

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4736
ANSWERED ON:25.04.2008
RECOVERY OF LOAN THROUGH LOK ADALATS
Ajaya Kumar Shri S.

Will the Minister of FINANCE be pleased to state:

- (a) whether the Reserve Bank of India has advised banks to use the forum of Lok-Adalat for recovery of personal loans, credit-card loans and housing loans;
- (b) if so, the details thereof;
- (c) whether the RBI has issued guidelines to the banks that they shall be responsible for the actions of agents appointed for recovery of said loans; and
- (d) if so, the reaction of the banks in this regard?

Answer

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

(a) & (b): Reserve Bank of India (RBI) has placed on its website, on 30th November,2007, draft Guidelines for 'Banks engaging Recovery Agents' for feedback. Based on the feedback received from banks/individuals/ organisations, the guidelines have been revised and a second draft has been issued on 25th March, 2008 for comments / feedback. In terms of the draft guidelines, banks are encouraged to use the forum of Lok Adalats for recovery of personal loans, credit card loans or housing loans with less than Rs. 10 lakh. Both these guidelines are available at RBI website www.rbi.org.in.

(c) & (d): RBI has issued guidelines on 'Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks'. In terms of these guidelines, banks have been advised that the outsourcing of any activity by bank does not diminish its obligations, and those of its Board and senior management, who have the ultimate responsibility for the outsourced activity. Banks would therefore be responsible for the actions of their service providers including Direct Sales Agents / Direct Marketing Agents and recovery agents and the confidentiality of information pertaining to the customers that is available with the service provider. Further, the draft guidelines on 'engaging recovery agents by banks' provide that the banks, as principals, would be responsible for the actions of their agents, and they should ensure that their agents engaged for recovery of their dues should strictly adhere to the above guidelines and instruction, including the Banking Codes and Standards Board of India (BCSBI) Code, while engaged in the process of recovery of dues. However, banks have not given any feedback in this regard.