

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4628

ANSWERED ON:25.04.2008

GUIDELINES FOR RECOVERY OF LOANS

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India(RBI) has issued new guidelines for restricting the banks from using muscle power for recovering loans;
- (b) if so, the details thereof;
- (c) the number of Indian and Foreign banks against whom complaints of recovery of loans through muscle power have been received by the RBI so far and action taken by the Government thereon;
- (d) the steps taken/being taken by the Government to set follow the new guidelines by banks;
- (e) whether Indian Banks Association has been contacted/consulted in this regard; and
- (f) if so, the reaction of Bank Associations thereon?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (d): On 30th November, 2007 RBI placed Draft Guidelines for engaging recovery agents by the banks on its website, for feedback. Based on the feedback invited from individuals, organization and banks etc., the guidelines have been revised and a second draft has been issued by RBI on 25th March, 2008 for feedback. Both the draft guidelines are available on RBI website www.rbi.org.in. Some of the important changes made in the second draft, inter-alia, cover various operational issues concerning engaging of recovery agents by the banks, methods to be followed by them for recovery of dues, training for recovery agents, procedure for taking possession of property mortgaged/ hypothecated to the banks etc. The banks have also been advised to strictly abide by the codes pertaining to collection of dues. RBI has reported that incidents alleging use of coercive methods by some banks including foreign banks for recovery of loans in case of default has come to their notice. These complaints are taken by RBI with the concerned banks for appropriate action and in case of a violation of extant guidelines by a bank, appropriate regulatory action is taken by RBI. They have also clarified to the banks that the complaints received regarding abusive practices followed by a bank's recovery agents would invite serious supervisory disapproval. RBI may consider imposing a temporary ban (or even a permanent ban in case of persistent abusive practices) for engaging recovery agents on those banks where strictures have been passed/penalties have been imposed by a High Court/Supreme Court or against its Directors/Officers with regard to the abusive practices followed by their recovery agents.

(e) & (f): The guidelines lay emphasis on giving proper training to the people engaged in recovery activities. RBI has proposed a mandatory training-cum-certification process for all recovery agents. Indian Banks' Association (IBA) in association with Indian Institute of Banking and Finance (IIBF) has finalized such a programme involving 100 hour training followed by an examination conducted by IIBF.