

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1699

ANSWERED ON:23.03.2012

RECOVERY OF LOANS

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India (RBI) does not take suo moto action against private banks found to be resorting to illegal means for recovery of loans;
- (b) if so, the details thereof and the reaction of the Government thereto; and
- (c) the remedial steps taken by the Government in this regard ?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (c): The management of loan recovery activity in a bank is essentially an internal management function and each bank's Board is authorized to frame suitable policies in this regard. However, Reserve Bank of India (RBI) has advised the banks to adopt the 'Guidelines on Fair Practices Code for Lenders' vide its Master Circular on Loans and Advances - Statutory and Other Restrictions (No. DBOD.No.Dir.BC.6/13.03.0072011-12 dated July 1, 2011, available on RBI website [www.rbi.org.in](http://www.rbi.org.in)) in terms of which in the matter of recovery of loans, the lenders should not resort to undue harassment viz. persistently bothering the borrowers at odd hours, use of muscle power for recovery of loans, etc.

Further, banks have been advised to put in place a due diligence process for engagement of recovery agents, which should be so structured to cover, among others, individuals involved in the recovery process. Each bank should have a mechanism whereby the borrowers' grievances with regard to the recovery process can be addressed. The details of the mechanism should also be furnished to the borrower while advising the details of the recovery agency.

In addition to above, banks are expected to adhere to the 'Code of Bank's Commitment to Customers' (BCSBI -Banking Codes and Standards Board of India) pertaining to collection of dues. Most of the Scheduled Commercial Banks have enrolled as members of the BCSBI and have voluntarily adopted the 'Code of Bank's Commitment to Customers'. Banks have been advised by RBI that they should ensure that, among others, the recovery agents are properly trained to handle with care and sensitivity, their responsibilities, in particular aspects like hours of calling, privacy of customer information etc. During the course of Annual Financial inspection (AFI) of banks, RBI conducts a sample check of the banks' compliance with regulator's regulatory/statutory guidelines including those of derivatives.