

LOAN RECOVERY POLICY 2022-23

Recovery through non- legal methods –

- Settlement through compromise
- Invoking claim with ECGC /CGTMSE
- Sale of NPAs to Asset Reconstruction Companies
- Sale of NPAs to Banks / FIs / NBFCs

The **Recovery Committee at HO** consisting of heads of 6 wings at HO ie.RLFP, SAM,, SP&D, Financial Management & Subsidiaries Wing, PC&FI Wing, MSME Wing. Meeting: As and when required. OTS & other proposals falling under HO powers.

The **Recovery Committee at CO** consisting Circle Head, Executives overseeing Credit, Recovery, Credit Review and ARMB executive (wherever applicable). Reviews accounts with Liab. Above Rs.10 lacs & above slipped to NPA since last review.

Recovery Committee at RO consists of RO Head, Executives overseeing Credit, Recovery & Credit Review. Reviews accounts with liability above Rs.2 lacs, slipped to NPA since last review.

Periodicity of meetings of RO & CO committees: Once in a month (if required more frequently)

- Branches shall arrange to issue **SARFAESI Notice** within **three days** of account becoming NPA.
- Future course of action should be decided with in 60 days of account slipping to NPA.
- While filing DRT cases, if security is insufficient for liability of Rs.50 lacs and above, Detective Agency services may be engaged to identify other assets of the borrower.
- Taking insurance cover is the primary responsibility of the owner of such assets. If borrowers fails to insure, branches have to take care of insurance.
- Crown Debts do not have priority over the dues of secured creditors as per the amended provisions of **Recovery of Debts and Bankruptcy Act, 1993**.
- Similarly where the security interest created in favour of the Bank has been duly registered with CERSAI in tune with provisions of the SARFAESI Act, 2002 Bank will have priority over all crown debts (to Central/State Govts)

SARFARSI ACT

Eligibility:

- Account should be NPA with liability not less than Rs.1.00 lac / more than 20% of Principal and interest thereon.
- The security interest must have been registered under CERSAI.
- Charge creation should be Hypothecation, Assignment, Mortgage, Charge.
- Decreed Accounts also eligible under SARFAESI.

Not applicable: Lien on goods and pledge on movables, security on Aircraft or Vessel & Agricultural Land other than Tea & Coffee estates.

DEMAND NOTICE [Sec. 13 (2)] : Authorized Officer (Scale IV and above) to issue demand notice to discharge liability **with in 60 days**. Copies to be endorsed to Guarantors. Recall notice is not mandatory as 13(2) notice is sufficient.

In consortium advances, bank may issue 13 (2) notice independently and consent of 60% creditors with value is required for 13(4) notice (taking possession).

If Borrower is the body corporate, the demand notice shall be served on the registered office or any of the branches of such body corporate

Branches to serve the Demand Notice through any of the following modes;

- a) Hand delivery against acknowledgement or
- b) By registered post acknowledgement due or
- c) By speed post or
- d) By courier or
- e) By fax message or
- f) By electronic mail service

Note: In case of fax or email, confirmatory copy shall be sent through **Registered Post**.

If borrower avoids, paste notice on door of borrower and **publish in 2 newspapers**.

Objection /Representation by borrower should be **replied with in 15 days** from receipt of same

If borrower **fails to pay with in 60 days**, Bank may take possession of secured assets /take over management of business of borrower or appoint any person to manage the business /claim any receivables to borrower to pay the amount to Bank.

Taking possession of movable assets in the presence of 2 witnesses. If required bank may utilize the service of SARFAESI Agents empanelled for SARFAESI in taking possession of the movable securities. In case of Doubtful/Loss Asset with Book liability exceeding Rs.50 lacs, we may avail services of **Resolution Agent**.

