiff recovery targets or offer high incentives to recovery agents so that the recovery agent induced intimidatory and questionable methods for recovery of dues. The Bank will ensure that the contracts with the recovery agents will not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.
- Training for Recovery Agent:- Indian Institute of Banking and Finance (IIBF) has formulated certificate course for Direct Recovery Agent with minimum of 100 hours of training. Recovery agency should employ the personnel who have

undergone the training and obtained the certificate from the IIBF.

➤ Complaint against the Recovery Agent:-

- Bank, as Principal, are responsible for action of their recovery agents. Hence Bank will ensure that its recovery agents engaged for recovery of their dues will strictly adhere to the guidelines and instructions, including the BCSBI code, while engaged in the process of recovery of dues.
- Complaints received by the Reserve Bank of India regarding violation of the guidelines and adoption of abusive practice followed by Bank's recovery agents will be viewed seriously. RBI may consider imposing a ban on a Bank from engaging recovery agents in particular area either jurisdictional or functional, for a limited period. In case of persistent breach of above guidelines, RBI may consider extending the period of ban or the area of ban. Similar supervisory action will be attracted when the High Court or the Supreme Court pass strictures or impose penalties against any bank or its Directors / Officers / Agents with regards to policy, practice and procedure related to the recovery process.
- Bank will, in the normal course, ensure that its employees also adhere to the above guidelines during the loan recovery process.

➤ Periodical Review:- Bank will undertake periodical review of the mechanism to learn from experience, to effect improvement, and to bring to the notice of the RBI suggestions for improvement in the guidelines.

XIII. PUBLICATION OF PHOTOGRAPHS:-

The Bank will publish photographs of the defaulter borrower / guarantor in newspapers in which the notices are published.

Centralized Recovery Dept. will publish the photographs of the defaulting borrower / guarantor after prior approval of the Audit, Accounts & NPA Management Committee of the Board.

XIV. MISCELLANEOUS:

It will be ensured that the Security documents contain the repayment schedule and as well as a clause regarding Bank's unconditional right to repossess security in the specified events.