

Annexure-1

Policy on Collection of Dues and Repossession of Security in IDBI Bank Ltd.

1. Introduction:

The debt collection policy of the Bank is built around dignity and respect to 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 with regard to collection of dues and repossession of security and thereby fostering customer confidence and long-term relationship.

The repayment schedule for any loan sanctioned by the Bank will be fixed taking into account paying capacity 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 Installments (EMI) or payments through any other mode of repayment will be appropriated against interest and principal due from the customers.

Bank's Security Repossession Policy aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of the property. The policy 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.

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.
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. 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

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 of 7 days in writing. Bank will follow all such procedures as required under law for recovery/repossession of 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 will 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 will take all reasonable care for ensuring the safety and security of the property after taking custody, in the ordinary course of the business.

5. Valuation and Sale of Property

Valuation and sale of property repossessed by the bank will be carried out as per law and in a fair and transparent manner. 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.

6. Opportunity for the borrower to take back the security

As indicated earlier in the policy 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 arrangements made by the borrower to ensure timely repayment of remaining installments in future.

The basic requirement of the function determines the need of the specific agency. Hence while appointing a collection agency utmost care is taken to see that the agency has the necessary expertise and structure to deliver the expected results.

After analyzing the need of the expected role of the collection agency, collection manager recommends a set of Collection agencies for appointment to his Regional Collection Manager. Collection Manager sends the written proposal received from the agency with his comments and recommendations to the RCM for further decision-making. RCM takes decision on appointment of the collection agency based on the credentials and personal interview of the agency proprietor.

Following are main factors, which needs to be considered while short-listing an agency :-

- Market feed back
- Previous track record
- Manpower and quality / skill set of manpower
- Infrastructure
- Contacts with Police and other locally influential sections.
- Soundness / Stability.

All the necessary details are covered in,i.e. External Agency Evaluation Checklist. Collection Manager need to complete this checklist while recommending the same to his RCM after due diligence.

Once RCM approves the agency, he sends the duly filled external agency evaluation checklist along with the proposal and Proposed payout grid for that agency to NCH. In collections only NCH has the approval authority for any payout grid. After getting the approval for the payout of the agency, Collection Manager conducts the verification (RCU Check) for the Agency, Agency owner and all the collectors. On obtaining the clear report for this verification as per the banks standard format, the standard agreement for collections is entered with the agency. On the basis of the approval from NCH for payout rates to the agency, Collection Manager signs the payout grid on behalf of the bank along with his Regional Collection Manager and retains the copy of this signed agreement and payout grid for his records and sends the originals to head office.

If the agency is a “Private Limited firm” then the few additional documents like memorandum of articles, board resolution need to be collected from the agency.

Post sign off, the collection agency needs to submit following documents: -

- List of staff including himself who will be working for us.
- The complete bio data of all the people mentioned in the list along with the latest photograph in the banks format.
- Address and Identification proof of this staff.
- The copy of valid cash in transit and fidelity insurance policy.

The Collection Manager then gets the RCU verification done for the entire staff as mentioned in the list from agency. He needs to maintain the copy of this verification report in the respective agency file. Collectors whose RCU reports are negative are not allowed to be in the agency team for the bank.

Code of Conduct

The collection agency represents the Bank in the field and hence it is necessary that their staff acts and behaves in a manner which in no way will be detrimental to the Bank's image and reputation and contrasting the Bank's methods of working.

The Bank is an ethical company and expects the highest standards of professional ethics from all its Staff and Business Associates in their conduct. Everyone, by way of being associated in many stages of the business, have access to a lot of private & confidential information, which, if goes to wrong hands, could be harmful to the interest of the company. It is hence necessary that such information & knowledge be used prudently and only in the best interest of the company. For ensuring this, all agencies will be required to read, understand and sign the code of conduct and the same should be available with the Branches and each agency, which is one of the important tools of the collector's paraphernalia.