If borrower is not co-opetative in taking possession of Immovable Properties, branch may make application to Chief Metropolitan Magistrate (CMM) or District Magistrate (DM). CMM/DM will take possession with in 30 days and handover to Bank (**Sec 13(4)** of SARFAESI)

As per the newly introduced Section 17 (4-A) of the SARFAESI Act (As per 2016 amendment), **DRTs** are empowered to decide on the issues related to **tenancy/lease** and no other Courts/Judicial Forums has the jurisdiction to entertain any such litigations

With in 7 days of taking possession, possession notice to be delivered to borrower and **possession notice is to be published in 2 news papers** of which one should be vernacular language.

Fixation of Reserve Price (RP): Not less than Realisable/Guideline value as per Valuation Report (VR) taken after a/c becoming NPA:

- Next Higher Authority at RO/CO for branch sanctions.
- RO/CO sanctions: Respective Sanctioning Authority.
- HO power a/cs: GM/CGM -HO-CAC.

Reduction upto 10% of above RP: Same authorities as above

- Upto 80% of Realisable Value of Security: Next Higher Authority.
- Upto 75% : CO Head
- RV 65% to 75% : GM/CGM-HO-CAC (upto Rs.25 cr)
- More than Rs.25 cr to 50 cr: Up to 60% of RV : ED CAC
- Rs.50 to 100 cr and upto 40% RV: CAC of Board
- Rs.100 cr and above: Full powers to MC of Board.

Original value of security is **above Rs.5 cr** : **Obtain 2 valuation reports** and take higher value. **VR should not be more than 1 year old.**

If original value of immovable property is more than Rs.1 cr and deterioration is more than 30% in present valuation: **Obtain 2 VRs**

Authorized Officer has to serve a **thirty days notice (sale notice)** along with the covering letter to the borrower and publish Sale Notice in 2 news papers. Upload all terms and conditions in our website www.canarabank.com

If sale not taken place by public auction/private treaty, bank may proceed with **second auction**. For this, **15 days sale notice** is to be given to borrower if **terms and conditions** of previous auction are **not changed**, **30 days** sale notice is required if any of the conditions changed (like reduction in RP etc) in next proposed auction

Sale by private treaty:

For a property with assessed value/ reserve price **upto Rs 100.00 Lacs**, at least **one attempt** should be made to sell the property through public auction / auction by inviting tenders, before opting for sale by private treaty.

For a property with assessed value/ reserve price **above Rs 100.00 Lacs** at least, **two attempts** should be made to sell the property through public auction/ auction by inviting tenders, before opting for sale by private treaty.

Borrower has a right to file an **appeal in the DRT** within a period of **45 days** from the date of possession of secured assets.

On confirming the sale, the purchaser has **to deposit 25 %** (inclusive of EMD if any) of the sale price immediately with the Authorized Officer.

Balance payable in 15 days or with in maximum 3 months with mutual agreement (bank & buyer)

CERSAI (Central Registry of Securitization Asset Reconstruction and Security Interest of India)

In order to proceed under SARFAESI Act, it is mandatory to register the charge under CERSAI, without which Bank will not be able to proceed under SARFAESI Act.

Charge Registration: Soon after creation of the security interest without delay.

Modification or Redemption also to be informed to CERSAI **immediately**. If borrower informs CERSAI about redemption, Bank to inform CERSAI any objection **with in 14 days**.

SARFAESI Agents : Empanelled by concerned Circle Heads

Fee Payable to SARFAESI Agents:

- Pre Seizure Activities : Min Rs.2500/- Max. Rs.5000/-
- For obtaining CMM/DM Orders: 0.25% of Market Value of Fixed Asset/Movable Asset or Liability which ever is less: min 10,000/- and max Rs.30,000/-
- Assistance in taking possession of movable/immovable properties: Upto Rs.25,000/- movable, Upto Rs.50,000/- immovable depending on work.

- Maximum amount payable for SARFAESI agent for his services is Rs.5 lacs or 2% of Reserve Price whichever is less.
- If recovery made with in 6 months, incentive of 0.25% of RP with max. Rs.1.00 lac extra.
- Any person who brings successful bidder is entitled for 1% of realizable value/contractual liab. Which ever is less, with min.5,000/- and max Rs.2,00,000/-.

