

Shriram Finance Limited

(SFL)

Loan Recovery Policy

Preamble:

Shriram Finance Limited ("SFL") is engaged in the business of providing loans for Commercial vehicles, Pre-owned and new passenger vehicles, Tractors, Three-wheelers, Two-wheelers, multi-utility vehicles, Business loans, Personal Loans, loans against pledge of jewellery, loans against property and working capital loans for purchase of tyres, insurance and other loans.

The Company is having very large base of customers who avail loans and consequently, the function of recovery of the loan dues on time from its customers is of paramount importance for the Company. This policy on Loan Recovery shall define in detail the process/ procedures relating to the recovery of dues, repossession of vehicles/assets hypothecated as security for the loans and the Code of Conduct to be followed by the collection executive / recovery agents of the Company as per the guidelines of the Reserve Bank of India.

Monitoring of Collection

Regular monitoring of the loan accounts will be done and, in this regard, the following activities are undertaken by the Company:

1. SMS will be sent to borrowers on the EMI payable for the month
2. In case an account is getting classified as SMA-0 or SMA-1, the borrower will be asked to clear the default immediately so that the loan account comes out of the SMA status. Regular telephonic follow up / reminders shall be made for collection of dues from the customers. In the case of habitual defaulters, follow up shall also be by way of visits to the customer's place during the stipulated hours as per guidelines. Code of Conduct shall be followed by each executive / recovery agent.
3. In case of dishonouring of cheques/NACH by customers, the company may follow up with the customer and where required, initiate appropriate legal action.
4. The Company shall also check whether the asset/vehicles are comprehensively insured having valid insurance policy with finance endorsement in favour of SFL. The Branch/Region will also undertake periodic inspection of the asset/vehicle and the continuing business in case of business loan.

Recovery & Repossession Process & Procedure**Demand notice to be issued:**

1. A demand notice shall be issued when the account is delinquent and this is mandatory before repossession of the vehicle.

2. The demand notice to clearly specify the EMI in arrears, the insurance, the bank charges, the overdue interest and any other amount under any head as may be claimed.
3. Borrower shall be given sufficient time to regularize the instalments as mentioned in the agreement (7 days for both commercial vehicles and two-wheelers).

Steps before Repossession of Asset:

1. BM to examine if the notice period is exhausted before considering issue of the order to repossess
2. BM to check if the account is updated and whether the arrear amount continues to exist in the books before issuing the repossession order
3. BM to examine on merits the response if any received from the borrower, in response to the notice sent by the Company

Pre-Repossession process

1. In case, SFL engages the services of recovery/enforcement/seizure agents for recovery, then a valid outsourcing agreement should be in place and the branch manager should ensure the same.
2. A letter of authority to repossess the specified asset, to be issued to the concerned executive or to the Agency, by the Branch Manager before repossession, post checking of Arrear amount as on date of the order to repossess the vehicle.
3. Branches may notify the local police where necessary, about the repossession of the vehicle.
4. BM to ensure that due process of law at local jurisdictions is to be followed at the time of repossession of the vehicle.

Actionable on Repossession

1. Branch manager may, if required notify the local police station the fact of repossession.
2. On repossession, the vehicle should be parked at the designated yard (or) at any other place temporarily for safety purpose. The said vehicle shall be moved to the designated yard within the next 10 days. The location of such place of parking shall be captured in the System/ communicated to the RBH immediately.
3. BM to ensure that the Inventory is taken on repossession.

4. If the vehicle is parked or towed to different places, it is the responsibility of Branch Manager to ensure safety and security of the asset.
5. The Branch Manager shall register in the System, the fact of his issuance of the Repo Order/ Letter of Authority provided to the Executive/Repo Agency, immediately on issuing the said Order/Letter.

Upon repossession of the asset by the Executive/Agent, the Branch Manager shall record the fact of repossession or surrender, location of parking and inventory report in the System. The Regional Business Head/Divisional Head/Zonal Business Head shall review the actions of the Branch Manager and record the observations if any, within 7 working days.

6. Upon repossession of the vehicle, the Company shall immediately within 7 days, issue "Pre-Sale Notice" to the customer (i) informing him about the repossession and calling on him to settle the account.

