

भारतीय रिज़र्व बैंक RESERVE BANK OF INDIA

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RBI/2004/220 DBOD.No. DL.BC.94/20.16.003/2003-04

June 17, 2004

All Scheduled Commercial Banks (excluding RRBs) and All Notified All-India Financial Institutions

Dear Sir

Annual Policy Statement: 2004-05 - Wilful Defaulters - Clarification on Process

At present, in terms of our circular DBOD No.BC.DL.7/20.16.003/ 2003-04 dated July 29, 2003, banks/financial institutions (FIs) are required to –

- (a) form a Committee of higher functionaries headed by the Executive Director for classification of borrowal accounts as wilful defaulters, and
- (b) create a redressal mechanism in the form of Committee headed by Chairman and Managing Director for giving a hearing to borrowers who represent that they have been wrongly classified as wilful defaulters.
- 2. It has been represented by the borrowers who have been classified as 'wilful defaulters' that redressal mechanism should precede the classification as 'wilful defaulter'. In this connection, please refer to paragraph 123 of the Annual Policy Statement for the year 2004-05 enclosed to the Governor's letter No.MPD.BC.249/07.01.279/ 2003-04 dated May 18, 2004. Accordingly, it is clarified that the classification of the defaulter as wilful and the mechanism for redressal of the grievance of the borrower concerned are to be carried out thoroughly through two distinct processes, viz.
 - (a) The first stage would be the identification of default as 'wilful' based on the prescribed norms (vide our circular DBOD No.DL(W)BC.110/ 20.16.003/2001-02 dated May 30, 2002) through a Committee approach as stipulated in paragraph 1(i) of the circular dated July 29, 2003 referred to above.
 - (b) The borrower should thereafter be suitably advised about the proposal to classify him as wilful defaulter along with the reasons therefor. The concerned borrower should be provided reasonable time (say 15 days) for making representation against such decision, if he so desires, to the Committee headed by the Chairman and Managing Director.
- 3. A final declaration as 'wilful defaulter' should be made after a view is taken by the Committee on the representation and the borrower should be suitably advised.
- 4. The above guidelines shall come into force with immediate effect.

5. Please acknowledge receipt.

Yours faithfully

(C. R. Muralidharan) Chief General Manager-in-Charge