

FAIR PRACTICES CODE
(Updated on 09.05.2025)

1. INTRODUCTION

- 1.1 The Reserve Bank of India had vide its circular no DOR.NBFC(ARC)CC No. 9/26.03.001/2020-21 dated July 16, 2020 issued directions to be followed by ARC's for implementation of the Fair Practices Code (hereinafter referred to as the FPC).
- 1.2 The Board of Prudent ARC at its meeting on 05.02.2021 approved the FPC of the company.
- 1.3 The RBI has subsequently vide its Master Circular dated April 1, 2022, Circular dated October 11, 2022 and Master Directions dated 24.04.2024 updated the directions on FPC by repealing earlier directions issued in 2020.
- 1.4 The updated FPC is now framed and put up to the Board for consideration and approval.

2. Fair Practices Code (FPC)-Regulatory directives

3. (Para 23 of RBI directives dt 24.04.2024)

23. Fair Practices Code (FPC)

23.1 In order to achieve the highest standards of transparency and fairness in dealing with stakeholders, ARCs are advised to put in place a Board-approved FPC. The FPC must be followed in letter & spirit and its implementation needs to be monitored by the Board. The following paragraphs provide the minimum regulatory expectation while each ARC's Board is free to enhance its scope and coverage:

(i) The ARC shall follow transparent and non-discriminatory practices in acquisition of assets. It shall maintain arm's length distance in the pursuit of transparency.

(ii) In order to enhance transparency in the process of sale of secured assets,

- a) invitation for participation in auction shall be publicly solicited; the process should enable participation of as many prospective buyers as possible;
- b) terms and conditions of such sale may be decided in wider



consultation with investors in the SRs as per the Act; and

c) ARCs shall ensure compliance with Section 29A7 of the IBC in dealing with the prospective buyers.

(iii) ARCs shall release all securities on repayment of dues or on realisation of the outstanding amount of loan, subject to any legitimate right or lien for any other claim they may have against the borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which the ARCs are entitled to retain the securities till the relevant claim is settled/ paid.

(iv) ARCs shall put in place a Board-approved policy on the management fee, expenses and incentives, if any, claimed from trusts under their management. The Board-approved policy should be transparent and ensure that management fee is reasonable and proportionate to the financial transactions.

(v) Any management fee/ incentives charged towards the asset reconstruction or securitisation activity shall come only from the recovery effected from the underlying financial assets. The Board-approved policy shall indicate the quantitative cap/ limit on the management fee/ incentives under various scenarios, any deviation from which shall require approval of the Board.

(vi) ARCs intending to outsource any of their activity shall put in place a comprehensive Board-approved outsourcing policy which incorporates, inter alia, criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities/ service providers. ARCs shall ensure that outsourcing arrangements neither diminish their ability to fulfil their obligations to customers and the Reserve Bank nor impede effective supervision by the Reserve Bank. The information about outsourced agency, if owned/ controlled by a director of the ARC, shall be disclosed by the ARC under the disclosures provided in paragraph 27 of these Directions.

(vii) In the matter of recovery of loans, ARCs shall not resort to harassment of the debtor. ARCs shall ensure that the staff are adequately trained to deal with customers in an appropriate manner.

a) ARCs shall put in place a Board-approved code of conduct for recovery



agents and obtain their undertaking to abide by that code. ARCs, as principals, are responsible for the actions of their recovery agents.

b) It is essential that the recovery agents observe strict customer confidentiality.

c) ARCs shall ensure that recovery agents are properly trained to handle their responsibilities with care and sensitivity, particularly in respect of aspects such as hours of calling, privacy of customer information, etc. They should ensure that recovery agents do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.

d) ARCs shall ensure that they or their agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, persistently calling the borrower and/ or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc.

(viii) ARCs should constitute a grievance redressal machinery within the organisation. The name and contact number of designated grievance redressal officer of the ARC should be mentioned in the communication with the borrowers. The designated officer should ensure that genuine grievances are redressed promptly. ARCs' grievance redressal machinery shall also deal with the issues relating to services provided by the outsourced agency and recovery agents, if any.

