SBM

Code of conduct for Collection of Dues and Repossession of Security - India

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(All revisions made to this document are listed in chronological order)

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1.0	15.7.2014	First Draft		

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1 INTRODUCTION

The 'Code of conduct for collection of dues and repossession of securities' applies to State Bank of Mauritius, India Operations (hereinafter referred to as the 'Bank'). This code is built around dignity and respect to customers and ensures that the Bank will not follow policies that are unduly coercive in collection of dues. The code is built on courtesy, fair treatment and persuasion. The Bank believes in following fair practices with regard to collection of dues and repossession of security[1] and thereby fostering customer confidence and long-term relationship.

The repayment schedule for any loan sanctioned by the Bank shall be fixed taking into account paying capacity and cash flow pattern of the borrower. The Bank should endeavour to explain to the customer upfront the method of calculation of any mode of repayment (including both interest and principal) due from the customer. The Bank would expect the customers to adhere to the repayment schedule agreed to and approach the Bank for assistance and guidance in case of genuine difficulty in meeting repayment obligations.

This code aims at recovery of dues in the event 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 be in consonance 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. In exceptional situations, the Bank has right to repossess the financed asset, as a preventive measure, even in instances where there has been no default but on account of mis-statement of information by the customer that is in violation to the terms & conditions of the loan agreement.

[1] Security for the purpose of this code is defined as any form of security or collateral owed by the customer to the bank, including (but not limited to) fixed assets, shares, debt securities, MF's, guarantees or any other financial instruments/obligations

2 GENERAL GUIDELINES

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

1. 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.
2. Identity and authority of persons authorized to represent Bank for follow up and recovery of dues would be made known to the borrowers at the first instance. The Bank staff or any person authorized to represent the Bank in collection of dues or/and security repossession will identify himself / herself and display the authority letter issued by the Bank upon request.
3. The Bank would respect privacy of its borrowers.
4. The Bank is committed to ensure that all written and verbal communication with its borrowers will be in simple business language and Bank will adopt civil manners for interaction with borrowers.
5. Normally the Bank's representatives will contact the borrower between 0700 hrs and 1900 hrs, unless the special circumstance of his/her business or occupation requires the Bank to contact at a different time. However customer would be contacted up to 2100 hrs, if unable to establish contact during specified calling hrs & under specific circumstances where the customer is refusing to pay, is not contactable, is non-co-operative, disputing earlier commitments.
6. Borrower's requests to avoid calls at a particular time or at a particular place would be honored as far as possible.
7. The Bank will document the efforts made for the recovery of dues and the copies of communication set to customers, if any, will be kept on record.
8. All assistance will be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
9. Decency and Decorum would be maintained during visits to customers place for collection of dues.
10. Inappropriate occasions such as bereavement in the family or such other calamitous occasions will be avoided for making calls/visits to collect dues.

3 GIVING NOTICE TO BORROWERS

1. While written communications, telephonic reminders or visits by the Bank's representatives to the borrowers 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 due notice in writing of at least 7 days.

2. The notice will be sent to the last known address of the customer through Registered Post.

3. Any genuine difficulties expressed/ disputes raised by the customer will be considered by the banks before initiating recovery measures. Bank will follow all such procedures as required under law for recovery/repossession of security.

4. However, if the customer deliberately avoids acknowledging or establishing contact with the Bank, then the Bank will be free to proceed with the repossession of the security.

4 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 should be done only after issuing the notice as detailed above. Due process of law will be followed while taking repossession of the property. The Bank should take all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business and necessary cost will be charged to borrower.

5 VALUATION AND SALE OF PROPERTY

1. Valuation and sale of property repossessed by the Bank will be carried out as per law and in a fair and transparent manner. In case of hypothecated assets after taking possession if no payment is forthcoming a sale notice of 7 days' time to respond should be sent to the borrower. Thereafter the bank should arrange for sale of the hypothecated assets in such manner as deemed fit by the bank.

2. In case of loans against property, the assessed value, as provided by the approved valuer will be conveyed to the borrower before proceeding with the sale of property. Even during finalization of sale offer(s), the Bank shall inform the borrower and he will be given an opportunity to bring in a higher price bid before the finalization of the offer.

3. The Bank will have right to recover from the borrower the balance due if any, after sale of property. Excess amount if any, obtained on sale of property will be returned to the borrower after meeting all the related expenses provided the Bank is not having any other claims against the customer. In the case of assets other than property, the Bank shall conduct an independent valuation of the asset & would sell the same (after giving 7 days' notice to the borrower).

4. The borrower is liable to pay the Bank any loss suffered on account of such sale and in case, there is an excess amount which is realized after the sale of the asset, the Bank shall refund it to the customer.

5. In respect of cases under SARFAESI[2] Act notice of sale will be sent (as per the provisions of the Act) before proceeding with the sale of the asset. When public auction or by tender is envisaged, the same will be published in two leading newspapers out of which one is in local vernacular paper.

[2] The provisions of this Act are applicable only for NPA loans with outstanding above INR 1 lac. NPA loan accounts where the amount is less than 20% of the principal and interest are not eligible to be dealt with under this Act

6 OPPORTUNITY FOR BORROWER TO TAKE BACK THE SECURITY

As indicated earlier within this document, the Bank will resort to repossession of security only for the purpose of realization of its dues as the last resort and not with intention of depriving the borrower of the property.

Accordingly the Bank will be willing to consider handing over possession of property to the borrower any time after repossession and before concluding sale transaction of the property, provided the Bank dues are cleared in full.

If satisfied with the genuineness of borrower’s inability to pay the loan installments as per the schedule which resulted in the repossession of security, the Bank may consider handing over the property after receiving the installments in arrears. However, this would be subject to the Bank being convinced of the borrower’s ability to ensure timely repayment of any outstanding dues.

If the amounts are repaid, either as stipulated by the bank or dues settled as agreed to by the bank, possession of seized assets will be handed back to the borrower within seven days after getting permission from the competent/ sanctioning authority of the bank or court/ Debt Recovery Tribunal concerned if recovery proceedings are filed and pending before such forums.

7 ENGAGEMENT OF RECOVERY AGENTS

The bank may utilize the services of recovery agents for collection of dues and repossession of securities. Recovery agents will be appointed as per regulatory guidelines issued in this regard. In this respect

i. The name and address of all Recovery Agents on the bank's approved panel of the bank will be placed on the bank's website for information and concerned.
ii. Only recovery agents as listed on the bank's approved panel will be engaged by the bank.
iii. In case bank engages service of such recovery/ enforcement/ seizure agent for any recovery case, the identity of the agent will be disclosed to the borrower.
iv. The recovery agents engaged by the bank will be required to follow a code of conduct (as detailed in SBM's Code of Bank's commitment to Customers) of conduct covering their dealings with customers.

In the above matter, SBM will be circumspect and will strictly follow RBI guidelines issued from time to time.

8 POLICY REVIEWS

This Policy will be reviewed at least once a year or more frequently (if required) by Risk Management Division. Further, inputs from the India Chief Executive will also be sought at the time of the review, with regards to India supplement.

9 POLICY AMENDMENT AUTHORITY

SBM Risk Management Committee must recommend to the Board any changes or amendments to the policy for their approval

10 POLICY AUTHORIZATION

By their signatures below, on behalf of the Board of SBM, the Chief Executive and Head of Risk hereby certify that this Policy has been drafted to comply with, and is in accordance with, practices at SBM and will be fully adopted and adhered to.