भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-2027/228

DOR.MCS.REC.No.198/01-01-038/2026-27 August 6, 2026

Reserve Bank of India (Rural Co-operative Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026

Certain instructions on matters related to engagement of recovery agents by Rural Co-operative Banks (RCBs) have been issued to RCBs under the Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025. The extant instructions have since been reviewed and it has been decided to issue comprehensive instructions on conduct related matters in recovery of loan dues and engagement of recovery agencies to all RCBs (hereinafter referred to collectively as "RCBs" and individually as an "RCB") under the aforesaid Directions.

2. In exercise of the powers conferred by Sections 21, 35A and 56 of the Banking Regulation Act,1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Rural Co-operative Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026.

(2) These Directions shall come into effect from **January 1, 2027**.

4. These Amendment Directions shall modify the Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025 as under:

(1) In paragraph 4, the following definitions shall be inserted after sub-paragraph 4(23), namely:

> ***"4(23A) Recovery agency*** *means an entity or individual (other than RCB's own employees) who has been engaged by an RCB, irrespective of the contractual designation / nomenclature used for such engagement, under an outsourcing arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.*
>
> *Illustration: A Business Correspondent (BC) involved in recovery related*

activities on behalf of an RCB shall be treated as a recovery agency for the purpose of these Directions.

4(23B) Recovery agent *means a representative of a recovery agency who is involved in recovery related activities, on behalf of an RCB, at the point of customer interface.*

Explanation: Wherever an individual is directly engaged by an RCB under an outsourcing arrangement for recovery / possession related activities, instructions applicable to recovery agency as well as recovery agent shall apply to such an individual."

(2) In Chapter VIII on 'Responsible Lending Conduct', the paragraphs 369 to 378 shall be deleted. Further, the following section and paragraphs shall be inserted after paragraph 378, namely:

"J. Conduct of RCBs in Recovery of Loan Dues and Engagement of Recovery Agencies

378A. *The provisions under this Section shall apply to recovery of loan dues by an RCB from borrowers in default, including taking possession of a security.*

Provided that, *wherever explicitly specified, these provisions shall also apply, mutatis mutandis, to collection of dues in the normal course from the borrowers who are not in default.*

378B. *The provisions under this Section shall be without prejudice to any statutory rights available to an RCB, and / or obligations, relating to enforcement of security under any statute, as well as provisions relating to specific recovery actions such as one-time settlement contained in other relevant Directions.*

378C. *'RCB employees', for the purpose of this Section, shall include those employees of an RCB who are deployed for recovery of loan dues, including taking possession of a security.*

J.1 Policy

378D. *An RCB shall put in place a policy on collection / recovery of loan dues, including taking possession of a security, by its own employee or recovery agent. The policy shall, inter alia, cover aspects related to trigger(s) for initiation*

of recovery process, graded actions as per an escalation matrix for loan recovery, code of conduct for employees and recovery agents, recovery of loan dues in case of demise of borrower, a structured framework for handling cases involving financial distress including documented pre-escalation engagement and guidance regarding available resolution options, etc.

378E. *Further, with regard to engagement of recovery agencies, the policy shall cover, inter alia, eligibility and due diligence criteria for engagement of recovery agencies, performance evaluation standards, inspection / audit and control mechanisms to ensure compliance with statutory / regulatory requirements, procedures to be followed / penal actions to be taken in case of non-compliant recovery agencies and / or their agents, etc.*

378F. *The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery related actions of the RCB or recovery agencies not consistent with these Directions.*

378G. *An RCB, deploying a technology-based mechanism for recovery of loan dues in terms of instructions issued at paragraph 378S below, shall incorporate the related aspects under the policy on collection / recovery of loan dues, including but not limited to the restrictions that shall be applied in a gradual manner on a financed mobile device in case of default by the borrower, timelines for issuing notice to the defaulting borrower, role and responsibilities of third party service provider (if the mechanism is not developed or maintained by the RCB), etc.*

J.2 Engagement of recovery agencies for recovery of loan dues

J.2.1 Due diligence

378H. *An RCB engaging recovery agencies shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank in the Reserve Bank of India (Rural Co-operative Banks – Managing Risks in Outsourcing) Directions, 2025, as amended from time to time. An RCB or the recovery agencies engaged by it shall carry out verification of the antecedents of the recovery agents at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity as specified in the RCB's policy.*

