

Code of Collection of Dues & Repossession of Security

1. INTRODUCTION

- 1.1 Banks are custodians of public money and they have to ensure the safety of the deposits and also pay interest for the depositors. Any budgeted profit can be achieved only if money lent is recovered fully in time.
- 1.2 Debt Collection Policy of the Bank ensures dignity and respect to the customers. The policy imbibes fair treatment through courteous persuasion. The Bank believes in following fair practices with regard to collection of dues and repossession of security and thus foster customer confidence and long term relationship.

Code of collection of Dues policy covers all the retail products like Two Wheeler, Four Wheeler, Auto loan, Commercial Movable assets, Loan Against Properties, Home loan, Affordable housing loan, Educational loan, Personal loan, SME, MSME, wholesale banking, Agricultural loans and Gold loans.

2. MANAGEMENT OF STRESSED ACCOUNTS

The following code may be broadly adopted in arresting slippage of standard assets.

- i) Collections Vertical must follow up with the borrower for the EMI's/renewal of the credit facilities and contact/intimate the borrower by letter, phone or e-mail regarding accounts coming within their purview. Other accounts should be followed up by respective verticals.
- ii) In all possible cases, a fresh standing instruction may be taken from a different account.
Standing instruction may be obtained from the borrower to debit his/her Savings/Current account for setting off the dues in the loan account.
- iii) Visiting the customer would definitely help in recovery of the defaulted instalment.
- iv) Rescheduling the instalments as per extant instructions may be adopted, if need be, for enabling the borrower to repay the instalments regularly.
- v) Restructuring of advances as per extant instructions may also be considered in deserving cases.

(A) General Guidelines:

All Collection Staff and Collection / Recovery Agents must agree to abide by this Code of Conduct. Collection Agents mentioned through the Code includes Recovery Agents and all the Recovery Agents and Agencies registered with CSB Bank Ltd., to collect borrower debts on behalf of CSB Bank will adhere to this code.

All the practices adopted by the bank for follow up and recovery of dues and repossession of security will be in consonance with the law.

- ✓ A representative of CSB Bank must clearly identify himself as such to the Borrower (or their appointed representative or blood relatives) at the beginning of every interaction.
- ✓ Representatives must carry a copy of the relevant notice and the authorization letter from the Bank along with the identity card issued to him by the Bank. The notice and the authorization letter should, among other details, also include the telephone numbers of the relevant recovery agency.
- ✓ Borrowers deserve to be treated with dignity. Collection staff / Agent should always maintain professionalism during telephone conversations and visits. The collection staff / agency is strictly prohibited from making telephone calls without meaningful disclosure of the caller's identity. No written or verbal threats, abuse or rudeness is permitted. Collection staff / Agent should always use acceptable business language, even if the other party does not.
- ✓ Collection staff / Agents deserve to be treated with dignity. They may refer the Borrower to management, or end calls when a borrower becomes abusive or threatening. Borrowers should be informed prior to termination of such calls. All calls where the borrower becomes abusive or threatening should be appropriately documented.

