



**MRHMFL RURAL HOUSING & MORTGAGE**  
**FINANCE LIMITED**

**CODE OF CONDUCT FOR ENGAGING RECOVERY AGENTS**

'Agent' for the purpose of these guidelines would include agencies engaged by MRHMFL and the agents/ employees of the concerned agencies.

## **1. ENGAGEMENT OF RECOVERY AGENTS**

MRHMFL should have a due diligence process in place for engagement of recovery agents, which should be so structured to cover, among others, individuals involved in the recovery process. MRHMFL should also ensure that the agents engaged by them in the recovery process Carry out verification of the antecedents of their employees, which may include pre-employment police verification, as a matter of abundant caution and MRHMFL may decide the Periodicity at which re-verification of antecedents should be resorted to.

## **2. TRAINING OF RECOVERY AGENTS**

- a. MRHMFL should ensure that, among others, the recovery agents are properly trained to handle with care and sensitivity, their responsibilities, in particular aspects like hours of calling, privacy of customer information, etc.
- b. MRHMFL should ensure that over a period of one year, all their recovery agents 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 MRHMFL, should also employ only such personnel who have undergone the above training and obtained the certificate from the IIBF.

## **3. INTIMATING BORROWERS ABOUT RECOVERY AGENTS**

- a. To ensure due notice and appropriate authorization, MRHMFL should inform the borrower the details of recovery agency firms / companies while forwarding default cases to the recovery agency.
- b. 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 MRHMFL along with the identity card issued to him by the MRHMFL or the agency firm / MRHMFL. Where the recovery agency is changed by the MRHMFL during the recovery process, in addition to the MRHMFL notifying the borrower of the change, the new agent should carry the notice and the authorization letter along with his identity card.
- c. The notice and the authorization letter should, among other details, also include the telephone numbers of the relevant recovery agency. MRHMFL should ensure that there is a tape recording of the content / text of the calls made by recovery agents to the customers, and vice-versa. MRHMFL may take reasonable precaution such as intimating the customer that the conversation is being recorded, etc.
- d. Up to date details of the recovery agency firms /companies engaged by MRHMFLs may also be posted on the MRHMFL's website.

#### **4. INCENTIVES TO RECOVERY AGENTS**

Stiff targets or high incentives may induce recovery agents to use intimidatory and questionable methods for recovery of dues. MRHMFL will ensure that the contracts with the recovery agents do not induce adoption of uncivilized, unlawful and questionable behavior or recovery process.

#### **5. METHODS FOLLOWED BY RECOVERY AGENTS**

All the members of the staff or any person authorised to represent the MRHMFL in collection or/and security repossession should follow the guidelines set out, such as:

- a. 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. Identity and authority to represent the MRHMFL should be made known to the customer at the first instance.
- c. Customer's privacy should be respected.
- d. Interaction with the customer shall be in a civil manner
- e. MRHMFLs' representatives shall contact customers between 0700 hours and 1900 hours, unless the special circumstances of the customer's business or occupation require otherwise.
- f. Customer's request to avoid calls at a particular time or at a particular place shall be honored as far as possible.
- g. The time and number of calls and contents of conversation should be documented.
- h. All assistance should be given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner.
- i. During visits to customer's place for dues collection, decency and decorum should be maintained.
- j. Only employees of the Recovery Agency shall visit the borrower's premises for the recovery / collection activity and no other person shall accompany such Recovery Agent.
- k. Inappropriate occasions such as bereavement in the family or such other calamitous occasions should be avoided for making calls /visits to collect dues.
- l. The written communication sent by the collection agent to the borrower should have the approval of the HFC.
- m. HFCs 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.

#### **6. TAKING POSSESSION OF PROPERTY MORTGAGED TO MRHMFL**

Where MRHMFLs have incorporated a re-possession clause in the contract with the borrower and rely on such re-possession clause for enforcing their rights, they should ensure that the re- possession clause is legally valid, complies with the provisions of the Indian Contract Act in letter and spirit, and ensure that such repossession clause is clearly brought to the notice of the borrower at the time of execution of the contract.