J.2.2 Training

378I. *An RCB shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF. An RCB shall also ensure that recovery agents already engaged by its recovery agencies, but not holding the aforesaid certificate, obtain the certificate from IIBF within a period of one year from the effective date of these Directions.*

J.2.3 Code of Conduct for recovery agents and RCB employees

378J. *An RCB, based on the instructions mentioned in these Directions, shall put in place a code of conduct for recovery agents and its own employees. Where a recovery agency has been engaged, the RCB shall obtain an undertaking from the recovery agency that its recovery agents agree to abide by the code of conduct.*

J.3 Responsibilities of an RCB

J.3.1 Disclosure of information on recovery agencies

378K*. An RCB shall make available an up-to-date list of recovery agencies empanelled with or engaged by it on its website. Such list shall include the name and other details of the recovery agencies such as type (corporate / individual), correspondence address, the period of engagement and purpose of engagement (recovery / possession of security). The RCB shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the RCB shall promptly update such list.*

378L*. While forwarding a case to any recovery agency for recovery of loan dues through in-person visit to the place of the borrower / guarantor, the RCB shall intimate the details of the recovery agency to the borrower / guarantor at least one day prior to the first visit.*

378M. *In case of change of the recovery agency during an ongoing recovery process, the RCB shall immediately notify the borrower / guarantor of the change.*

378N. *In the event of termination of the agreement with a recovery agency for any reason, the RCB shall immediately notify the same to the borrowers / guarantors, to whom such recovery agency was assigned, so as to ensure that they do not continue to deal with that agency or its recovery agents.*

J.3.2 Fair treatment to borrowers during recovery process

378O. *An RCB shall ensure that the disclosure of any borrower's / guarantor's information to its employees / recovery agencies is limited to the extent required to enable them to discharge their loan recovery related duties. Further, the RCB shall put in place mitigants, including penal provisions, to ensure that its employees / recovery agencies do not misuse any customer information in any manner.*

378P. *An RCB shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the RCB shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and the calls made by the borrower / guarantor to the telephone / mobile number conveyed by the RCB. The record shall be preserved for a period of six months from the date the call was made, or in cases which are sub judice, till they are disposed of. Further, the RCB shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

378Q. *An RCB shall ensure that the recovery targets or the structure of incentives for its employees or that covered in its contract with a recovery agency, as applicable, do not induce adoption of harsh recovery practices as described at paragraph 378Z below.*

J.3.3 Taking possession of security

378R. *Where an RCB has incorporated a possession clause in the loan contract / agreement with a borrower and relies on such possession clause for enforcing its rights, the RCB shall ensure that the possession clause is legally valid and that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms*

and conditions of the loan contract / agreement shall contain provisions regarding:

(1) notice period before taking possession;

(2) circumstances under which the notice period can be waived;

(3) the procedure for taking possession of the security;

(4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;

(5) the procedure for giving the possession of the security back to the borrower; and

(6) the procedure for sale / auction of the security.

J.3.4 Deployment of technology-based mechanism for recovery of loan dues

378S. *An RCB shall not deploy any technology-based mechanism, either on its own or by entering into an arrangement with a third-party service provider, which restricts or disables any of the functionalities of a mobile device of a borrower such as mobile phone, tablet and laptop as a recovery tool, except to recover its loan dues arising out from financing of such a device. The RCB may resort to such restriction or disablement of the functionalities of a mobile device provided the following conditions are satisfied:*

(1) The acquisition of the concerned mobile device is financed by the RCB through a loan;

(2) The loan agreement / contract, expressly and unambiguously, permits such an action, which shall also include the procedure to be followed in complying with the directions issued under this section;

(3) Due notice is issued to the borrower in terms of the timelines specified in the loan agreement to repay the loan dues, which shall include details of the gradual restrictions that shall be imposed on the device functionalities. However, the RCB shall not initiate any restriction or disable the functionalities of the device using the technology mechanism deployed for the purpose, until the associated loan has become 30 days

past due and the borrower has not paid the amount due despite being served notices in this regard. Gradual restrictions on the device functionalities (except those deemed to be essential in terms of instructions at paragraph 378T below) may be initiated thereafter, and the full set of restrictions as covered in the loan agreement may be made effective only after the loan has become 60 days past due. Further, outgoing calls shall not be restricted before the loan has become 60 days past due;

(4) The RCB and / or the third-party service provider shall obtain certification for its technology-based mechanism from the Original Equipment Manufacturer (OEM) of the mobile device and / or the Operating System platform, if provided.

