



SAHARA HOUSINGFINA CORPORATION LIMITED
(CIN No.L18100WB1991PLC099782)

GUIDELINES FOR ENGAGING OF RECOVERY AGENTS

The above Code has been adopted by the Company as a Policy in accordance with the regulations/directions issued in public interest by the Reserve Bank of India and aptly covered in **“Annex – XI (Guidelines for engaging Recovery Agents by Housing Finance Companies forming part of Clause 85.5 (General) of Chapter XIII: Fair Practice Code of the Master Direction - Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021** notified vide RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/ 2020-21 dated 17/02/2021” (*hereinafter referred to as “RBI-HFC Directions, 2021.”*)

1. PREAMBLE / INTRODUCTION:

The housing finance sector has witnessed radical changes in recent times in all spheres of its activities which include the recovery mechanism implemented to ensure that the monies are recovered from the erring borrowers.

As a matter of general practice and for the purpose of recovery, the responsibility of recovery is sometimes conferred upon “Recovery Agents/Collection Agencies” who are external agencies primarily engaged for this specific purpose and on whom, the sole responsibility is to facilitate collection of the amount receivable from these erring borrowers.

However, it has come to the fore that on account of lack of experience & training, setting of stiff recovery target and/or offer of high incentives/commissions etc., entice the Recovery Agents/Collection Agencies/Authorized Representatives (employees of HFC or designated representatives) to use intimidating and questionable methods which have led to a spate of events wherein the borrower’s being harassed.

Taking serious note of the reports on the high handed action, Reserve Bank of India (RBI) from time to time comes out with guideline for engagement of Recovery Agents/Collection Agencies by Banks and NBFC (including HFCs) so as to control the occurrence of such uncivilized and unlawful process of recovery and further to reinstate confidence amongst the borrowers.

2. OBJECTIVES & HIGHLIGHTS:

At the core of the issue is the sincere endeavor of the regulator to ensure formulation and adherence of strict norms for recovery of monies/loan outstanding by the Recovery Agents (RA)/Collections Agencies (CA)/Authorized Representatives (employees of the Company/designated and authorized functionaries of the Company).

The guideline encapsulates amongst others, the following parameters:

- 2.1 Evaluation of the process of engagement along-with imparting of proper training to the Recovery Agents/Collection Agencies/Authorized Representatives (hereinafter referred as “RA” for convenience);
- 2.2 Contracts to RAs & others do not induce adoption of uncivilized and questionable behaviour for recovery process;
- 2.3 Transparency, by notifying the borrowers to the extent possible of the engagement of RAs and the process thereof;

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- 2.4 Ensure that the recovery process strictly abide by the codes pertaining to collection of dues;
- 2.5 Introduction of mechanism whereby the borrower's grievances with regard to the recovery process can be addressed;
- 2.6 Promote a fair and cordial relationship between customer, the intermediary/ies and the Company; and
- 2.7 last but not the least refrain/restrict degeneration of society on account of the unlawful, unreasonable and irresponsible mechanism adopted for collection of dues and thereby foster confidence in the society and the system.

3. APPLICATION OF THE CODE:

The Code shall be applicable on RAs/external agencies that may be engaged (in future) by the Company in the normal course of its business. In the present context, the Company does not seek the services of RA/external agencies for the task of recovery/collection of monies from erring borrowers or otherwise.

In the current situation, it shall be applicable on Authorized Representatives (employees of the Company/designated and authorized functionaries of the Company, who shall be conferred the responsibility of recovery/collection of monies from customers/borrowers.

(Note: The Company, as a responsible lending institution and as Principal, must always endeavor to lend money extremely responsibly and only after ensuring (to the extent possible) that the applicants/borrowers have the capacity to repay the amount advanced and pursuant to satisfaction/abidance to all guidelines set by the regulator, as well the internal controls set by the Company.)