Allocation of Cases

While allocating the cases to the agency, physical stat cards of each case is handed over to the authorized representative of the agency along with the allocation letter to the agency which summaries allocation details like bucket wise number of cases, POS, overdue amount and list of cases for collection in that month. The acknowledgment is taken from the agency proprietor on every allocation list given to his agency for the records. Collection Manager needs to ensure that the data of the cases allocated to the particular agency is given only to that agency and the same cases are not allocated to multiple agencies.

Target and Performance

For maximizing the output of the agencies and ensuring that they deliver required results, the collection manager needs to give written target to the agency in the beginning of the month, which should be achievable. Copy of this acknowledged target letter is kept for records with the Collection Manager and the agency is tracked on this specific target.

The agency is informed in the end of the month via written communication about their performance for the month.

These targets and performances are then further downloaded to the collectors and the individual performances are tracked of evaluation.

Agency Visits

In a month the collection manger conducts at least one meeting with the entire staff of The agency and records the minutes of the meeting. To improve the performance, the Collection Manager periodically trains the agency staff. For agency visits and agency training, the Collection Manger maintains the necessary record at agency office and at the bank.

In the agency visits the Collection Manager conducts following reviews -

- Individual Collector Review
- Supervisors Review
- Agency Review

Individual review with the collectors of the agency helps the Collection Manager to get the first hand information about the allocated work to the particular collector. This review needs to be conducted at least twice a week. Where as supervisors review helps the Collection Manager to understand the additional efforts undertaken by the supervisor or requirement of any support from the Bank for increasing the resolution rate of the agency. This review needs to be conducted at least once a week.

To have overall control on the agency, the Collection Manager needs to review the Agency certain parameters. This review needs to be conducted once a month and the observations need to be captured.

Termination of Agency

The Collection Manager needs to have a back up plan for appointing a new agency in case he needs an additional agency or has to remove the existing agency for any reason. Similarly, since the turnover in agencies is normally quite high, the agency needs to have a fall back plan for any additional vacancies to be filled or for replacement for collectors who leave the agency.

If the situation demands termination of the agency, the Collection Manager needs to carry out the same with the proper documentation like termination letter, which he should issue to the agency and keep the agency's acknowledged copy in his custody for the future reference. In such a case he should also maintain record / letter for any full and final settlement of the agency. On termination of any agency, the Collection Manager needs to ensure that each and every document issued to the agency is taken back. e.g. I-d cards, Stat cards, Receipt books (used / unused), customer contact details, collected payments / instruments, repossession kits etc.e needs to do proper check of the same before settling the final claim of the agency.

No due certificate is obtained from such agency at the time of the full and final settlement to avoid any disputes in future.

(COLLECTION ACTIVITIES)

S NO.	Particulars	Criteria
(A)	Demographic Data 1 Agency Name 2 Address / Phone No 3 Contact Person	
(B)	Agency Ownership Structure 1 Legal Entity Structure <input type="checkbox"/> (Prop./Partnership/Co.) 2 Name of Proprietor/Partners/ Directors 3 Activities for IDBI Bank (proposed) 4 Associated businesses (if any) 5 Average monthly billing from the associated business	
(C)	Infrastructure 1 Office Space 2 No of Telephones 3 No of Computers 4 Total no of staff <input type="checkbox"/> No of tele-calling staff <input type="checkbox"/> No. of field collectors <input type="checkbox"/> No. of Supervisors / Manager(s) <input type="checkbox"/> Other office support staff 5 No. of branches <input type="checkbox"/> In station <input type="checkbox"/> Outstation (list of locations)	
(D)	Relevant Experience 1 List of Clients 2 Products Handled 3 Activities Handled 4 Market Reputation (Based on Feedback/References)	
(E)	Costing/Rates (Variable) (Please enter N.A where reqd)	
(F)	Met by	
(G)	Documentation	
(H)	Locations (proposed)	

S NO.	Particulars	Criteria
(i)	Other relationship with IDBI Bank	
(j)	Unit Recommendation	

Recommended:

Concurred:

Approved:

(Details to be provided by the Collection Manager)