***378T.** An RCB, deploying any technology-based mechanism for restricting or disabling the functionalities of a mobile device of a borrower, shall ensure adherence to the following:*

(1) The RCB shall adopt a gradual approach rather than disabling the device, ab initio.

(2) The RCB shall not restrict / disable functionalities deemed essential, such as access to incoming calls, SMS and emergency SOS features.

(3) The restrictions applied on the device functionalities shall not result in denial of access in carrying out the activities related to work / employment of the borrower.

(4) The RCB shall ensure that the borrower has visibility into the status of restrictions applied on her / his mobile device at any point of time.

(5) The RCB shall ensure that the restrictions on device functionalities are reversed expeditiously, and not later than one hour of realisation of the dues from the borrower.

(6) In cases of wrongful restrictions or delay in reversal of restrictions applied on the functionalities of a mobile device after realisation of dues from the borrower where the reason for the delay is attributable to the RCB, the lender shall compensate the borrower at the rate of ₹250 per

hour till the wrongful action is remedied. However, the total compensation payable by the RCB to the borrower shall be capped at the amount of loan disbursed.

(7) The RCB shall promptly relinquish access / control or disable, as applicable, the technology-based mechanism deployed for restricting the functionalities of the mobile device after the loan is repaid in full. Further, in cases where the uninstallation of the mechanism from the mobile device is to be undertaken by the borrower, the RCB shall inform him / her of the steps to be taken in this regard.

(8) The borrower shall have the right to prepay the loan, either partly or fully, at any stage.

(9) The RCB shall put in place a robust grievance redressal mechanism to resolve borrower's grievances regarding delays and issues in unlocking of the functionalities of the mobile device.

378U. *An RCB and its third-party service provider engaged for deployment of the technology-based device locking mechanism shall not access or make use of the personal data (such as contacts, SMS, call logs, photos, location history, etc.) available in the mobile device of a borrower for the purpose of loan recovery or any other purpose under any circumstances.*

J.3.5 Periodic review, monitoring and control

378V. *An RCB shall put in place a management structure to monitor and control the activities of its recovery agencies and ensure that they refrain from actions that could damage the RCB's integrity and reputation. The RCB shall ensure that its agreement with a recovery agency contains the necessary provisions for achieving the same.*

378W. *An RCB, engaging recovery agencies, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

J.4 Conduct of RCB's employees and recovery agents

378X. *An RCB's employee and recovery agent, while visiting the borrower / guarantor for collection / recovery of loan dues / taking possession of security, shall identify themselves by displaying their identity card issued by the RCB and* *recovery agency, respectively. The recovery agent shall also carry an authorisation letter issued by the RCB or the recovery agency and a copy of the notice issued by the RCB in terms of paragraph 378L above. The authorisation letter and the notice shall, among other details, include the telephone number of the recovery agency and the grievance redressal officer appointed by the RCB in terms of paragraph 378AA below.*

378Y. *An RCB shall ensure that its employee / recovery agent engaged in activities related to collection / recovery of loan dues adheres to the following:*

(1) An employee / recovery agent shall discuss the matters related to the loan dues and collection / recovery thereof only with the borrower / guarantor, as applicable.

(2) An employee / recovery agent shall interact with the borrower / guarantor in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's / guarantor's place for collection / recovery of loan dues.

(3) Only the representative(s) authorised by the RCB / recovery agency shall visit the borrower's / guarantor's premises for activities related to recovery of loan dues.

(4) An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so. Further, the borrower's / guarantor's request to avoid call / visit at a particular time shall be honoured in normal circumstances.

(5) An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the employee / recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place of his / her business / occupation.

(6) An employee / recovery agent shall avoid inappropriate occasions such as bereavement in the family, medical emergencies, or such other calamitous occasion, or marriage functions, etc., for making calls / visits to recover loan dues from a borrower / guarantor.

(7) In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the RCB. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.

(8) Written communication, if any, sent by an employee / recovery agent to the borrower / guarantor shall have prior approval of the RCB and shall contain the name and contact details of the sender.

(9) An employee / recovery agent shall promptly give proper acknowledgement / receipt on collection / recovery of loan dues from the borrower / guarantor.