RESOLUTION AGENTS UNDER SARFAESI ACT:

May be utilised in DA/LA with BL exceeding Rs.50 lakhs

For Recovery of **balance amount** after SARFAESI action, bank may file **suit in Court/DRT** as the case may be and Branches to obtain AOD as documents should not get time barred.

Application to DRT: Aggrieved party may approach DRT with in 45 days from the date of 13(4) action i.e. taking possession.

DRT jurisdiction: Where cause of action arised or where secured assets are available or where branch branch is located.

DRT to dispose off **with in 60 days** (may be extended upto 4 months with valid reasons)

Any aggrieved person against orders of DRT may approach **DRAT with in 30 days** from the date of receipt of DRT orders. Borrower has to deposit **50%** of dues with DRAT which may be reduced to **25% by DRAT**.

SARFAESI Module is included under NPA MANAGEMENT SOLUTION PACKAGE (NPAMS) for effective monitoring by RO/CO/HO of SARFAESI initiated accounts. The module will automatically pick SARFAESI eligible accounts wherein branches to punch required data.

E-Auction: For liability upto Rs.4 lacs, CO will take decision to go for auction online/offline.

TRANSFERRING CREDIT FILES :

Review and Monitoring by:

- NPA accounts with Book liability upto Rs.10.00 lacs : Regional Office, above Rs. 10.00 lacs : Circle Office, Rs.1 crore and above : HO

Incentive to Advocates (Over and above prescribed fee):

- Recovery by filing EPs in DRT/Other courts: **2%** of recovery with max. **Rs.1.50** lacs.
- Decree obtained with in **6 months** from date of filing in DRT: **20%** over scheduled fee.
- Decree with in **12 months**: additional **10%** of scheduled fee.

COMPROMISE POLICY GUIDELINES

System of awarding points and arriving at settlement amount:

Particulars	Points	Min. settlement amount to be recovered linked to 1 YEAR MCLR Prevailing on 01.04.2022
Realizable Value of security is sufficient to cover the contractual / decretal dues.	8	At least Book Liability + Simple interest at MCLR + 1.50% p.a. should be recovered.
Realizable Value of security(RVS) + net worth(NW) (put together) of the borrowers/ guarantor/s is sufficient to cover the contractual dues	6	At least Book Liability + Simple interest at MCLR - 0.50% p.a. should be recovered.
RVS + NW not sufficient to cover dues	4	Recover the maximum amount possible,

In case of wilful defaulters, it is MCLR+2.5%, MCLR+1.5% respectively.

Two (2) negative marks will be awarded in case of death of borrower/natural calamities/security marketability difficult/e auction failed once for want of bidders.

SETTLEMENT FORMULA FOR COMPROMISE IN RESPECT OF AGRICULTURAL LOANS WITH LIABILITY BELOW Rs.25 LACS CLASSIFIED AS NPA.

- Not covered A/cs: GL, AG VSL, Tractor Loans and Ag loans eligible under SARFAESI.

Minimum Recoverable Amount:

- SS & DA-I : Min 80% of Book Liability (Restructured A/cs). Minimum 90% Other than Restructured A/cs.
- DA-II & DA-III: Min 70% of BL as on settlement date for Restructured a/cs /80% other than Restructured a/cs.
- DA-IV&Loss Asset: 60% (restructured) / 70% (other than restructured)

Sanctioning Authority:

- Small and Medium Branches : Upto Rs/3 lakhs sanctioned limit .
- Large Branch Heads : Rs.5 lacs sanctioned limit.
- VLB/ELB: Upto Rs.10 lacs sanctioned limit.
- RO Head CAC: 10-25 LACS.