(ix) ARCs shall keep the information, they come to acquire in course of their business, strictly confidential and shall not disclose the same to anyone including other companies in the group except when (a) required by law; (b) there is duty towards public to reveal information; or (c) there is borrower's permission.

(x) Compliance with FPC shall be subject to periodic review by the Board.

23.2 The FPC shall be placed in public domain for information of all stakeholders.



23.3 ARCs shall follow the directives issued vide Circular No. DoR.MCS.REC.38/01.01.001/2023-24 dated September 13, 2023 on '**Responsible Lending Conduct**', contents of which is given below:-

- 1) In terms of the directives on Fair Practices Code issued to various Regulated Entities (REs) since 2003, REs are required to release all movable / immovable property documents upon receiving full repayment and closure of loan account. However, it has been observed that the REs follow divergent practices in release of such movable / immovable property documents leading to customer grievances and disputes. To address the issues faced by the borrowers and towards promoting responsible lending conduct among the REs, the following Directions are being issued:

Responsible Lending Conduct – Release of Movable / Immovable Property

- 2) The REs shall release all the original movable / immovable property documents and remove charges registered with any registry within a period of 30 days after full repayment/ settlement of the loan account.
- 3) The borrower shall be given the option of collecting the original movable / immovable property documents either from the banking outlet / branch where the loan account was serviced or any other office of the RE where the documents are available, as per her / his preference
- 4) The timeline and place of return of original movable / immovable property documents will be mentioned in the loan sanction letters issued on or after the effective date.
- 5) In order to address the contingent event of demise of the sole borrower or joint borrowers, the REs shall have a well laid out procedure for return of original movable / immovable property documents to the legal heirs. Such procedure shall be displayed on the website of the REs along with other similar policies and procedures for customer information. Compensation for delay in release of Movable / Immovable Property Documents
- 6) In case of delay in releasing of original movable / immovable property



documents or failing to file charge satisfaction form with relevant registry beyond 30 days after full repayment/ settlement of loan, the RE shall communicate to the borrower reasons for such delay. In case where the delay is attributable to the RE, it shall compensate the borrower at the rate of ₹5,000/- for each day of delay.

- 7) In case of loss/damage to original movable / immovable property documents, either in part or in full, the REs shall assist the borrower in obtaining duplicate/certified copies of the movable / immovable property documents and shall bear the associated costs, in addition to paying compensation as indicated at paragraph 6 above. However, in such cases, an additional time of 30 days will be available to the REs to complete this procedure and the delayed period penalty will be calculated thereafter (i.e., after a total period of 60 days).
- 8) The compensation provided under these directions shall be without prejudice to the rights of a borrower to get any other compensation as per any applicable law.

Applicability:-

- 9) These Directions shall be applicable to all cases where release of original movable / immovable property documents falls due on or after December 1, 2023.

3. Policy on Fair Practices Code:-

3.1. RBI has directed that the FPC is required to be duly approved by their Board. The Board at its meeting held on 05.02.2021 approved the FPC to be implemented by the company. The FPC has now been updated in view of the recent updated directions received from FPC. The RBI has directed that the FPC must be followed in right earnest and the Board must involve itself in its evolution and proper implementation at all times. The FPC is required be placed in public domain for information of all stakeholders

3.2. Scope and Coverage

The following paragraphs provide the scope and coverage of PARC's updated FPC:

- (1) **Acquisitions:-**



PARC shall follow transparent and non-discriminatory practices in acquisition of assets. It shall maintain arm's length distance in the pursuit of transparency.

It shall maintain absolute secrecy in maintaining records of acquisitions, which can be disseminated to outside agencies only with specific approval of the CEO.

(2) Sale of financial assets:-

In order to enhance transparency in the process of sale of secured assets,

- (i) invitation for participation in auction shall be publicly solicited; the process should enable participation of as many prospective buyers as possible;
- (ii) terms and conditions of such sale may be decided in wider consultation with investors in the SRs as per the Act
- (iii) PARC shall ensure compliance with Section 29A of Insolvency and Bankruptcy Code, 2016 in dealing with prospective buyers.