378Z. *An RCB's employee / recovery agent shall not engage in any harsh methods towards collection / recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:*

(1) Use of minatory or abusive language;

(2) Use of social media for posting video / audio recordings or personal details of the borrower / guarantor;

(3) Sending inappropriate messages either on mobile or through social media;

(4) Excessively calling / messaging to the borrower / guarantor and / or calling / messaging outside the prescribed hours;

(5) Making threatening and / or anonymous calls;

(6) Intimidating or harassing the borrower / guarantor and / or his / her relatives, referees, friends, or co-workers in either verbal, physical or any other manner, including acts intended to humiliate them publicly or intruding upon their privacy;

(7) Use or threat of use of violence or other similar means to harm the borrower / guarantor or their family / assets / reputation;

(8) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

J.5 Complaints against RCB's employees and its recovery agents

378AA. *An RCB shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agency as at paragraph 378L above. Further, all recovery related communications issued by the RCB must contain the name, email address, telephone number and address of the grievance redressal officer concerned of the RCB whom the borrower / guarantor can contact.*

J.6 Adherence to other regulations issued by the Reserve Bank / other authorities

378AB. *In addition to the Directions mentioned herein, an RCB shall also ensure compliance with any relevant instructions issued by the Reserve Bank on related matters such as outsourcing of financial and IT services, etc., and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCPR), 2018, as amended from time to time."*

(Veena Srivastava)
Chief General Manager

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-2027/224

DOR.MCS.REC.No.194/01-01-033/2026-27 August 6, 2026

Reserve Bank of India (Small Finance Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026

Certain instructions on matters related to engagement of recovery agents by Small Finance Banks (SFBs) have been issued to SFBs under the Reserve Bank of India (Small Finance Banks – Responsible Business Conduct) Directions, 2025. The extant instructions have since been reviewed and it has been decided to issue comprehensive instructions on conduct related matters in recovery of loan dues and engagement of recovery agencies to all SFBs (hereinafter referred to collectively as "SFBs" and individually as an "SFB") under the aforesaid Directions.

2. In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act,1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Small Finance Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026.

(2) These Directions shall come into effect from **January 1, 2027**.

4. These Amendment Directions shall modify the Reserve Bank of India (Small Finance Banks – Responsible Business Conduct) Directions, 2025 as under:

(1) In paragraph 4, the following definitions shall be inserted after sub-paragraph 4(24), namely:

> ***"4(24A) Recovery agency*** *means an entity or individual (other than SFB's own employees) who has been engaged by an SFB, irrespective of the contractual designation / nomenclature used for such engagement, under an outsourcing arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.*

Illustration: A Business Correspondent (BC) involved in recovery related activities on behalf of an SFB shall be treated as a recovery agency for the purpose of these Directions.

4(24B) Recovery agent *means a representative of a recovery agency who is involved in recovery related activities, on behalf of an SFB, at the point of customer interface.*

Explanation: Wherever an individual is directly engaged by an SFB under an outsourcing arrangement for recovery / possession related activities, instructions applicable to recovery agency as well as recovery agent shall apply to such an individual."

(2) In Chapter VIII on 'Responsible Lending Conduct', the paragraphs 408 to 416 and 442 to 454 shall be deleted. Further, the following section and paragraphs shall be inserted after paragraph 454, namely:

"L. Conduct of SFBs in Recovery of Loan Dues and Engagement of Recovery Agencies

454A. *The provisions under this Section shall apply to recovery of loan dues by an SFB from borrowers in default, including taking possession of a security.*

Provided that, *wherever explicitly specified, these provisions shall also apply, mutatis mutandis, to collection of dues in the normal course from the borrowers who are not in default.*

454B. *The provisions under this Section shall be without prejudice to any statutory rights available to an SFB, and / or obligations, relating to enforcement of security under any statute, as well as provisions relating to specific recovery actions such as one-time settlement contained in other relevant Directions.*

454C. *'SFB employees', for the purpose of this Section, shall include those employees of an SFB who are deployed for recovery of loan dues, including taking possession of a security.*

L.1 Policy

454D. *An SFB shall put in place a policy on collection / recovery of loan dues, including taking possession of a security, by its own employee or recovery agent. The policy shall, inter alia, cover aspects related to trigger(s) for initiation*

of recovery process, graded actions as per an escalation matrix for loan recovery, code of conduct for employees and recovery agents, recovery of loan dues in case of demise of borrower, a structured framework for handling cases involving financial distress including documented pre-escalation engagement and guidance regarding available resolution options, etc.