CALCULATION OF UNAPPLIED INTEREST FOR INTERNAL PURPOSE

- Sub-standard Asset: At One Year MCLR prevailing on 01.04.2022 plus 1.25% or contractual rate including penal rate (whichever is lower) on simple basis
- Doubtful Asset: 1 year MCLR – 1.50% or contractual rate with penal whichever is lower-simple int.
- Loss Asset: 1 yr MCLR – 3.5% or contractual rate with penal whichever lower, simple int.
- For decreed accounts, above rate till date of filing suit and decreed rate/above rate whichever is lower from the date of filing suit.

TIME LIMIT FOR PAYMENT OF COMPROMISE AMOUNT:

- The payment period may not ordinarily exceed a tenure of **12 to 18 months** from the date of conveying the sanction. In exceptional cases, longer periods may be considered.

CHARGING OF INTEREST ON COMPROMISE AMOUNT:

- 1 year MCLR + 1.5% simple int. from due date of OTS till payment
- Bank may consider 3 months time without interest on OTS amount. CO head CAC : 6 months time with out interest on OTS amount.

Forwarding Compromise Proposals to Sanctioning Authority : Simplified format where sacrifice amount is less than Rs.50,000/- and NF-724 if exceeds Rs.50,000/-

- As per RBI guidelines, while entering into OTS, it is to be ensured that the OTS amount is generally be **not less than the Net Present Value (NPV)** of the estimated cash flows associated with the realizable value of the available securities net of the cost of realization.
- Branches to collect **10 to 15% of compromise amount upfront** at the time of entering compromise proposal.

Upon payment of OTS amount, the name of borrower will appear in **records of CICs for 7 years** with remark as “settled”

LEGAL NOTICE : Region/Circle Heads are empowered to permit issuance of legal notice in respect of all accounts falling under their delegated powers for initiation of legal action. Circle Head for HO sanctions.

In respect of **OTS proposals which have lapsed** due to non-payment / part payment and or withdrawn and a period of **12 months** have elapsed from the due date, any request for revival of such proposals may be treated as fresh proposal. HO permitted a/cs : MC can permit upto **24 months**.

COMMITTEES FOR CONSIDERING COMPROMISE / OTS AT HO:

RECOVERY COMMITTEE: A Recovery Committee comprising of five Wing Heads of the Bank at HO. All HO proposals to be verified and recommended by this committee and recommendations valid for 6 months.

ADVISORY COMMITTEE:

- Consisting of one Retired High Court Judge as Chairman, and two former Bankers, who are not below the rank of ED of a Nationalized Bank or Deputy Managing Director of State Bank of India as its members.
- All proposals involving total sacrifice of Rupees **one crore & above** examined by this committee and placed to concerned committees with recommendations.
- Recommendations of the committee are **advisory in nature** and not mandatory.
- Recommendations Valid for 12 months.

REVIEW OF COMPROMISE / OTS PERMITTED BY VARIOUS AUTHORITIES :

Monthly by Next Higher Authority upto GM-HO-CAC. Quarterly by ED-CAC, MC.

RIGHT OF RECOMPENSE:

While rehabilitating /restructuring Sick Industrial Company (SIC) / Weak unit / Sick SSI /Sick SME / Accounts, after ensuring commercial, financial viability and technical feasibility, Bank extends reliefs and concessions as per the laid down norms / guidelines to such units so as to bring them back to normal health.

Bank provides concessions / reliefs to such units during the package implementation period also and **can recoup whole / a part** of the sacrificed amount by way of **Right of Recompense (RoR)**.

PRUDENTIAL/TECHNICAL WRITE OFF :

Provisions on NPAs are not eligible for Tax Benefits. Only full provision or write off eligible for tax benefits. Hence, Bank may write off advances at HO level, even though the relative advances are still outstanding in the branch books.

Accounts recommended for **writing off** should have completed **5 years or more** from the date of advance and continuing as **NPA for a minimum period of 3 years** and classified as **Loss Asset** on 31st March preceding year.

POLICY GUIDELINES ON TRANSFER OF LOANS

Securitization of Standard Assets : transfer among Banks and NBFCs only on Cash Basis.