- ✓ The Borrower should be contacted at the address registered with the Bank or at his/her business / occupation address or place of residence. Only if the borrower is unavailable at any of the above addresses, he/she should be contacted at such places and at such times as the borrower is actually present / available or can be traced to.
- ✓ Collection staff / Agent should, as far as possible, use the language which the borrower is comfortable with.
- ✓ Borrowers and their family members, referees and friends are entitled to privacy and the Collection staff / Agent shall respect this right.
- ✓ Collection staff / Agent should ensure that that all written and verbal communication with Borrowers are in simple business language.
- ✓ Borrowers may be contacted between 08:00 Hrs and 19:00 Hrs unless special circumstance of Borrower's business or occupation or other engagements requires the Bank to contact him/her at a different time. Borrower requests to avoid calls at a particular time or at a particular place should be honoured as far as possible. However, it may be ensured that a Borrower is contacted only when the call is not expected to inconvenience him/her. Calls earlier or later than the prescribed hours may be placed only under the following conditions:
 - (i) When the borrower has authorized to do so in writing or orally.
 - (ii) Due notice of recall of the loan has been served by the Bank on the borrower, and appointment of Collection Staff/ Agent has been intimated to him, and the borrower is intentionally avoiding calls of the Collection Staff/ Agent.
 - (iii) Time and number of calls and contents of conversation will be documented.
- ✓ Collection Staff / Agents should endeavour to answer borrower's queries and render assistance to resolve issues.
- ✓ Collection staff / Agent will document the efforts made for the recovery of dues and the copies of communication, if any, sent to the borrowers 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.
- ✓ Giving notice to Borrowers / Repossession of Security: While written communications, telephonic reminders or visits by the Bank's representatives to the Borrowers place or residence will be used as loan follow up measures, the Collection staff / agent will not intimate any legal or other recovery measures including repossession of security without giving due notice in writing.
- ✓ The collection staff / agent will deliver written notices or proceed with the repossession of security only after being duly authorised by the CSB Bank officers at appropriate levels. Repossession of Security will be strictly done in accordance with the laid down process and as per the Bank's Policy.
- ✓ Collection Staff / Agent should always maintain the Borrower's secrecy. However, the matter may be discussed with the Borrower's family members if the Borrower does not respond to recall notices and repeated calls made by Collection staff / Agent. Family for this purpose will only be close and adult family members and will include spouse, son (including legally adopted son), unmarried daughter (including legally adopted daughter), unmarried sister, father, mother, daughter-in-law, grandson and grand-daughter.
- ✓ Calls must first be placed to the Borrower. If the Borrower is not available, a message should be left for the Borrower to return the call or check for a convenient time to call again. Message should be left with their business associate or person(s) representing them in the Bank and indicate that "xxxxx (Name of the Collection staff / agent) representing CSB Bank Ltd., called and requested to call back at xxxxxxxxxxxx (phone No). The purpose of the call is recovery of Bank's dues."
- ✓ Collection staff / agent should not resort to intimidation or harassment of any kind, either verbal or physical, against the Borrower or its family members or friends in their debt collection efforts.

- ✓ The details of the recovery agency/agents by bank may also be posted on the Bank's website.

Repossession / taking Possession of Security

Possession/Repossession of security is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through taking possession/repossession of security, valuation of security and realization of security through appropriate means. All these would be carried out in a fair and transparent manner. Possession/Repossession will be done only after issuing the notice as per law. Due process of law will be followed while taking Possession/Repossession of the property. 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.

B. Guidelines for repossession of assets

- The repossession agency should carry authorization letter while visiting the customer for repossession.
- Repossession agencies are responsible for retrieving collateral where self-help remedies are lawful. To ensure sufficient help to load, transport and dispose of property.
- Repossession agency representatives may visit the customer/custodian at the site of the asset in group of 3/5 as required
- Repossession agencies should clearly communicate to the customer / occupant/custodian of the vehicle that the vehicle is being repossessed as per the terms and conditions of the signed contract and as per the notification to the customer.
- The agency should offer use of their cell phone to get the driver/occupant to call the borrower.
- Repossession agency should neither threaten to nor use physical force to dispossess the customer/occupant of the vehicle. All the relevant points articulated in this document regarding norms of behaviour are to strictly observed while interacting with the customer/occupant /custodian
- Pre and post intimation will be made at the concerned local police station. All documents in the repossession file including 'due diligence/compliance' checklist will be completed by the agency representative conducting the repossession.
- No repossession will be done without an authorized, valid repossession documents
 - in the case of actions under SARFAESI Act, only Bank's Authorized Officers can execute the process.
 - If the borrower fails to discharge the liabilities to the Bank within sixty days from the date of notice under S.13(2) of SARFAESI act, Bank is entitled to exercise all or any rights (including taking possession) under section 13(4) of SARFAESI act.

Where possession of the secured assets to be taken are moveable property, the possession of such moveable property shall be taken by the Authorised Officer in the presence of two witnesses after Panchnama drawn as nearly as possible in Appendix I to the rules of Security Interest (Enforcement) Rules and signed by the witnesses. The notices to the borrower may also be served upon the borrower through electronic mode of service.

The Bank will follow the procedure provided under SARFAESI act/ Security Interest (Enforcement) Rules for taking possession of moveable/immovable assets not in the possession of the borrower or any item not specifically covered.