(3) Release of securities:-

PARC shall release all securities on repayment of dues or on realisation of the outstanding amount of loan, subject to any legitimate right or lien for any other claim they may have against the borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which PARC is entitled to retain the securities till the relevant claim is settled/ paid.

The Settlement letter shall mention the timeline before which the original title deeds/documents shall be released upon full settlement

The Settlement letter shall also state the place from where the original title deeds shall be released, namely from Regd office in Delhi or from Mumbai branch office, as the case may be.

(4) Management and other fees:-



PARC has already in place a Board approved policy on the management fee, expenses and incentives, if any, which can be claimed from trusts under their management. The approved policy is drawn in a transparent manner and ensures that management fee is reasonable and proportionate to financial transactions. It is also stipulated in the Management fee policy that any management fee/ incentives charged towards the asset reconstruction or securitisation activity shall come only from the recovery effected from the underlying financial assets. The Board-approved policy indicates the quantitative cap/ limit on the management fee/ incentives any deviation from which shall require approval of the Board.

(5) Recovery and appointment of Recovery Agents:-

a) PARC has put in place a board approved Outsourcing policy which incorporates, inter alia, criteria for selection of such activities as well as service providers including Recovery Agents, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities/ service providers. PARC shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and the Bank nor impede effective supervision by the Bank. The outsourced agency, if owned/controlled by a director of the PARC, the same may be made part of the disclosures specified in latest RBI Master Circular dated 24.04.2024.

b) In the matter of recovery of loans, PARC shall not resort to harassment of the debtor. PARC shall ensure that the staff are adequately trained to deal with customers in an appropriate s.

PARC has introduced a Board approved Code of Conduct for Recovery Agents and obtained their undertaking to abide by that Code. PARC, as principals, is responsible for the actions of their Recovery Agents.

c) As recovery should happen without any complaint of harassment, PARC training programmes for Recovery Agents with focus on their responsibilities with care and sensitivity, particularly in respect of aspects such as hours of calling, privacy of customer information, etc. They should ensure that Recovery Agents do not induce adoption of uncivilized, unlawful and questionable behaviour during recovery process



d) PARC shall ensure that it or its agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, persistently calling the borrower and/ or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc.

(6) Grievance Redressal:-

PARC shall implement the following Grievance Redressal Mechanism:

a) The CEO shall be the Grievance Redressal Officer of the company. Any grievance or dispute arising out of any decision by a functionary of PARC below the rank of CEO may be brought to the notice of CEO by the concerned customer. On receipt of such a complaint / notice, the CEO shall examine the matter and take such action as may be required and furnish an appropriate response to the complainant.

b) Any grievance or dispute arising out of any decision by a functionary of PARC of the rank of CEO may be brought to the notice of MD by the concerned customer. On receipt of such complaint / notice, CMD shall examine the matter and take such action as may be required and furnish an appropriate response to the complainant.

c) Preferable Timelines for resolution of grievances by **CEO/MD** are as given below-

Action	Timeline
Acknowledgement to the complainant	Within 2 working days of receipt at PARC
Initiation of enquiry	Within 4 working days of receipt at PARC



Completion of enquiry	Within 15 working days of receipt at PARC
Final response/resolution of the complaint to the complainant	Within 30 working days of receipt at PARC

d) A Complaints register shall be maintained by the Grievance Redressal Officer (GRO) of PARC in which the following details shall be entered:-

- i) Name of the Complainant
- ii) Address
- iii) Contact Mobile No:
- iv) Name of the account/case:
- v) Nature and details of complaint
- vi) Supporting documents, if any

An electronic record of complaints received from customers and the follow up action taken will be maintained and a summary will be placed before the Board at half-yearly intervals at the end of June and December every year. The Compliance Officer of the company will be the coordinating officer for this purpose. The name and contact details of the compliance officer should be displayed on the website of PARC.

e) The designated officer ie MD/CEO shall ensure that genuine grievances are redressed promptly. PARC's Grievance Redressal machinery will also deal with the issue relating to services provided by the outsourced agency and recovery agents, if any. The name and contact number of designated grievance redressal officer of the PARC is to be mentioned in the communication with the borrowers.