Vehicle surrender scenario

If the customer intends to handover the vehicle, surrender letter to be obtained in the prescribed format from the borrower. BM to ensure that the Inventory is taken for surrender cases. BM to ensure that a pre-sale notice is sent to the borrower calling on him to settle the account

Exception Case where notice not required

SFL may take possession of the hypothecated Asset without any notice to the Borrower under following circumstances:

1. In case of the Borrower alienating or secreting or concealing or keeping the Asset beyond the reach of SFL or
2. The Borrower using the Asset for unlawful purposes or
3. The Borrower subjecting the Asset to abnormal wear and tear and /or
4. Alienating such other Assets of the Borrower which provide additional security cover to SFL for recovery of the amount due under the agreement.

Release of Vehicle – Scenarios

If the borrower settles the account in full, the vehicle may be released under proper acknowledgement, within three working days from the date of receiving full and final settlement of the account, and record the release of the vehicle in the system.

If the Borrower clears the pending Installments arrears along with other dues and assures to pay the remaining Installments without any delay, vehicle may be handed back to the Borrower and such decision shall be taken by the Branch Manager.

If the vehicle is proposed to be released to the borrower after clearing the current dues or part thereof exceeding 25% of the total dues including overdue interest and other charges, then the BM shall examine the case on merits, record the reasons and may permit release of the vehicle, taking confirmation from the borrower & guarantor to remit all the future EMIs to the company. Details of amount remitted by the borrower duly endorsed by the borrower, for release of the vehicle shall be kept on record. BM shall ensure that all formalities in this regard is completed.

Where the Branch Manager has released the vehicle on receipt of Part Payment, The Regional Business Head / Divisional Manager shall review the decision of the Branch Manager within 15 days from the date of release of the vehicle and endorse the comments, if any.

In case of part payment by the customer is 25% or lower and the BM wants to release the vehicle, then, BM to examine the amount remitted by the borrower and the challenges in repossessioning the vehicle and forward the proposal to the Regional Business Head (RBH) for consideration and proceed to release, only when approved by RBH / Divisional Manager (DM). The views, if any of the RBH or DM shall be endorsed.

Sale of Asset

Valuation of vehicle: The vehicle shall be valued by an agency appointed by the Company and the value shared to SFL. The valuation report shall be on record for inspection.

1. BM shall fix the reserve price.
2. Asset needs to be liquidated to the best possible price at the earliest possible date, so that assets may not depreciate in value.
3. SAMIL or Branch Manager shall carry out the auction in a transparent manner.
4. Vehicle will be sold to the highest bidder/buyer.
5. The successful bidder in auction shall be given reasonable time to remit the bidding amount and take possession of the asset.
6. The vehicle may be released after collecting full sale amount

Post Asset sale – Surplus / Deficit

In case of shortfall, SFL shall issue post sale letter to the customer, mentioning the shortfall, calling the customer to clear the outstanding dues.

In case of surplus in account post sale of vehicle, SFL needs communicate the customer the details of sale and refund the surplus within 30 days. However, if there are other loan accounts which are to be repaid by the borrower, SFL may appropriate the surplus subject to the condition that such account is in arrears with respect to the EMI or other charges.

The post-sale letters as per the above needs to be sent within 10 days from sale completion dates

Engagement of Recovery Agents

SFL in normal course of business will use only its own employees for recovery of dues or repossession of assets in case of defaults by the borrowers.

In case if the Company engages service of such recovery/enforcement/seizure agent for any recovery case, the identity of the agent will be disclosed to the borrower.

Due Diligence:

SFL to conduct thorough background checks on agents, including criminal records, civil suits, RBI defaulter lists, and blacklists from credit information companies. SFL to verify financial stability, infrastructure, and prior experience and empanel only those meeting RBI fit-and-proper criteria with no adverse regulatory history. There shall be an Outsourcing agreement with every agent.

The recovery agents engaged by the Company will be required to follow a code of conduct prescribed by the Company.

