

likely revise its in-
rest rates by month-end. The bank

Asked whether ICICI Bank was to Rs 39,23,004 crore.

FIDC mulls fresh asset recovery norms

Mahalakshmi Hariharan
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Following the Reserve Bank of India (RBI) circular on 'Clarification regarding repossession of vehicles financed by non-banking finance companies (NBFCs)', the Finance Industry Development Council (FIDC), the representative body of non-banking finance companies has started working on a repossession manual-detailed guidelines in case of defaults, on various issues like follow-up, notice, negotiations, sale procedure, systems and procedures, that would be circulated to all members, very soon.

"We have formed a special task-force of six members, who have started working on this manual. It should be completed in two months' time. This is a detailed code of conduct being formulated by the FIDC, following the RBI circular," said an industry source.

He added that there is a dire need for a standardised system and trans-

parency on this issue, which the FIDC is working on.

According to another industry source, the high courts are taking a view to see if the repossessions are done in line with the Reserve Bank of India (RBI) circular.

"Earlier every court interpreted it in their way. They are now ensuring that all the RBI norms are being followed," said the source.

On April 24, 2009, the RBI came out with a guideline saying non-banking financial companies (NBFCs) must have a built in repossession clause in the loan agreement with the borrower which must be legally enforceable.

Industry players have welcomed this step saying it provides the much needed clarification that NBFCs can repossess vehicles in case of default, by satisfying certain requirements as prescribed in the circular. Repossession is the taking back of property by the lender or seller from the borrower or buyer, usually due to default.

In February 2007, Prakash Kaur had moved the Supreme Court, challenging a leading bank's move to take away his car. The bank argued that it has taken away the vehicle into custody as Kaur was not repaying the loan he had taken to buy the car. It was due to this development that the recoveries suffered and the entire scenario was heavily biased in favour of the defaulting borrower. This resulted in a scenario where repossession had practically stopped.

FIDC had then aggressively taken up this issue with the Government and RBI. They had even intervened in one of the cases relating to repossession before the Supreme Court.

Following the representations and personal meetings with senior RBI officials including the governor and the deputy governor, the RBI then issued a circular in April 24, giving clarifications that if the NBFCs fulfill certain requirements, mentioned in the circular, they can undertake repossession of vehicles in case of default.

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