454E. *Further, with regard to engagement of recovery agencies, the policy shall cover, inter alia, eligibility and due diligence criteria for engagement of recovery agencies, performance evaluation standards, inspection / audit, and control mechanisms to ensure compliance with statutory / regulatory requirements, procedures to be followed / penal actions to be taken in case of non-compliant recovery agencies and / or their agents, etc.*

454F. *The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery related actions of the SFB or recovery agencies not consistent with these Directions.*

454G. *An SFB, deploying a technology-based mechanism for recovery of loan dues in terms of instructions issued at paragraph 454S below, shall incorporate the related aspects under the policy on collection / recovery of loan dues, including but not limited to the restrictions that shall be applied in a gradual manner on a financed mobile device in case of default by the borrower, timelines for issuing notice to the defaulting borrower, role and responsibilities of third party service provider (if the mechanism is not developed or maintained by the SFB), etc.*

L.2 Engagement of recovery agencies for recovery of loan dues

L.2.1 Due diligence

454H. *An SFB engaging recovery agencies shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank in the Reserve Bank of India (Small Finance Banks – Managing Risks in Outsourcing) Directions, 2025, as amended from time to time. An SFB or the recovery agencies engaged by it shall carry out verification of the antecedents of the recovery agents at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity as specified in the SFB's policy.*

L.2.2 Training

454I. *An SFB shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF.*

L.2.3 Code of Conduct for recovery agents and SFB employees

454J. *An SFB, based on the instructions mentioned in these Directions, shall put in place a code of conduct for recovery agents and its own employees. Where a recovery agency has been engaged, the SFB shall obtain an undertaking from the recovery agency that its recovery agents agree to abide by the code of conduct.*

L.3 Responsibilities of an SFB

L.3.1 Disclosure of information on recovery agencies

454K*. An SFB shall make available an up-to-date list of recovery agencies empanelled with or engaged by it on its website. Such list shall include the name and other details of the recovery agencies such as type (corporate / individual), correspondence address, the period of engagement and purpose of engagement (recovery / possession of security). The SFB shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the SFB shall promptly update such list.*

454L*. While forwarding a case to any recovery agency for recovery of loan dues through in-person visit to the place of the borrower / guarantor, the SFB shall intimate the details of the recovery agency to the borrower / guarantor at least one day prior to the first visit.*

454M. *In case of change of the recovery agency during an ongoing recovery process, the SFB shall immediately notify the borrower / guarantor of the change.*

454N. *In the event of termination of the agreement with a recovery agency for any reason, the SFB shall immediately notify the same to the borrowers /*

guarantors, to whom such recovery agency was assigned, so as to ensure that they do not continue to deal with that agency or its recovery agents.

L.3.2 Fair treatment to borrowers during recovery process

454O. *An SFB shall ensure that the disclosure of any borrower's / guarantor's information to its employees / recovery agencies is limited to the extent required to enable them to discharge their loan recovery related duties. Further, the SFB shall put in place mitigants, including penal provisions, to ensure that its employees / recovery agencies do not misuse any customer information in any manner.*

454P. *An SFB shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the SFB shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and the calls made by the borrower / guarantor to the telephone / mobile number conveyed by the SFB. The record shall be preserved for a period of six months from the date the call was made, or in cases which are sub judice, till they are disposed of. Further, the SFB shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

454Q. *An SFB shall ensure that the recovery targets or the structure of incentives for its employees or that covered in its contract with a recovery agency, as applicable, do not induce adoption of harsh recovery practices as described at paragraph 454Z below.*

L.3.3 Taking possession of security

454R. *Where an SFB has incorporated a possession clause in the loan contract / agreement with a borrower and relies on such possession clause for enforcing its rights, the SFB shall ensure that the possession clause is legally valid and that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms and conditions of the loan contract / agreement shall contain provisions regarding:*

(1) notice period before taking possession;

(2) circumstances under which the notice period can be waived;

(3) the procedure for taking possession of the security;

(4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;

(5) the procedure for giving the possession of the security back to the borrower; and

(6) the procedure for sale / auction of the security.