Purchase of loans/economic interest by our Bank : Moderate Risk or BBB and above rated. Standard Asset, not appeared in SMA-1 during last 1 year. Minimum quantum: Rs.10 crores.

Maximum purchase consideration in case of purchase of individual loan accounts:

Future cash flows associated with the loan can be discounted at 'present interest rate being charged on the loan (-) upto 2%'.

Sale of Loans by our Bank, with residual maturity of **more than 5 years**. OD/OCC not eligible under sale of Pool of Loans. For sale of pool of loans, maximum retention of 25% of economic interest of pool.

Minimum sale consideration in case of sale of individual loan accounts:

Future cash flows associated with the loan can be discounted at the 'present interest rate being charged on the loan (+) upto 2%'.

Minimum Holding Period in the Books of Transferor: 3 months in case of loans with tenor of up to 2 years; 6 months in case of loans with tenor of more than 2 years.

Guidelines on transfer of stressed loans (SMA & NPA) : Transfer to other Banks or ARCs

For transfer of loans to ARCs, **stressed loans** which are in default for **more than 60 days** or classified as **NPA for more than One Year** are permitted to be transferred to ARCs.

- **Eligible NPA accounts:** An NPA account which has **completed one year** from the date of **NPA**.
- E-Auction is conducted under SARFAESI atleast once in eligible accounts.
- Where recovery prospects are not too good.
- Also in line with Consortium/MBA.

In case of SMA accounts: Early signs of stress, SMA-2 ACCOUNTS.

Transfer to other than ARCs on Cash Basis Only.

Identification committee: Wing Heads of RL&FP Wing, RM Wing, FM Wing, SAM Wing, CA & M wing and respective Credit Wing.

Delegation:

- Upto Rs.25 cr: CAC of Board, above Rs.25 cr : MC of Board

Unapplied Interest calculation: SS Assets: 1 yr MCLR +1.25%, DA: 1yr MCLR-1.5%, LA: 1 yr MCLR-3.5% or contractual rate whichever is lower

Sale of assets to ARCs shall be done either on **cash or Security Receipts (SRs)** basis or both or Securities (bonds and debentures).

- A minimum of 15% of the sale consideration should be in the form of cash only.
- **Securitized Receipts(SRs) /Pass Through Certificates(PTCs)** issued by ARCs to Banks should be redeemed with in **5 years** or extended period of **8 years**. Otherwise they are to be treated as Loss Assets in the books of Lenders.

- Whenever Bank is transferring a stressed loan, no fresh exposure shall be taken on the borrower till 24 months from the date of such transfer.
- After 24 months, GM-HO-CAC and above authorities only delegated to sanction on the merit of proposal.
- Transferor should not acquire transferred asset again either fully or partly.

Swiss Challenge Method:

- Prospective Transferee (intending buyer) will submit Base Bid to the lender.
- By adding 5% mark up to Base Bid amount, lender invites tenders from others.
- If no tenders are received for Mark Up Bid, Base Bid amount is final.
- If any bid received with more than mark up bid, it will be winning bid.

APPROPRIATION OF RECOVERY IN NPA ACCOUNTS

- In case of OTS/NCLT/Technically Written Off/CGTMSE etc covered a/cs: Order of **Principal, Charges and Interest**.
- In other accounts : **Charges, Interest and Principal**.
- If court/DRT directives as per court order.

Counter Offer: If borrower submits OTS proposal in writing, if the same is not acceptable to Bank, Bank will submit counter offer to Non Wilful Defaulters duly mentioning OTS amount and timelines.

