

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:192
ANSWERED ON:06.08.2010
HARASSMENT BY RECOVERY AGENTS QUESTION
Adhi Sankar Shri ;Laguri Shri Yashbant Narayan Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether recovery agents of the private sector banks are harassing the defaulters over a period of time despite the guidelines of the Reserve Bank of India (RBI)/Supreme Court;
- (b) if so, the names of such banks which have repeatedly violated the said guidelines, bank-wise; and
- (c) the remedial measures taken/being taken by the Government in this regard?

Answer

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

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

STATEMENT REFERRED TO IN REPLY TO PART (A) TO (C) OF LOK SABHA STARRED QUESTION NO. 192 FOR 06-08-2010
TABLED BY SHRI ADHI SANKAR AND SHRI YASHBANT N-S. LAGURI REGARDING HARASSMENT BY RECOVERY AGENTS

(a) to (c): Reserve Bank of India (RBI) has reported that 120 complaints had been received by 15 Banking Ombudsman Offices in the year 2009- 2010 regarding non-observance of RBI guidelines on engagement of recovery agents by Private Sector Banks. Further, it has also been reported that HDFC Bank Ltd. and ICICI Bank Ltd. have repeatedly violated the said guidelines.

The remedial measures being taken by the Government in this regard are as follows:-

RBI has issued detailed guidelines to banks on engagement and training of recovery agents. Banks have been advised to ensure that the recovery agents are properly trained to handle with care and sensitivity, their responsibilities, particularly in aspects like hours of calling, privacy of customer information etc. Banks have also been advised to ensure that the contracts with the recovery agents do not induce adoption of uncivilized, unlawful and questionable behavior of recovery process.

The Banking Codes and Standards Board of India (BCSBI) has included a chapter on `Collection of Dues` in the `Code of Bank`s Commitment to Customers`. Banks who have subscribed to this Code have been advised to strictly adhere to this Code during the loan recovery process. Non-adherence to this Code by such banks has been included as one of the grounds for complaint under the Banking Ombudsman Scheme since February 2009.

Banks, as principals, being responsible for the actions of their agents, have been advised to ensure that the agents engaged for recovery of the dues should strictly adhere to the guidelines and instructions issued by RBI, including the BCSBI Code, while engaging in the process of recovery of dues.

RBI has also issued guidelines to banks on Fair Practices Code for Lenders. In terms of these guidelines, the banks were advised to frame the Fair Practices Code duly approved by their Board of Directors. The Code, inter-alia, requires that in the matter of recovery of loans, the lenders should not resort to undue harassment like persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.

Under the Banking Ombudsman Scheme, 2006 as amended in February, 2009, Banking Ombudsman can award compensation upto Rs. 1.00 lakh in case of complaints arising out of credit card operations by banks, taking into account the loss of time, expenses incurred, harassment and mental anguish suffered by the complainant. Complaints regarding harassment by recovery agents while collecting credit card dues are being dealt with as per this provision.

Banks engaging recovery agents have been advised to undertake a periodical review of the mechanism to learn from experience, to effect improvements, and to bring to the notice of the Reserve Bank of India suggestions for improvement in the guidelines.