



**Utkarsh Small Finance Bank**

**Code on Collection of Dues & Repossession of Security under SARFAESI Act, 2002 for immovable property**



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## **1. Introduction:**

The debt collection policy of the Bank is built around dignity and respect for customers. Bank will not follow policies that are unduly coercive in collection of dues. The policy is built on courtesy, fair treatment, and persuasion. The Bank believes in following fair practices regarding collection of dues and repossession of security and thereby fostering customer confidence and long-term relationships.

The repayment schedule for any loan sanctioned by the Bank will be fixed considering repaying ability and cash flow pattern of the borrower. The Bank will explain to the customer upfront the method of calculation of interest and how the Equated Monthly Instalment (EMI) or any other mode of repayment will be appropriated against interest and principal due from the customers. The method of repayment of EMI (Security PDC, Standing Instructions, NACH etc.) would be fixed, considering the borrower's convenience. The Bank would expect the customer to adhere to the repayment schedule agreed to and approach the Bank for help and guidance in case of genuine difficulty in meeting repayment obligations.

The Bank's Security Repossession Code aims at recovery of dues in case of default and is not aimed at whimsical deprivation of the property. The Code recognizes fairness and transparency in repossession, valuation, and realization of security. All the practices adopted by the Bank for follow-up and recovery of dues and repossession of security will agree with the law. The Security Repossession procedure would be set in motion only after all attempts made by the Bank to discuss with the borrower the ways and means to overcome financial hurdles have failed.

## **2. Salient Features of the Policy**

The Code explains the standard code of conduct to be followed during the recovery of dues and Repossession of Security from the defaulting accounts. It also describes the handling of repossessed security and customer rights and fair dealing during the procedure of Repossession of security within the legal boundaries and as per industry norms.

## **3.Engagement of Recovery Agents**



Currently, the Bank is not using the services of any recovery agent. However, Bank may explore the same as per the business requirements in future.

#### **4. General Guidelines:**

All the members of the staff or any person authorized to represent our Bank in collection and/or security repossession would follow the guidelines set out below:

- A. The customer would be contacted ordinarily at the place of his/her choice and in the absence of any specified place at the place of his/her residence and if unavailable at his/her residence, at the place of business/occupation.
- B. The identity and authority of the persons authorized to represent the Bank for follow-up and recovery of dues would be made known to the borrower at the first instance. The Bank staff or any person authorized to represent the Bank for collection of dues and/or security repossession will identify himself / herself and display the authority letter issued by the Bank upon request.
- C. The Bank would respect the privacy of its borrower.
- D. The Bank is committed to ensuring that all written and verbal communication with its borrower will be in simple business language and the Bank will adopt civil manners in its interaction with the borrower.
- E. Normally the Bank's representatives will contact the borrower between 07:00 hours and 19:00 hours, unless the exceptional circumstances of his/her business or occupation require the Bank to contact at a different time. However, the customer would be contacted up to 21:00 hours if unable to establish contact during specified calling hours and under specific circumstances where the customer is refusing to pay, not contactable, non-cooperative, disputing earlier commitments.
- F. Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
- G. Decency and Decorum would be maintained during visits to the customer's place for collection of dues.
- H. Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

#### **5. Giving notice to borrower**

While written communication, telephonic reminders, or visits by the Bank's representatives to the borrower's place or residence will be used as loan follow up measures, the Bank will not initiate any legal or other recovery measures including repossession of the security without giving 7 days' notice, requiring the customer to discharge his/her liability in full. The notice will be sent to the last known address of the customer through Registered Post. Bank will follow all such procedures as required under law for recovery/repossession of security.



## **6. Repossession of Security**

Repossession of security is aimed at recovery of dues and not to deprive the borrower of the property. The recovery process through repossession of security will involve repossession, valuation of security and realization of security through appropriate means. All these would be carried out in a fair and transparent manner. Repossession will be done only after issuing the notice as detailed below. Due process of law will be followed while taking repossession of the property. The Bank will take reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business. The Security Repossession procedure would be set in motion only after all attempts made by the Bank to discuss with the borrower the ways and means to overcome financial hurdles have failed.

## **7. Valuation and Sale of Property**

Valuation and sale of property repossessed by the Bank will be carried out as per the law and in a fair and transparent manner. The Bank will have the right to recover from the borrower the balance due, if any, after the sale of the property. Excess amounts, if any, obtained from the sale of property will be returned to the borrower after meeting all the related expenses provided the Bank does not have any other claims against the customer.

## **8. Opportunity for the borrower to take back the security**

As indicated earlier in the Code document, the Bank will resort to repossession of security only to realize its dues as the last resort and not to deprive the borrower of the property. Accordingly, the Bank will be willing to consider handing over possession of assets to the borrower within 7 days of the repossession provided the Bank dues and all related expenses incurred by the Bank are cleared in full. The assets will be handed back within 24 hours of the Bank receiving clear funds as mentioned above.