4. RESPONSIBILITY OF THE COMPANY AS PRINCIPAL:

The Company, as Principal, is responsible for the actions of the RAs, it may engage or the actions of Authorized Representatives (employees of the Company/designated and authorized functionaries of the Company) it may designate for the purpose of recovery/collection. Thus, it is obligatory on the Company to ensure that all persons (RAs etc.) who may be engaged/designated for recovery of dues, strictly adhere to the guidelines and instructions set in the *RBI-HFC Directions, 2021* for Engagement of Recovery Agents including the FPC of the Company.

5. ENGAGEMENT OF RECOVERY AGENTS:

The Company, as and when it decides to engage the services of RAs, shall accordingly put in place a procedure for engagement of RAs, which shall be structured to cover the process of identification of the entity (firm/company/individuals) involved in the recovery process, verification of antecedent of their employees, past record (which can include pre-employment police verification), experience etc. The process of finalization of RAs shall be monitored at the highest level at Corporate Office and reviewed, once every financial year (preferably in the month of March/April), **whereas re-verification process of antecedents of the RA's employees shall be undertaken, once every two years.**

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6. TRAINING OF RECOVERY AGENTS:

- 6.1 The Company shall ensure that, among others, the RAs are properly trained to handle with care and sensitivity, their responsibilities and limitations with respect to hours of calling, privacy of customer information, decency and decorum, resolution of differences in mutually acceptable and orderly manner etc.
- 6.2 The Company shall ensure that over a period of one year, all their RAs undergo the training as prescribed by Indian Institute of Banking and Finance (IIBF) and obtain the certificate from the institute. Further, the service providers engaged by the Company, shall also employ only such personnel who have undergone the above training and obtained the certificate from the IIBF.

7. INTIMATING BORROWERS ABOUT RECOVERY AGENTS:

- 7.1 The Company shall prominently display the list of RAs (firms/companies/individuals as the case may be), empanelled with it including name and period of empanelment on its website, branches/offices, mobile applications or any other platform which is being used for engagement with customer/s.
- 7.2 In order to ensure due notice and appropriate authorization, the Company shall inform the borrower in advance, the details of RA (firms/companies/individuals) while forwarding default cases to the Recovery Agency.
- 7.3 Further, in some of the cases, the borrower might not have received the details about the Recovery Agency due to refusal/non-availability/avoidance. To ensure identification, it would be appropriate if the agent also carries a copy of the notice and the authorization letter from the Company along with the identity card issued to him by the Company or the agency firm/company. Where the recovery agency is changed by the Company during the recovery process, in addition to the Company notifying the borrower of the change, the new agent should carry the notice and the authorization letter with his identity card.
- 7.4 The notice and the authorization letter shall, among other details, also include the telephone numbers of the relevant recovery agency. The Company shall ensure that there is a tape recording of the content/text of the calls made by the recovery agents to the customers and vice-versa, with the knowledge of the customer. The Company may take reasonable precautions such as intimating the customer that the conversation is being recorded, etc.

8. INCENTIVES TO RECOVERY AGENTS:

The contracts that the Company shall execute/undergo with the RAs shall refrain from inducing them to resolve to uncivilized, unlawful and questionable behaviour, act or recovery process. The contracts shall not set stiff targets or high incentives that may induce the RAs to use intimidatory/unlawful methods to recover dues on the pretext of high incentives.

9. METHODS FOLLOWED BY RECOVERY AGENTS:

The Company shall inform customers about the repayment/amortization schedule well in advance. However, if the customer does not adhere to the repayment schedule, the



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Company must inform the customers by sending notice or by making personal visits and/or repossession of security if any.

The Company's collection policy should be built on courtesy, fair treatment and persuasion. All the members of the staff and/or the person authorized to represent the Company for collection or/and security repossession should follow the guidelines set out below:

- 9.1 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.
- 9.2 Identity and authority to represent the Company shall be made known to the customer at the first instance.
- 9.3 Customer's privacy shall be respected.
- 9.4 Interaction with the customer shall be in a civil manner.
- 9.5 The company's representatives shall contact customers between 07:00 hours and 19:00 hours, unless the special circumstances of the customer's business or occupation requires otherwise.
- 9.6 Customer's request to avoid call at a particular time or at a particular place shall be honoured as far as possible.
- 9.7 The time and number of calls and contents of conversation shall be documented.
- 9.8 All assistance should be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- 9.9 During visits to customer's place for dues collection, decency and decorum shall be maintained.
- 9.10 Only employees of the RAs shall visit the borrower's premises for the recovery/ collection activity and no other person shall accompany such Recovery Agent.
- 9.11 Inappropriate occasions such as bereavement in the family or such other calamitous occasion, or marriage functions, festivals etc. shall be avoided for making calls/visits to collect dues.
- 9.12 The written communication (if any) sent by the collection agent to the borrower must have the approval of the Company, in writing.
- 9.13 The Company shall interact only with the customer/borrower or the guarantor (only if so required) and shall not approach any other relatives/contacts of the borrower/s.

10. TAKING POSSESSION OF PROPERTY MORTGAGED BY THE COMPANY:

- 10.1 The process of recovery of loans or seizure of assets that may be initiated by the Company shall be strictly in harmony with the applicable Law of the Land and shall be conducted only through legal means. In this context, it is emphasized, that the Company may rely on legal remedies available under the relevant statutes while enforcing security interest without intervention of the Courts and in this context, it may be mentioned that the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act) and the Security Interest (Enforcement) Rules, 2002, framed thereunder have laid down well-defined procedures not only for enforcing security interest but also for auctioning the movable and immovable property after enforcing the



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security interest. The Company is bound to abide with the guidelines/procedures set under this Law/statute.

- 10.2 In instant loan cases, where the Company has incorporated a pre-possession clause in the contract with the borrower and rely on such pre-possession clause for enforcing their rights, it shall ensure that the pre-possession clause is legally valid, complies with the provisions of the Indian Contract Act in letter and spirit, and ensure that such pre-possession clause is clearly brought to the notice of the borrower at the time of execution of the contract. The terms and condition of the contract should be strictly in terms of the disclosed recovery policy and should contain provisions regarding;
- a. Notice period before taking possession;
 - b. circumstances under which the notice period can be waived;
 - c. the procedure for taking possession of the security;
 - d. provision regarding final chance to be given to the borrower for repayment of loan before the sale/auction of the property/ies;
 - e. the procedure for giving repossession to the borrower; and
 - f. the procedure for sale/auction of the property.

11. USE OF FORUM OF LOK ADALATS:

The company shall encourage use of the forum of Lok Adalats for recovery of Housing Loans with less than ₹10 lakhs as suggested by Honorable Supreme Court.

12. UTILISATION OF CREDIT COUNSELLORS:

The company shall put in place an appropriate mechanism to utilize the service of Credit Counsellors for providing suitable counselling to the borrowers where they become aware that the case of a particular borrower deserves sympathetic consideration.

13. COMPLAINTS AGAINST THE COMPANY/ITS EMPLOYEES AND REPRESENTATIVE/ ITS RECOVERY AGENTS:

- 13.1 The Company shall not violate any directions/guidelines/codes advised by RBI/NHB in respect of recovery and its processes and shall ensure that said process is implemented strictly in harmony with the Law of the Country.
- 13.2 The Company shall govern and regulate the behaviour of its staff, as well as third parties acting on behalf of the Company, to ensure that the policies and codes of the company with respect to recovery of outstanding loans is adhered to at all times.
- 13.3 The Company will ensure to the extent possible that it does not directly or through its agencies hire people with criminal records and backgrounds or any other anti-social elements as Collection Agents.
- 13.4 Wherever the Company comes to know that persons with criminal record or anti-social elements are working in a Collection Agency, the Company will take appropriate remedial steps to ensure that such elements are forthwith removed. The Company will also issue a warning to the Collection Agency in question. If



