

November 30, 2007

The Chairman & Managing Director/
Chief Executive Officers of the Scheduled Commercial Banks
(Excluding RRBs)

Dear Sir,

**Guidelines on Settlement of Non Performing Assets –
Obtaining Consent Decree from Court**

Please refer to our circular No.DBOD.BP.BC. 65/21.04.117/2002-2003 dated January 29, 2003, on the captioned subject, which has since been withdrawn in terms of our Circular No.DBOD.No.Inf.BC.48/11.01.009/2006-07 dated December 18, 2006. The guidelines, inter alia, stipulate that the cases where action has been initiated before the Courts/DRTs/BIFR, the settlement under the guidelines should be subject to the consent decree being obtained from the Courts/DRTs/BIFR.

2. The Debt Recovery Tribunal, Ernakulam has observed in a case that although the bank and the defendant borrowers had reached a settlement under the Compromise Settlement Scheme, the bank had not only failed to obtain the consent decree from the DRT, but had also suppressed from the DRT the fact of settlement for more than two and half years thereby violating the aforesaid RBI guidelines and causing the Tribunal to unnecessarily waste its valuable time.

3. The banks are, therefore, hereby advised to invariably ensure that once a case is filed before a Court/DRT/BIFR, any settlement arrived at with the borrower is subject to obtaining a consent decree from the Court/DRT/BIFR concerned.

Yours faithfully,

(Prashant Saran)
Chief General Manager-in-Charge