

Recovery and Re-possession Policy

Brief Introduction

The recovery of loans and advances is utmost important for a financial institution and keeping in view the importance of timely recovery and in order to ensure compliance of fair practices with regard to collection of dues and repossession of security, the bank has devised recovery and re-possession policy. The objective of the policy is to foster customer confidence and to build a long-term relationship with them.

The bank ensures assessment of client's income and capacity to repay at the time of granting loan facility as a pre-sanction exercise. The repayment schedule for any loan sanction by the bank is fixed taking into account paying capacity and cash flow pattern of the borrower. The bank ensures to explain the customer upfront the method of calculation of interest and how the Equated Monthly Instalment (EMI) or any other mode of repayment will be appropriated against interest and principal due from the customers. The method of collection of EMI is being fixed taking into consideration the convenience of the borrower. The customers are required to adhere to the repayment schedule agreed to and approach the bank for assistance and guidance in case of genuine difficulty in meeting repayment obligations.

The repossession policy of the Bank aims at recovery of dues in the event of default and to ensure safety and security of bank's funds. The policy ensures fairness and transparency in repossession, valuation and realization of security. The bank ensures compliance of legal aspects for follow-up and repossession of security. The bank has prescribed guidelines for follow-up and contact with the clients and utmost efforts shall be made to recover the overdue amount with discussions, follow-up and contact with customer. The Security repossession would commence after other attempts by the Bank have failed. However under the exceptional circumstances, the Bank can repossess the financed asset, as a preventive measure, even in instances where there has been no default, but due to mis-representation of facts by the customer which are in violation to the terms and conditions of the credit facility granted to him.

Guidelines for Recovery and Follow-up

The bank has issued detailed guidelines to branches regarding recovery and follow-up of loans and advances. The branches are required to follow the instructions invariably, detailed as under :-

1. The efforts for recovery should commence immediately when the installment becomes due for payment. If the installment is not received

till 5.00 P.M. on the date when it is due, immediate contact shall be established with the borrower through telephone or any other mode to ascertain the reasons of delay. The borrower would be contacted at his/her place of residence or place of business or at the place of his/her choice.

2. The officials of the bank shall confirm the client that he/they are duly authorized for follow up and recovery of loans. The Identity and authority of persons would be made known to the customers 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.
3. In case the borrower fails to respond the first call and / or does not honor his commitment, contact shall be once again established with the borrower over telephone or otherwise and simultaneously ordinary notice shall be mailed to the borrower & guarantor. 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.
4. If there is no response to the telephone calls and to the ordinary notice, the Senior Executive of the branch or the official dealing with the loans and advances shall personally contact the borrower and guarantor for recovery. Normally the bank's representatives will contact the borrower between 0700 hrs. and 1900 hrs., unless the special circumstances of his/her business or occupation requires the bank to contact at a different time. However, customer would be contacted up to 2100 hrs. if unable to establish contact during specified calling hours and under specific circumstances where the customer is refusing to pay, is not contactable, is non-co-operative, disputing earlier commitments.
5. In case the personal contact made by the Branch Officials fails to evoke any response, registered notice be sent to the borrower and its guarantor emphasizing therein for the immediate payment of the overdue installment. The bank will document the efforts made for the recovery of dues and gist of interactions with the borrowers.
6. If all the above efforts fail to elicit any response the Branch Manager shall himself contact the borrower and guarantor and take the help of influential persons of the area, friends and relatives of the borrower and local authorities for persuading them for repayment of outstanding installments and regularization of the account. All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
7. In case all the above efforts fail to yield any response and /or where it is felt the borrower is doing default willfully, dialogue / personal efforts be continued and simultaneously the matter be referred to the recovery/legal cell constituted at Head Office Level along with the

- recommendation. It should be ensured that the above procedure is completed within a period of two months positively.
8. If the default exceeds three (3) months (instalments), the case will be referred to Head Office Recovery Cell along with the detail of efforts made by the branch for further follow up.
 9. Head Office will depute its Recovery Officer for tackling the situation and persuading the borrower and guarantor for the regularization of the account. The Recovery Officer shall submit his report after contacting the defaulter borrower to Head Office as well as to the branch on the prescribed form and the Branch Head will again follow the track of the borrower and will take further necessary action as suggested by the Recovery Officer.
 10. If it is ascertained that the default is willful and the borrower is not responding to the above efforts, the bank may decide to issue legal notice to the borrower as well as to the guarantor through bank's approved advocate.
 11. In case the above steps fails to yield any results then Head Office may decide to initiate the legal action including action u/s 138 of Negotiable Instruments Act, The Arbitration and Conciliation Act 1996, The Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest **Act**, 2002 etc. in deserving cases, against the borrower and guarantor for recovery of Bank's due. Accordingly the Head Office will convey the instructions to the branch for initiating the legal action along with the authority to sign the plaint and to appear before the court on behalf of the bank. The legal suit will only be instituted through bank's approved advocate.

Repossession of Security

The security charged to the bank will be repossessed by the bank after following the procedure laid down in the law and legal requirements shall be complied with. The purpose of repossession of security is to recover over dues and not to deprive the borrower of the property. The bank shall take reasonable care of the security repossessed and all expenses and costs incurred by bank towards preservation and for safety and security of asset preserved shall be charged to the borrower.

Sale of Property/Asset

The bank will issue a pre-sale notice to the client before sale of possessed asset giving him appropriate time to repay the dues of the bank. The notice of such sale must be given after possession and notice of possession of property cannot be considered as notice of sale. The time shall be granted as follows :-

In case of hypothecated asset-----07 days

In case of Properties covered under SARFASAI Act-----30 days.

The customer can request the bank for handing back the security possessed during such period or before concluding the sale transaction provided the bank dues are paid in full by the customer. The bank can consider the hand-over of asset/property to the customer after clearing the installments in arrear, if bank is satisfied with the genuineness of borrowers inability to repay the installments and bank is satisfied with the arrangement/ plan submitted by the client for timely repayment of installments of loan in future. The seized asset will be handed over the borrower after getting permission from competent authority of the bank or court/DRT, if recovery proceedings are filed and pending before such authorities/ forum.

The bank can sell the asset in such manner as deemed fit by the bank. When sale by public auction or by tender is envisaged, a notice will be published in two leading newspapers out of which one would be a local vernacular newspaper.

The bank will have the right to recover from the borrower the balance due (if any) after sale of property and Excess amount (If any) shall be paid back to the customer after deduction of all expenses incurred by the bank and after setting off all claims against the customer.