Code of Conduct for employees engaged in collection/recovery activities

The following Code of Conduct shall be strictly adhered by the employees engaged in collection/ recovery activities:

I. Tele-calling

A customer may be contacted for collection/recovery of the dues only:

- When the account is delinquent
- To follow up on Insurance renewal and / or where any document is pending from the borrower
- For cross sell when consent of the customer is obtained

The employee shall strictly adhere to the RBI Fair Practices Code in collection/recovery activities.

Time of Tele-calling

Calls to the customers should be made only at a time when it is not expected to cause any inconvenience to the customer (or) at the time specifically mentioned by the customer. The employee shall call the customer between 08.00 hours and 19.00 hours only.

Customer's Privacy

The information sought by the customer regarding the loan, should be discussed with the said customer only. Information about the interests of the customer or discussions about the loan recovery etc. - in the absence of the customer - should be discussed only with the person authorized by the customer.

Leaving Messages

In case the customer is not available or is not able to attend the call, a message shall be left for the customer. The message must clearly indicate the purpose of call with a request to the customer to call back or asking for a convenient time to call again.

Example:

Please leave a message that “Mr./Ms. **** (name of officer) from ***** had called for ***** and requesting you to call back on Telephone No. *****”.

No misleading statements/misrepresentations permitted

The employee should not:

- mislead the customer about the product and services offered by the Company.
- mislead the customer about the organization or the business carried on by the organization or falsely represent themselves.
- make false or unauthorized commitment to the customer on behalf of.
- Make any frivolous or vexatious statements that may constitute as harassment of the customer.

Telemarketing Etiquette

Pre-Call

- Call to the customer should not be made before 08:00 hours or after 19:00 hours unless specifically authorized by the customer.
- List of the customer to be contacted should be cleared by the Team Leader / higher official of the Company as applicable.
- No serial or continuous dialing to the customer.

During Call

- The employee shall identify himself/herself to the customer and request permission to proceed with the call.
- If denied permission on reasonable causes - to apologize, and politely disconnect.
- To state reason for the call
- Never to interrupt or argue.
- To the extent possible, to talk in the language which is most comfortable to the customer.
- To keep the conversation limited to business matters.

Post Call

- To provide all such recordings and information to the Company.
- To provide any details of the outstanding debt to the Company in the form of updates.
- To avoid contacting the customer in the event such customer has/had lodged a complaint to the Company/RBI/other statutory authorities, in respect of the loan.
- Never to entertain calls or avoid any such calls from customers after the outstanding due has been collected. To advise customer to contact the Customer Care / Grievance Redressal Officer in case of any complaints.

II. Payment

The employee can accept payment in cash towards the loan dues, up to Rs.1,99,999/ only and ensure remittance of the same to the Company, immediately.

III. Gifts or Bribes

The employee should not accept gift or bribe from the customers either in cash or kind in consideration of loan recovery services rendered to the customer. Any attempt by the customer to offer gift or bribe should be reported by the employee to the Company. Also, no offer should be made of any gifts/gratitude in cash or in kind, to the customer for recovery of loans or any other issue.

IV. Appearance and Dress Code

The employee should be decently dressed.

V. Precautions to be taken on contact with customer

The employees shall:

- respect personal space- maintain adequate distance from the customer.
- Keep a record of the notice of loan recovery, if sent by the Company to the customer.
- respect the customer's privacy;
- provide his/her telephone number, name of the supervisor or the concerned officer of the and contact details, if asked for by the customer; and
- Limit discussions with the customer to the business - Maintain a professional distance.

VI. Handling of Letter and other communication

Any communication with the customer should only be in the mode and format approved by Company.

Recovery of dues in respect of loans other than vehicles

SFL shall send SMS in respect of the dues outstanding. The Company may also reach out to the customer on a tele call and request the borrower and / or the Guarantor to remit the dues. The

company may also visit the borrower / guarantor in person during the permitted hours in line with the regulations and impress on the customer to regularize the account. The Code of conduct shall be followed by the recovery executive or outsourced agent when the activity is outsourced. The Company shall also issue a notice to the last known address. In the event of continuing default, the company may proceed legally to recover the dues.

The Company may initiate proceedings under SARFAESI Act where the loan is secured by an immovable property. The Company may also initiate proceeding under other provisions of law including the IBC proceedings in NCLT for recovery of the dues.