L.3.4 Deployment of technology-based mechanism for recovery of loan dues

454S. *An SFB shall not deploy any technology-based mechanism, either on its own or by entering into an arrangement with a third-party service provider, which restricts or disables any of the functionalities of a mobile device of a borrower such as mobile phone, tablet and laptop as a recovery tool, except to recover its loan dues arising out from financing of such a device. The SFB may resort to such restriction or disablement of the functionalities of a mobile device provided the following conditions are satisfied:*

(1) The acquisition of the concerned mobile device is financed by the SFB through a loan;

(2) The loan agreement / contract, expressly and unambiguously, permits such an action, which shall also include the procedure to be followed in complying with the directions issued under this section;

(3) Due notice is issued to the borrower in terms of the timelines specified in the loan agreement to repay the loan dues, which shall include details of the gradual restrictions that shall be imposed on the device functionalities. However, the SFB shall not initiate any restriction or disable the functionalities of the device using the technology mechanism deployed for the purpose, until the associated loan has become 30 days past due and the borrower has not paid the amount due despite being served notices in this regard. Gradual restrictions on the device functionalities (except those deemed to be essential in terms of instructions at paragraph 454T below) may be initiated thereafter, and

the full set of restrictions as covered in the loan agreement may be made effective only after the loan has become 60 days past due. Further, outgoing calls shall not be restricted before the loan has become 60 days past due;

(4) The SFB and / or the third-party service provider shall obtain certification for its technology-based mechanism from the Original Equipment Manufacturer (OEM) of the mobile device and / or the Operating System platform, if provided.

454T. *An SFB, deploying any technology-based mechanism for restricting or disabling the functionalities of a mobile device of a borrower, shall ensure adherence to the following:*

(1) The SFB shall adopt a gradual approach rather than disabling the device, ab initio.

(2) The SFB shall not restrict / disable functionalities deemed essential, such as access to incoming calls, SMS and emergency SOS features.

(3) The restrictions applied on the device functionalities shall not result in denial of access in carrying out the activities related to work / employment of the borrower.

(4) The SFB shall ensure that the borrower has visibility into the status of restrictions applied on her / his mobile device at any point of time.

(5) The SFB shall ensure that the restrictions on device functionalities are reversed expeditiously, and not later than one hour of realisation of the dues from the borrower.

(6) In cases of wrongful restrictions or delay in reversal of restrictions applied on the functionalities of a mobile device after realisation of dues from the borrower where the reason for the delay is attributable to the SFB, the lender shall compensate the borrower at the rate of ₹250 per hour till the wrongful action is remedied. However, the total compensation payable by the SFB to the borrower shall be capped at the amount of loan disbursed.

(7) The SFB shall promptly relinquish access / control or disable, as applicable, the technology-based mechanism deployed for restricting the functionalities of the mobile device after the loan is repaid in full. Further, in cases where the uninstallation of the mechanism from the mobile device is to be undertaken by the borrower, the SFB shall inform him / her of the steps to be taken in this regard.

(8) The borrower shall have the right to prepay the loan, either partly or fully, at any stage.

(9) The SFB shall put in place a robust grievance redressal mechanism to resolve borrower's grievances regarding delays and issues in unlocking of the functionalities of the mobile device.

454U. *An SFB and its third-party service provider engaged for deployment of the technology-based device locking mechanism shall not access or make use of the personal data (such as contacts, SMS, call logs, photos, location history, etc.) available in the mobile device of a borrower for the purpose of loan recovery or any other purpose under any circumstances.*

L.3.5 Periodic review, monitoring and control

454V. *An SFB shall put in place a management structure to monitor and control the activities of its recovery agencies and ensure that they refrain from actions that could damage the SFB's integrity and reputation. The SFB shall ensure that its agreement with a recovery agency contains necessary provisions for achieving the same.*

454W. *An SFB, engaging recovery agencies, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

L.4 Conduct of SFB's employees and recovery agents

454X. *An SFB's employee and recovery agent, while visiting the borrower / guarantor for collection / recovery of loan dues / taking possession of security, shall identify themselves by displaying their identity card issued by the SFB and recovery agency, respectively. The recovery agent shall also carry an authorisation letter issued by the SFB or the recovery agency and a copy of the notice issued by the SFB in terms of paragraph 454L above. The authorisation* *letter and the notice shall, among other details, include the telephone number of the recovery agency and the grievance redressal officer appointed by the SFB in terms of paragraph 454AA below.*

454Y. *An SFB shall ensure that its employee / recovery agent engaged in activities related to collection / recovery of loan dues adheres to the following:*

(1) An employee / recovery agent shall discuss the matters related to the loan dues and collection / recovery thereof only with the borrower / guarantor, as applicable.