POLICY ON CLASSIFICATION OF WILFUL DEFAULTER & NON-COOPERATIVE BORROWER

WILFUL DEFAULT:

- i. The unit has **defaulted** in meeting its payment/repayment obligations to the lender when it **has the capacity to honour** the said obligations.
- ii. The unit has defaulted in meeting its payment/repayment obligations to the lender and has not utilized the finance from the lender for specific purposes for which finance was availed of but has **diverted the funds** for other purposes.
- iii. The unit has defaulted in meeting its payment/repayment obligations to the lender and has **siphoned off the funds** so that the funds have neither been utilized for the specific purposes for which finance was availed of, nor are the funds available with the unit in the form of other assets.
- iv. The unit has defaulted in meeting its payment/repayment obligations to the lender and has also **disposed off or removed the movable fixed assets or immovable property** given by him for the purpose of securing a term loan without the knowledge of the bank/lender.
- v. Any account if declared **credit fraud** on account of any of the above events or other reasons then such accounts should also be examined from Wilful angle simultaneously.

Cut-off limits : Rs.25 lakh fixed by the Central Vigilance Commission for reporting wilful default. Penal measures applies to all Wilful default borrowers.

Penal measures :

- Debarred from institutional finance for a period of **5 years** from the date of removal of their name from the list of Wilful defaulters published/disseminated by RBI/CICs.
- Bank may initiate criminal proceedings against Wilful defaulters, wherever necessary.
- Bank may take pro active approach for change of management
- Borrowing company should not have a wilful defaulter in its board/remove from board.
- Guarantors or Guarantee given company will also be declared as Wilful Defaulter, if they fail to meet commitment of Borrower.

In case any **falsification of accounts**, if **auditors are negligent**, complaint may be lodged with ICAI, copy endorsed to RBI and IBA. RBI will share such information with MCA/CAG.

Data in respect of Wilful Defaulters (non-suit filed accounts) of Rs.25 lakhs and above : Report to **CICs on Monthly basis** or more frequently.

Identification of Wilful Defaulter:

- Once a/c slips to NPA, initiate to identify wilful default with in max.90 days or 30 days from submission of investigation report.
- **Committee for Identification** & Classification of Wilful Defaulters: ED (head of committee). Members:CGM/GM of RLFP, SAM & CCW .
- Once committee concluded wilful default, notice will be served to Borrower/Guarantors for their submission with in 15 days. If necessary, opportunity will be given to borrower/guarantor for their personal hearing (through video conference in case of need).
- Order of this committee will be reviewed by **REVIEW COMMITTEE**, consisting of CMD as head of the committee and 2 independent Directors as members.
- Order is confirmed after review by Review Committee.

Lodging Criminal Complaints after review by Grievance Redressal Committee(GRC):

Quantum of Liability	Complaint to be lodged with
Borrowers classified as Wilful Defaulters by GRC with liab. of Rs.25 lacs , upto Rs.3.00 crs	State CID/Economic Offences Wing of the State concerned.
Liability of Rs.3.00 Crs upto Rs.25.00 crs	CBI (Economic Offences Wing)
More than Rs.25.00 Crs	CBI Banking Security and Fraud Cell unit

Before lodging complaint it should be **vetted** by R&L of CO (state CID), Vigilance Wing Ho (CBI)

NON-COOPERATIVE BORROWER (NCB):

Definition :

- Who does not engage constructively with his lender by defaulting in timely repayment of dues while having ability to pay,
- Thwarting lenders' efforts for recovery of their dues by not providing necessary information sought
- Denying access to assets financed/collateral securities, obstructing sale of securities etc.
- In effect, a non-cooperative borrower is a defaulter who deliberately stone walls legitimate efforts of the lenders to recover their dues.

Eligibility: Borrowers with FB+NFB facilities of **Rs.5 cr** and above.

- **Committee for Identification** : Same committee for wilful defaulter identification ie ED, CGM/ GMs of RLFP, SAM & CCW.
- Committee will issue show cause notice to Borrower/Guarantor with 15 days time for reply and personal hearing thereafter.
- It will be reviewed by **Review Committee** (same as Wilful Defaulters) consists of CMD, 2 independent directors.
- Order is final after confirmation by Review Committee.

Reporting: To CRILC. Main report **every Quarter with in 21 days** of end of quarter.

- Any new loans sanctioned to Non Co operative Borrower will attract higher provisioning ie Standard Asset will attract SSA provisioning.