Where possession of the secured assets to be taken are immovable property, the possession of such immovable property shall be taken or cause to be taken by the Authorised Officer, by delivering a possession notice prepared as nearly as possible in Appendix IV to Security Interest (Enforcement) Rules to the borrower and by affixing the possession notice on the outer door or at such conspicuous place of the property. The possession notice should also be published not later than seven days from the date of taking possession, in two leading newspapers, one in vernacular language having sufficient circulation in that locality. All the notices may also be served upon the borrower through electronic mode of service.

The Bank will not take further steps, under SARFAESI act, if the borrower tenders the amount of dues together with all costs, charges and expenses 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 before transfer by way of lease or assignment or sale of assets.

As part of recovery measure Banks puts the secured assets for sale if the borrower has not remitted the amount due to the Bank. The Bank will conduct the sale subject to the rules and regulations stipulated under the provisions of SARFAESI Act and Security Interest (Enforcement) act including the following provisions.

Legal action Filing of suit :

- Legal action is natural consequence of wilful default and non-co-operation on the part of the borrower. Suit has to be filed well in time before time bar of documents or when anything is anticipated to happen that will jeopardize the interest of the Bank if the legal action is not taken at any point of time.
- Before initiating legal action, the Bank should take into account whether the securities/resources of the borrower and guarantors are available and realizable as also enforceability of the documents held.
- Legal notice should invariably be issued before filing suit.
- Before filing of suit, efforts should be made to dispose off all charged moveable assets such as raw materials, finished goods etc. and recover financial assets like LIC policies, equity shares, NSCs, Margin Deposits etc. subject to compliance of formalities. Suit should be filed only for the balance amount.
- Along with filing of suit, steps should be taken for prohibiting alienation/creation of other charges for delaying the recovery of amount due. Steps should also be taken for the attachment of the personal uncharged assets of the borrower/s and guarantor/s to safe guard the interest of the Bank.
- Suit should be filed against the guarantor/s also simultaneously. Wherever corporate guarantee is available, the same should be invoked as per law. Wherever appropriate, acceptors and drawee of the bills should be made parties to the suit. Similarly, in cases where the properties mortgaged to the Bank have been sold to third parties without the bank's permission, such third parties also should be made parties to the suit to save time on execution and bring pressure on the borrowers/guarantors.
- Revenue Recovery steps should be taken in Government sponsored and other priority sector accounts, in whichever State the Act is prevailing and covers the credit facility. The branch should follow up with the revenue authorities and try for initiating recovery action. However, filing of suit can be resorted if that process gives better chance for recovery.
- Lok Adalat should be explored, wherever feasible, to settle the account speedily. Lok Adalats can take cognizance of and adjudicate upon existing suits as well as fresh cases. There are no court fees for fresh cases and parties can continue with court proceedings in the event of not arriving at a settlement. Its directives have legal status and are binding.
- As the Debt Recovery Tribunals (DRT) are established, execution petitions / cases as per the cutoff point prescribed, should be got transferred to the DRTs expeditiously according to the jurisdiction.
- Reference regarding permission to file suit must be made at least 6 months before the expiry of the documents. Once permission is given, a report confirming the filing of suit should be submitted to the sanctioning authority of the suit within three months.
- After a permission has been given by the competent authority for filing suit and if afterwards for any reason it is thought fit not to file suit or it is felt advisable to defer filing of suit, the matter should be referred immediately to the authority who has given permission for filing suit for approving non-filing or deferment.
- The authority that has given suit sanction has also the power to defer the filing of suit based on request received from the branch for valid reasons
- Once decree/order is passed it should be ensured that the decree/order is in terms of plaint/application and if there is disallowing of claim the same should be brought to the notice of the concerned authority and appropriate steps should be taken. If decree /order is in terms of plaint or application /decision is taken not to take the matter to higher judicial forums, immediate steps should be taken to execute the decree and the branch manager should ensure that the execution petition for recovery is filed. Execution petitions/Recovery steps are to be filed without delay.

- Once the Recovery Certificate is obtained from D R T immediate steps should be taken to auction the security property for recovering our dues. Delay in recovery process will increase our dues and the value of the security may not cover our dues.

The insurance of the movables/immovable in *all NPA accounts including suit filed/non suit filed/decreed debt accounts* must be renewed on a case to case basis as per extant instructions after considering the nature and value of the secured assets with due sanction from respective Zonal recovery vertical. The said expense must be collected from the party in the event of closure of the account in due course.

