

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:248
ANSWERED ON:30.03.2012
HARASSMENT IN RECOVERY OF LOANS
Natrajan Meenakshi;Ray Shri Rudramadhab

Will the Minister of FINANCE be pleased to state:

- (a) whether some public/private sector banks and other financial institutions are reported to be harassing their customers in regard to the recovery of loans and if so, the details thereof during each of the last three years and the current year, bank-wise;
- (b) the reasons therefor alongwith the corrective action taken on such complaints;
- (c) whether the Supreme Court has taken a serious note of the harassment of the customers in the recovery of loan cases and warned the banks and financial institutions in this regard in the recent past;
- (d) if so, the details thereof alongwith the reaction of the Government/RBI thereto; and
- (e) the other corrective steps taken/being taken by the Government/RBI to protect the interests of the customers and effective compliance of the guidelines issued by the RBI for recovery of loans?

Answer

FINANCE MINISTER (SHRI PRANAB MUKHERJEE)

(a)to(e); A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (A) TO (E) OF LOK SABHA STARRED QUESTION NO. 248 FOR 30TH MARCH, 2012 TABLED BY SHRI RUDRA MADHAB RAY AND KUWIARI MEENAKSHI NATARAJAN REGARDING HARASSMENT IN RECOVERY OF LOANS.

(a)&(b): The Reserve Bank of India (RBI) has issued instructions on recovery of loans including vehicle loans and engagement and training of recovery agents, methods to be followed by them, as well as for avoiding adoption of uncivilised, unlawful and questionable behaviour of recovery agents during the process of recovery, as banks are responsible for the acts of their agents. These are applicable to all to Scheduled Commercial Banks, Regional Rural Banks and even Primary Cooperative Banks. Such complaints are reviewed by RBI on a case to case basis. RBI's Master Circular dated July 01, 2011 is available on website of RBI www.rbi.org.in. In order to mitigate the problems faced by the customers, banks and their agents are also required to follow the `Code of Bank's Commitment to Customers` issued by the Banking Codes and Standards Board of India (BCSBI) and Fair Practice Code for the Lenders.

A statement showing bank-wise details of such cases since 2008-09 is attached.

(c) to (e) : In two recent cases, the Hon`ble Supreme Court has observed that we are governed by rule of law in the country and the recovery of loans or seizure of vehicles could be done only through legal means and banks have vicarious liability for the actions on behalf of their agents. Banks are, therefore, required to rely on legal remedies available under the relevant statutes while enforcing security interests without intervention of the Courts of law. Pursuant to the observations of the Hon`ble Supreme Court, non observation of RBI guidelines on engagement of recovery agents by banks has been incorporated in the Banking Ombudsman Scheme 2006 as other grounds of complaints with effect from February 03, 2009.