PUBLICATION OF PHOTOGRAPHS OF WILFUL DEFAULTERS

- Wilful defaulters, with liab above **Rs.10 lacs**
- Photos of wilful defaulters and names of guarantors
- Permission from DGM of Circle
- Before publication, Registered Notice to be sent to Borrower and guarantors and 30 days time to be given for clearing dues.
- In case of Companies, Photos of Directors who extended personal guarantee only
- Publication in Local Daily having wide circulation.
- No publication in case of Farmers in Distress, Natural Calamities, Eligible for Restructuring.

LOOK OUT CIRCULAR:

Cut off limit:

- FB+NFB Rs.10 cr and above, if **Fraud is reported**/under process of reporting.
- In other cases Rs.50 crore and above.
- Wilful Defaulters, Non Co Operative Borrowers, Red Flagged Accounts, A/cs with Early Warning Signals-suspicion of fleeing the country.

Branch/PCB to report to CO. CO report to R&R sec., RLFP wing HO who shall place the matter before the "Committee of 5 GMs on Fraud angle in Credit Matters". Committee will recommend to MD&CEO who will request for issue of LOC to Ministry of Home Affairs. Nodal section of MHA will request Bureau of Immigration to issue Look Out Circular.

As per MHA guidelines, LOC valid for one year only. Thereafter renewal.

Nodal Officer is DGM of R&R Sec, RLFP Wing HO for issue, monitoring and follow up of LOC.

POLICY ON RECOVERY AGENTS

- Circle Heads are empowered to empanel Recovery Agents for 2 years and thereafter renewal.
- Recovery Agent has to undergo, 100 hours training conducted by IIBF or their affiliated institutes or our STC, Bangalore. For retired employees of PSBs, training exempted.
- Recovery Agent should give BG/EMD/Deposit/Approved Securities of **Rs.1.00 lakh**. For Govt Retired employees/Retd PSU/Our Bank employees **Rs.50,000/-**
- Company/LLP/NBFC as Pan India Recovery Agents: Empanelment by HO-RLFP WING. Security Deposit: **Rs.5 lacs** (BG/Deposit/Securities etc) 50% reduction by ED-CAC.

Entrustment: RO head with liab. Upto Rs.50.00 lakhs (DA/LA/SS>6M). Beyond 50 lacs CO Head.

If Recovery Agent assists Bank for sale of Asset by identifying buyer, Bank pays 5% of sale amount with max.Rs.25,000/- to Recovery Agent.

The Borrower, on payment of the entire dues, shall have the right to take back the property at any time but in any event before confirmation of sale of the security/property.

Borrower having grievance against Recovery Agent may complain to Grievance Redressal Cell (DGM of Circle, R&L Section) who will redress within 30 days.

Fee – Schedules

- Sub-standard Accounts :3% of amt recovered
- Doubtful Accounts :5% of amt recovered
- Loss Accounts/Bad Debts W/O :10% of amt recovered
- Subject to a maximum of Rs. 5.00 Lacs.
- 50% of above fee in case of Compromise Settlement.

Fee for Repossession of Movable Assets – Vehicles (Seizure)

Two Wheeler : Rs.2000/-, Auto Rikshaw: Rs.3,000/-;

LMVs, Tractor&Trailers: Rs.8000/-

Bus/Lorry/Heavy Vehicles: Rs.10,000/-

(RO head may permit additional Rs.4,000/- basing on need)

EMPANELMENT OF RESOLUTION AGENTS

- **Eligible Accounts** : Doubtful and Loss Accounts with Book Liability exceeding Rs.50.00 lacs
- **Security Deposit** by Resolution Agent: Rs.5 lakhs

Payment of Fees

Category of accounts	Fee Payable
1. Doubtful assets outstanding with less than or equal to 5 years old NPA accounts	5 % of the recovery amount / book liability whichever is less subject to maximum of Rs.12.00 lacs .
2. Doubtful assets outstanding with greater than 5 years old NPA accounts	5 % of the recovery amount / book liability whichever is less subject to maximum of Rs.15.00 lacs .
3. Loss assets/ Written off accounts.	7 % of the recovery amount / book liability whichever is less subject to maximum of Rs.20.00 lacs .