- (7)** PARC shall keep the information, it comes to acquire in course of their business, strictly confidential and shall not disclose the same to anyone including other companies in the group except when
- (i) required by law;
 - (ii) there is a duty towards the public to reveal information; or
 - (iii) there is borrower's permission.

- (8)** The FPC shall be placed on PARC's web site for the information of



all stakeholders.

(9) The Fair Practices Code shall be reviewed quarterly or on the event of occurrence of any event/situation which needs to be reported to the Board of directors.

(10) Information to Credit Information Companies:-

The Reserve Bank of India (RBI) has issued new directives requiring all Asset Reconstruction Companies (ARCs) to bolster their credit information reporting standards in line with those followed by banks and Non-Banking Financial Companies (NBFCs). The circular, aimed at improving the tracking of borrowers' credit histories even after loans are transferred to ARCs, mandates that ARCs become members of all Credit Information Companies (CICs) and maintain up-to-date credit data submissions.

Key Requirements of the New directives:

- **Mandatory CIC Membership:** All ARCs are now required to join all CICs, moving beyond the previous guideline that only necessitated membership with one CIC. The ARCs must submit borrower data using the RBI's Uniform Credit Reporting Format, ensuring uniformity across credit data submissions.
- **Regular Data Submission:** The RBI has stipulated that ARCs update their credit information on a fortnightly basis, or even more frequently if mutually agreed upon with the CICs. This aims to ensure that credit records remain current and accurate, providing a reliable credit history for borrowers whose loans have been acquired by ARCs.
- **Data Rectification:** If credit data submissions are rejected by a CIC, ARCs must address and correct the errors within seven days, ensuring swift rectification and resubmission to maintain data integrity.
- **Adoption of Best Practices:** To streamline credit reporting, the RBI directs ARCs to implement a Standard Operating Procedure (SOP) for CIC-related matters. This SOP should include:
 1. ARCs shall provide requisite customer information, including identifier information, to CICs.
 2. ARCs shall ensure that the records submitted to CICs are updated regularly and that no instances of repayment, including that of the last instalment, are left unreported.



3. Instances of non-updation of repayment information may be avoided by centralizing the issue of no-objection certificates and providing information to CICs.
4. ARCs shall appoint a nodal officer for dealing with CICs.
5. Customer grievance redressal shall be given top priority especially in respect of complaints relating to updation/ alteration of credit information.
6. Grievance redressal in respect of credit information should be integrated with the existing systems, if any, for grievance redressal.
7. ARCs should abide by the period stipulated under CICRA and the Rules and Regulations framed thereunder in respect of updation, alteration of credit information, resolving disputes, etc. Procedure prescribed under Rules 20 and 21 of the Credit Information Companies Rules, 2006 in this regard should be adhered to. Deviations from stipulated time limits should be monitored and commented upon in the periodical reports/ reviews put up to the Board.

ARCs must establish these processes by January 1, 2025, ensuring full compliance with the updated directives

This directive, issued under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, applies to all ARCs. By enhancing credit reporting standards, the RBI aims to create a more reliable credit information environment for borrowers and lenders alike, mitigating potential disruptions in credit histories that can affect borrowers' credit scores. This step underscores the RBI's commitment to promoting transparency and accuracy in India's credit ecosystem.

Review by the Board:-

Fair Practices Code compliance shall be reviewed by the Board every half year preferably in the first week of October and April every year.



ANNEXURE I

MODEL CODE OF CONDUCT FOR RECOVERY AGENTS

1) Regulation:- (Para No 23 of RBI Master direction dt 24th April 2024)

23. (vii) In the matter of recovery of loans, ARCs shall not resort to harassment of the debtor. ARCs shall ensure that the staff are adequately trained to deal with customers in an appropriate manner.

a) ARCs shall put in place a Board-approved code of conduct for recovery agents and obtain their undertaking to abide by that code. ARCs, as principals, are responsible for the actions of their recovery agents.

b) It is essential that the recovery agents observe strict customer confidentiality.

c) ARCs shall ensure that recovery agents are properly trained to handle their responsibilities with care and sensitivity, particularly in respect of aspects such as hours of calling, privacy of customer information, etc. They should ensure that recovery agents do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.

d)⁸ARCs shall ensure that they or their agents do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/ or anonymous calls, persistently calling the borrower and/ or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc.

