

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
STARRED QUESTION NO: †*129
TO BE ANSWERED ON THE 1st JULY, 2019/ASHADHA 10, 1941(SAKA)

Illegal Recovery of Loans

†*129: SHRIMATI RAMADEVI:
SHRI GIRIDHARIYADAV:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India (RBI) at its own level does not take any action on illegal recovery of loans by the private sector banks;
- (b) if so, the details thereof;
- (c) whether the Reserve Bank of India (RBI) can not take any action on illegal recovery of loans by the private sector banks unless anyone lodges a complaint in this regard; and
- (d) if so, the details thereof along with the reaction of the Government thereto?

ANSWER
To be answered by
FINANCE MINISTER
(Smt. Nirmala Sitharaman)

(a) to (d): A statement is laid on the Table of the House.

Statement as referred to in reply to parts (a) to (d) of Lok Sabha Starred Question no. †*129 for answer on 01st July, 2019/ Ashadha 10 (Saka), 1941 regarding “Illegal Recovery of Loans” by SHRIMATI RAMADEVI and SHRI GIRIDHARIYADAV, Hon’ble Members of Parliament

(a) to (d): With regard to action on illegal recovery of loans by private sector banks, Reserve Bank of India (RBI) has informed that it has advised banks to have Board- approved policies on such issues including, *inter-alia*, loans and loan recovery policies, and that banks are required to take credit-related decisions based on their internal assessment of the commercial viability of the loan within their Board-approved policies and regulatory guidelines. Further, RBI has advised banks to take into account the following specific considerations while engaging recovery agents—

- (i) due diligence process in place for engagement of recovery agents, which should be structured to cover, among others individuals involved in the recovery process;
- (ii) for ensuring due notice and appropriate authorisation, banks to inform the borrower details of recovery agency firms/companies while forwarding default cases to the recovery agency;
- (iii) to update details of the recovery agency engaged by banks on the bank’s websites;
- (iv) where a grievance/complaint has been lodged, banks shall not forward cases to recovery agencies till they have finally disposed of any grievance or complaint lodged by the borrower concerned;
- (v) terms and conditions of the contract should be strictly in terms of the bank’s recovery policy, and should contain provisions regarding (a) notice period before taking possession, (b) circumstances under which the notice period can be waived (c) procedure for taking possession of the security, (d) provision regarding final chance to be given to the borrower for repayment of loan before the property is sold or auctioned, (e) procedure for giving repossession to the borrower, and (f) the procedure for sale/auction of the property;
- (vi) bank to have mechanism to address borrowers’ grievances with regard to the recovery process.

RBI has also issued ‘Guidelines on Fair Practices Code for Lenders’, which are required to be adopted by banks, duly approved by their Board. The said circular prohibits lenders from resorting to undue harassment in recovering loans, *viz.*, persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans etc.

With regard to complaints RBI has informed that complaints received by it regarding violation of the said guidelines and abusive practices followed by banks’ recovery agents are viewed seriously. In such cases, RBI can consider banning the bank concerned from engaging recovery agents in a particular area for a specified period. In case of persistent breach of above guidelines RBI can also consider extending the period or the area where the bank concerned is barred from engaging recovery agents.

RBI has further informed that it has introduced Banking Ombudsman Scheme with the objective of enabling satisfactory resolution and settlement of complaints. After making a complaint to the bank concerned, in case the bank rejects the complaint or no reply is received within a period of one month from receipt of complaint or the complainant is not satisfied with the bank’s reply, he or she may file a complaint with the Banking Ombudsman, which may award compensation as per the Banking Ombudsman Scheme.