## **9. Security possession Code Statement: Mortgage**

- a. Bank will follow security possession Code in compliance with guidelines framed by the Reserve Bank of India (RBI) and any applicable rules, regulations and codes as amended from time to time.
- b. The Code will be applicable where an event of default as defined in the Loan agreement is committed by the Borrower and the Loan account is classified as Non-Performing Assets (NPA) as per norms prescribed by RBI. However, the SARFAESI act does not apply if the remaining debt is below 20% of the original principal amount.
- c. Security possession will be made only as per the procedure prescribed under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest, (SARFAESI). Act 2002, as amended from time to time and/or any other law for the time being in force.
- d. The bank will initiate possession of mortgaged property by giving statutory notice under section 13(2) of the SARFAESI Act, 2002. The notice will be written in plain and simple language. The notice will inform the borrower about their liability under the loan agreement



and would require the borrower to discharge the said liability in full. The borrower will be given a period of Sixty (60) days as prescribed under SARFAESI Act to discharge the liability. The notice will also specify the actions that we propose to take against the mortgaged property upon the failure of the borrower to discharge their liabilities within the period specified. The notice will be signed by the officer authorized by the Bank to perform such acts under SARFAESI Act, whose identity will be made known to the borrower in the first instance. This notice's mode of service will normally be by registered post, though the Bank reserves the right to serve it through any other mode, including Under Certificate of Posting/Courier/Hand Delivery/e-mail/fax. The notice shall be sent to the borrower's address/es appearing in our records.

- e. If on receipt of the notice, the borrower makes any representation or raises any objection, the Bank shall consider such representation or objection. The bank will communicate to the borrower, in writing, our views regarding their representation or objection, within one week of receipt of the said representation/objection. If their representation/objection is not acceptable to us, we will inform the borrower in the said communication, the reasons for non-acceptance of the representation or objection. Where we require more time for response Bank would give an interim reply to the borrower within one week of receipt of the representation/objection and would give a final reply within a maximum period of four weeks from the date of receipt of complaint/objection/representation, unless the nature of complaint is such that it requires verification of voluminous facts and figures. Provided that the outer time limit for verification of voluminous information would not exceed eight weeks from the date of receipt of the complaint/objection/representation.
- f. In case the borrower clears the liability in full within the period of notice, no further action will be taken against the property.
- g. In case the borrower fails to discharge the liability in full within the period specified i.e., Sixty days, the Bank will proceed with symbolic possession of the property mortgaged to us and inform the borrower by way of pasting the symbolic possession notice on the property mortgaged through the authorized person only in the presence of a witness. If the defaulter does not respond within 7 days from the date of symbolic possession, the Bank shall proceed further and publish a suitable notice under section 13(4) of the SARFAESI act in the newspaper. On 8th day onwards the Bank can file the) a petition under section 13(4) of SARFAESI act in the respective court under the modes available in SARFAESI Act or other applicable law including taking possession of the said property which shall also include right to transfer the said property by way of lease, assignment, or sale for realizing the amount due to the Bank.
- h. Bank may take the physical possession of the property mortgaged to it, either by making an application before the concerned authorities concern/Court of Special Judicial Magistrate (SJM) as per SARFAESI Act, within whose jurisdiction, the property mortgaged to the Bank is situated, or it may take the possession directly through the officer authorized to do so.
- i. After taking possession of the property, the authorized officer or any person authorized or appointed by him shall take all reasonable care for ensuring safety and security of the property/ies in the Banks custody as an owner of ordinary prudence would, in the normal course of business.



- j. If the borrower makes payment of the entire amount of the debt, including accrued interest, costs, charges, other claims and expenses incurred by us before the date fixed for the sale of the mortgaged property/ies, Bank would, within reasonable time, but not exceeding fifteen days, return the possession of the mortgaged property.
- k. Where any of the mortgaged property/ies are required to be sold or transferred by the Bank this will be done after following the prescribed procedure. A public notice of sale under section 13(4) of SARFAESI ACT will be published in two newspapers in English and one local vernacular language. The bank will intimate to the borrower, by a written notice of thirty days, and the notice will stipulate the time, date and venue of the auction. It will also give the reserve price below which the property will not be sold. The reserve price will be fixed based on a valuation of the property by two empaneled valuers. Valuation of the property shall be done only by the approved valuers of the Bank & the reserve price shall be fixed only by the competent authorities. Auction of the repossessed property shall be done only through E-Portal.
- l. The remedies open to us in the event of any excess amount obtained including its right to a general lien are adequately explained and set out clearly in the loan agreement with the borrower. The bank will have the right to recover from the borrower the balance due, if any, after the sale of property. Excess amounts, if any, obtained from the sale of property will be returned to the borrower/any person who has a rightful claim on the said amount, after meeting all related expenses provided the Bank does not have any other claims against the customer.
- m. In its general interactions with the borrower, during any of the activities mentioned here in above, Bank would ensure that:
  - A. Decency and decorum would be maintained by our authorized officer and other representatives of the Bank.
  - B. Interaction with the borrower would be in an acceptable business language.
  - C. Normally the Bank's representatives will contact the borrower between 07:00 hours and 19:00 hours, unless the exceptional circumstances of his/her business or occupation require the Bank to contact at a different time. However, the customer would be contacted up to 21:00 hours if unable to establish contact during specified calling hours and under specific circumstances where the customer is refusing to pay, not contactable, non-cooperative, disputing earlier commitments.
  - D. Inappropriate occasions such as bereavement in the family or such other calamitous occasions would be avoided for visiting the property for any purpose, including taking the possession of the Asset.

## 10. Review

This Code would be reviewed annually considering the various amendments to guidelines and regulations (if any), Business models and placed with the Board for approval. However, if there are any substantial changes in the guidelines by regulators, before the annual cycle, the Bank will take necessary steps and review the Code.