(viii) ARCs should constitute a grievance redressal machinery within the organisation. The name and contact number of designated grievance redressal officer of the ARC should be mentioned in the communication with the borrowers. The designated officer should ensure that genuine grievances are redressed promptly. ARCs' grievance redressal machinery shall also deal



with the issues relating to services provided by the outsourced agency and recovery agents, if any.

II) Model code of conduct:-

1) Applicability :

The Model Code of Conduct for Recovery Agents (RAs) will be applicable to all RAs appointed by PARC. The **Code of Conduct shall be deemed to form part of the agreement between PARC and the Recovery Agents**. RAs must agree to abide by this code prior to undertaking any recovery operation on behalf of the PARC.

Any RA found violating this code may be blacklisted and such action taken will be reported to IBA on a monthly basis to circulate the same to member Banks for action at their end.

2) When & where RAs may contact a person on telephone:

a) Telephonic contact may normally be limited to between 08.00 hrs and 20.00 hrs unless the special circumstances of the borrower's business or occupation demands otherwise. However, it may be ensured that a borrower is contacted only when the call is not expected to inconvenience him/her. Calls earlier or later than the prescribed hours may be placed only under the following conditions:

- i. When the borrower has authorized to do so in writing or orally.
- ii. Due notice of recall of the loan has been served by PARC on the borrower, and appointment of recovery agent has been intimated to him, and the borrower is intentionally avoiding calls of the RA.
- iii. Time and number of calls and contents of conversation will be documented.

b) The borrower would be contacted ordinarily at the place of his choice and in the absence of any specified place he will be contacted at his/her residence in the place of employment/ business as the case may be.

c) In appropriate occasions such as bereavement in the family or such other calamitous occasions would be avoided for making calls/ visits to collect dues.



3) Confidentiality

- a) Normally RAs should maintain borrower's secrecy.
- b) However, the matter may be discussed with his family members if borrower's response to notice of recall and repeated calls made by RAs on the borrowers do not evoke any response.
- c) Family for this purpose will only be close and adult family members and will include spouse, son (including legally adopted son), unmarried daughter (including legally adopted daughter), unmarried sister, father, mother, daughter-in-law, grandson and grand-daughter.

3.1 Leaving messages and contacting persons other than the borrower

- a) Calls first must be placed to the borrower.
- b) If the borrower is not available a message should be left for the borrower to return the call or check for a convenient time to call again.
- c) Message should be left with his business associate or person(s) representing him in PARC and indicate that "xxxxx (Name of the RA) representing PARC called and requested to call back at xxxxxxxxxxxx (phone No). The purpose of the call is recovery of dues to PARC."

3.2 Code to be adopted during the call

- a) The RAs will identify himself/herself to the borrower and will apprise him/her of the authority to represent.
- b) State reason for call. Provide the borrower with all the information regarding dues and necessary notice be given for enabling discharge of dues.
- c) Offer to call back, if the borrower is busy.
- d) Talk in language which is most comfortable to the borrower.
- e) Keep conversation limited to business.
- f) Reconfirm next call or next visit.
- g) Provide contact numbers (for RAs as well as for PARC).
- h) Reasonable notice will be given before repossession of security as well as before its realization.



- i) All assistance will be given to resolve disputes or differences in a mutually acceptable and in an ordinary manner, if any as regards dues.
- j) Demeanor that will suggest criminal intimidation or threat of violence would be scrupulously avoided.

4) Gifts or bribes

RAs will not accept any kind of gift or bribe

5) Others

- a) RAs will not accept cash and recoveries will be deposited in the account designated by PARC directly.
- b) RAs must be appropriately dressed, decorum and decency will be maintained.
- c) RAs would resort only legally permissible activities during the course of recovery.