The terms and conditions 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) a provision regarding final chance to be given to the borrower for repayment of loan before the sale / auction of the property (e) the procedure for giving repossession to the borrower and (f) the procedure for sale/auction of the property.

## **7. USE OF FORUM OF LOK ADALATS**

The Honourable Supreme Court has also observed, inter alia, that loans, personal loans, credit card loans and housing loans with less than Rs. 10 lakh can be referred to Lok Adalats. MRHMFL will try to use the forum of Lok Adalats for recovery of housing loans with less than Rs. 10 lakh as suggested by Honourable Supreme Court.

## **8. UTILISATION OF CREDIT COUNSELLORS**

MRHMFLs should have in place an appropriate mechanism to utilise the services of credit counselors for providing suitable counseling to the borrowers where they become aware that the case of a particular borrower deserves sympathetic consideration.

## **9. COMPLAINTS AGAINST MRHMFL / ITS RECOVERY AGENTS**

- a. Complaints received by NHB regarding violation of the above guidelines and adoption of abusive practices followed by recovery agents of MRHMFL would be viewed seriously. Supervisory actions could be attracted when the High Courts or the Supreme Court pass strictures or impose penalties against the Company or its Directors/ Officers/ agents with regard to policy, practice and procedures related to the recovery process.
- b. Where a grievance/complaint has been lodged, MRHMFL should not forward cases to recovery agencies till they have finally disposed of any grievance/complaint lodged by the concerned borrower. However, where MRHMFL is convinced, with appropriate proof, that the borrower is continuously making frivolous / vexatious complaints, it may continue with the recovery proceedings through the Recovery Agents even if a grievance/complaint is pending with them. In cases where the subject matter of the borrower's dues might be sub judice, MRHMFL should exercise utmost caution, as appropriate, in referring the matter to the recovery agencies, depending on the circumstances.
- c. MRHMFL should have a mechanism whereby the borrowers' grievances with regard to the recovery process can be addressed. The details of the mechanism should also be furnished to the borrower while advising the details of the recovery agency as at item above.

## 10. PERIODICAL REVIEW, MONITORING AND CONTROL

MRHMFLs engaging recovery agents are advised to undertake a periodical review of the mechanism to learn from experience, to effect improvements and to bring to the notice of the NHB suggestions for improvement in the guidelines.

## 11. GENERAL

- a. MRHMFL should, at least on an annual basis, review the financial and operational condition of the service providers to assess their ability to continue to meet their outsourcing obligations. Such due diligence reviews, which can be based on all available information about the service provider should highlight any deterioration or breach in performance standards, confidentiality and security, and in business continuity preparedness.
- b. The outsourcing agreement should provide for the prohibition of further outsourcing by the service provider for all or part of an outsourced activity;
- c. MRHMFL should have in place a management structure to monitor and control its outsourcing activities. It should ensure that outsourcing agreements with the service providers contain provisions to address their monitoring and control of outsourced activities.
- d. Regular audits by either the internal auditors or external auditors of the MRHMFL should assess the adequacy of the risk management practices adopted in overseeing and managing the outsourcing arrangement, the MRHMFL's compliance with its risk management framework and the requirements of these guidelines.
- e. In the event of termination of the agreement for any reason, this should be publicized so as to ensure that the customers do not continue to deal with that service provider.
- f. Recovery Agents should be aware of MRHMFL's Consumer Grievances Policy & Recovery & Collection policy and should adhere with the same. Any Non Compliance would be against the company and serious action would be taken against the agent/ agency.
- g. MRHMFL should constitute a Grievance Redressal Machinery and give wide publicity about it through electronic and print media. The name and contact number of designated grievance redressal officer of the HFC should be made known and widely publicised. The designated officer should ensure that genuine grievances of customers are redressed promptly without any delay. It should be clearly indicated that MRHMFLs Grievance Redressal Machinery will also deal with the issue relating to services provided by the outsourced agency.