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- the Collection Agency in question continues to use persons with criminal record and anti-social elements the company reserves the right to terminate the services of such an agency.
- 13.5 The Company has a grievance mechanism in place and complaints can be made on the website or by contacting the Company in person, telephonically or via a letter.
- 13.6 Borrowers have the right to demand a complaint number.
- 13.7 The Company shall deal strictly and expeditiously to ensure that all complaints against the Company, its employees and/or its representatives are investigated completely and appropriate action is taken, if required.
- 13.8 Complaints will be attended and amicably settled as early as possible.
- 13.9 In case a customer is not satisfied with the way a complaint is handled, the Company will guide the customer on how to take the complaint forward.
- 13.10 The Company will reverse any charges applied to a customer's account due to an error on its part.
- 13.11 The Company shall not award/forward/refer new cases to the Recovery Agent against whom grievance/complaint have been lodged by a customer/borrower, till it (the grievance/complaint) is finally dispensed. Nonetheless, upon the Company being convinced (with appropriate proof) that the grievance/complaint is frivolous/vexatious, the Company may continue the process of recovery with the said Recovery Agent even if a grievance/complaint is still pending against him/her/them. Notwithstanding the above, if any grievance/complaint is *sub judice*, no cases shall be forwarded/referred to the said Recovery Agent, even when the Company is convinced (by virtue of its internal review) of the grievance/complaint being frivolous/vexatious in nature.

14. PERIODICAL REVIEW. MONITORING AND CONTROL:

As and when, the Company decides to engage the services of Recovery Agent/s and accordingly appoints Recovery Agent, it shall commence periodical review, at least once every Financial Year of the recovery mechanism to learn from experience gained, to effect improvement and to bring to the notice of RBI/NHB any suggestion/s (it may have to share) for improvement in the existing "Guidelines for engaging of Recovery Agents" (and all changes that may happen from time to time).

Notwithstanding the above, any change to the existing "Guidelines for engaging of Recovery Agents" that is advised by RBI/NHB (in future) or may be deemed necessary by the Company, shall be inserted/included upon review and implemented accordingly.

15. GENERAL

- 15.1 The Company shall (as and when it decides to engage Recovery Agent/s), at least on an annual basis, review the financial and operation condition of the service providers to assess their ability to continue to meet their outsourcing conditions. Such due diligence reviews, which can be based on all available information about the service provider shall highlight any deterioration or breach in



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- performance standards, confidentiality and security, and in business continuity preparedness.
- 15.2 The Outsourcing Agreement shall provide for the prohibition of further outsourcing by the service provider for all or part of an outsourced activity;
- 15.3 The Company shall have in place a management structure to monitor and control its outsourcing activities. It should ensure that outsourcing agreement with the service providers contain provisions to address their monitoring and control of outsourced activities.
- 15.4 Internal Auditors of the Company shall regularly assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the Company's compliance with its risk management framework and the requirements of these guidelines.
- 15.5 In the event of termination of the agreement for any reason, this shall be publicized (in its website) so as to ensure that the customers/borrowers do not continue to deal with the terminated/discontinued service provider/s.
- 15.6 The company shall constitute a Grievance Redressal Machinery within the Company and give wide publicity about it through electronic and print media. The name and contact number of designated Grievance Redressal Officer of the Company shall be made known and widely publicized. The designated officer should ensure that genuine grievances of customers are redressed promptly without any delay. It should be clearly indicated that the Company's Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.
- 15.7 Generally, a time limit of one month may be given to the customer for preferring their complaints / grievances. The grievance redressal procedure of the Company and the time frame fixed for responding to the complaints shall be placed on the company's website.

(Note: Commensurate to its existing business activities/dynamics, volume and practice, SHCL presently does not engage Recovery Agents/External Agencies for the job of collection/recovery of overdues. Recovery of monies in respect of erring borrower/s is through on-roll employees of the Company. Notwithstanding the above, the "Guidelines for engaging Recovery Agents" adopted and implemented by the Company has been framed / designed to fully conform to the directives encompassed in RBI-HFC Directions, 2021. At the present stage, the sole intent is to comply with the directive of the regulator (RBI/NHB) in this respect and in the process to be geared for similar engagement, as and when opted for by the Company).

This policy comes into immediate effect and shall supersede the previous "Guidelines for Recovery Agents" that was earlier approved by the Board of Directors of the Company in their meeting held on July 31, 2008.

Sd/-
(D J Bagchi)
CEO

Place : Kolkata
Date : August 16, 2021

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