In case of recovery through OTS with the help of Resolution Agent, 50% of normal fee payable

EMPANELMENT OF DETECTIVE/INVESTIGATING AGENCIES

- For tracing out missing borrowers/guarantors their assets, present income etc.
- To trace their bank accounts, limits with other banks.
- Only firms with valid license by concerned state authorities and have minimum 3 years experience are eligible.
- No individual/Proprietorship.
- For recovery in high value NPA accounts where the Book Liability involved is more than Rs.50.00 lakhs.
- Normally they have to submit report with in 60 days.

FEE STRUCTURE:

- Minimum Fee : Rs.5000/-
- On receipt of information about missing or absconding borrower/guarantor with satisfactory evidence: Rs.10,000/- per person with maximum Rs.30,000/- per account
- For locating properties, not available with bank & with proof/evidence: Rs.25,000/- per property traced.
- For providing any other information, helpful to bank in recovery: Rs.5000/- per information with max. Rs.20,000/-

PURCHASE OF NON BANKING ASSETS BY THE BANK UNDER SARFAESI

- After serving 13(2) notice and taking physical possession under SARFAESI Act and after sale notice and public auction failed atleast once for want of bidders, bank may purchase the non banking asset under sec 13(5)A of SARFAESI Act for the Reserve Price.

PURCHASE OF IMMOVABLE PROPERTIES CHARGED TO THE BANK BY BIDDING IN AUCTIONS CONDUCTED BY DRT/COURTS & SALE OF NON-BANKING ASSETS ACQUIRED UNDER SARFAESI / DRT/ COURT AUCTIONS

- As per Section 9 of BR Act, no banking company shall hold any immovable property howsoever acquired, except such as is required for its own use, for any period exceeding **seven years** from the acquisition. RBI may extend by another 5 years.
- **Eligibility:** Immovable properties viz., land, building flats, etc., having value of **Rs.10 lacs and above**, with clear title without any encroachments.
- The sale of the proposed immovable property has failed in the past atleast once due to non- availability/receipt of bids equal to the Reserve Price.
- Committee of 3 CGM/GMs of RLFP Wing, SAM Wing & CAM wing will finalise the reserve price for sale of Non Banking Asset through open auction duly publishing in 2 newspapers (English and vernacular language)

ARM BRANCHES

- Handle Non Performing suit filed Asset portfolio exclusively.
- Suit filed accounts with Book Liability of Rs. 20.00 lakh and above (more than Rs.50 lakhs if account not eligible for SARFAESI Action)
- Securities having Market Value of Rs. 5.00 crore and above as per the last available valuation report, are necessarily to be inspected by ARM Branch Head, in other cases same may be done by any officer of Scale- II and above.

RECOVERY THROUGH LOK ADALAT

- Lok Adalat is a legal authority constituted under Legal Services Authorities Act to encourage settlement of disputes in a conciliatory manner without going to Courts and arriving at a workable settlement amicably.
- The advantages of taking the matter before Lok Adalat is that no Court fee as well as Advocate fee is involved in Lok Adalats.
- The award of Lok Adalat is deemed to be a decree of a Civil Court or an order of any other Court.
- Every award made by Lok Adalat shall be final and binding on all the parties to the dispute and **no appeal** can be made to any Court against the award.
- Default in complying with orders of Lok Adalats, orders can be executed through civil courts.

Permanent Lokadalat

- Set up only in 8 states.
- Similar to Lok Adalats and value of civil matters falls with in Rs.1.00 crore.
- They can pass award even in parties in dispute does fail to arrive an agreement.

Compiled by M.Chandra Sekhara Reddy, AGM (Retd) Canara Bank.