

## **Wilful Defaulters and action there against**

**DBOD. No. BC.DL. 7 /20.16.003/2003-04**

**July 29, 2003**

All Scheduled Commercial Banks  
All Notified All-India Financial Institutions

Dear Sir,

### **Wilful Defaulters and action thereagainst**

Please refer to our Circulars DBOD.No.BC.DL(W) 12/20.16.002(1)/98-99 dated February 20, 1999 and DBOD.No.DL(W).BC 110/20.16.003/ 2001-02 dated May 30, 2002 on the above subject. It has been brought to our notice that banks/FIs do not have grievance redressal mechanism in respect of borrowers classified as wilful defaulter. The matter has been reviewed by us and it has been decided that the banks/FIs should take the following measures in identifying and reporting instances of wilful default:

- i) As per extant instructions contained in our Circular dated February 20, 1999 referred to above, banks/FIs are required to form a Committee consisting of three GMs/DGMs for identifying the cases of wilful default. With a view to imparting more objectivity in identifying cases of willful default, decisions to classify the borrower as wilful defaulter, in future, may be entrusted to a Committee of higher functionaries headed by the Executive Director and consisting of two GMs/DGMs as decided by the concerned bank/FI.
- ii) The decision taken on classification of wilful defaulters should be well documented and supported by requisite evidence. The decision should clearly spell out the reasons for which the borrower has been declared as wilful defaulter vis-à-vis RBI guidelines.
- iii) Banks/FIs are also advised to create a grievance redressal mechanism for giving a hearing to borrowers who represent that they have been wrongly classified as wilful defaulters. The grievance redressal mechanism would be headed by Chairman and Managing Director and include two other Senior Officials.

2. Please acknowledge receipt.

Yours faithfully,

**( B. Mahapatra )**  
**Chief General Manager**