(2) An employee / recovery agent shall interact with the borrower / guarantor in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's / guarantor's place for collection / recovery of loan dues.

(3) Only the representative(s) authorised by the SFB / recovery agency shall visit the borrower's / guarantor's premises for activities related to recovery of loan dues.

(4) An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so. Further, the borrower's / guarantor's request to avoid call / visit at a particular time shall be honoured in normal circumstances.

(5) An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the employee / recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place of his / her business / occupation.

(6) An employee / recovery agent shall avoid inappropriate occasions such as bereavement in the family, medical emergencies, or such other calamitous occasion, or marriage functions, etc., for making calls / visits to recover loan dues from a borrower / guarantor.

(7) In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the SFB. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.

(8) Written communication, if any, sent by an employee / recovery agent to the borrower / guarantor shall have prior approval of the SFB and shall contain the name and contact details of the sender.

(9) An employee / recovery agent shall promptly give proper acknowledgement / receipt on collection / recovery of loan dues from the borrower / guarantor.

***454Z.** An SFB's employee / recovery agent shall not engage in any harsh methods towards collection / recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:*

(1) Use of minatory or abusive language;

(2) Use of social media for posting video / audio recordings or personal details of the borrower / guarantor;

(3) Sending inappropriate messages either on mobile or through social media;

(4) Excessively calling / messaging to the borrower / guarantor and / or calling / messaging outside the prescribed hours;

(5) Making threatening and / or anonymous calls;

(6) Intimidating or harassing the borrower / guarantor and / or his / her relatives, referees, friends, or co-workers in either verbal, physical or any other manner, including acts intended to humiliate them publicly or intruding upon their privacy;

(7) Use or threat of use of violence or other similar means to harm the borrower / guarantor or their family / assets / reputation;

(8) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

L.5 Complaints against SFB's employees and its recovery agents

454AA. *An SFB shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agency as at paragraph 454L above. Further, all recovery related communications issued by the SFB must contain the name, email address, telephone number and address of the grievance redressal officer concerned of the SFB whom the borrower / guarantor can contact.*

L.6 Adherence to other regulations issued by the Reserve Bank / other authorities

454AB. *In addition to the Directions mentioned herein, an SFB shall also ensure compliance with any relevant instructions issued by the Reserve Bank on related matters such as outsourcing of financial and IT services, etc., and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCPR), 2018, as amended from time to time."*

(Veena Srivastava)
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RBI/2026-2027/226

DOR.MCS.REC.No.196/01-01-036/2026-27 August 6, 2026

Reserve Bank of India (Regional Rural Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026

Certain instructions on matters related to engagement of recovery agents by Regional Rural Banks (RRBs) have been issued to RRBs under the Reserve Bank of India (Regional Rural Banks – Responsible Business Conduct) Directions, 2025. The extant instructions have since been reviewed and it has been decided to issue comprehensive instructions on conduct related matters in recovery of loan dues and engagement of recovery agencies to all RRBs (hereinafter referred to collectively as "RRBs" and individually as an "RRB") under the aforesaid Directions.

2. In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act,1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Regional Rural Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026.

(2) These Directions shall come into effect from **January 1, 2027**.

4. These Amendment Directions shall modify the Reserve Bank of India (Regional Rural Banks – Responsible Business Conduct) Directions, 2025 as under:

(1) In paragraph 4, the following definitions shall be inserted after sub-paragraph 4(24), namely:

> ***"4(24A) Recovery agency*** *means an entity or individual (other than RRB's own employees) who has been engaged by an RRB, irrespective of the contractual designation / nomenclature used for such engagement, under an outsourcing arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.*

Illustration: A Business Correspondent (BC) involved in recovery related activities on behalf of an RRB shall be treated as a recovery agency for the purpose of these Directions.

4(24B) Recovery agent *means a representative of a recovery agency who is involved in recovery related activities, on behalf of an RRB, at the point of customer interface.*

Explanation: Wherever an individual is directly engaged by an RRB under an outsourcing arrangement for recovery / possession related activities, instructions applicable to recovery agency as well as recovery agent shall apply to such an individual."

(2) In Chapter VIII on 'Responsible Lending Conduct', the paragraphs 428 to 437 shall be deleted. Further, the following section and paragraphs shall be inserted after paragraph 437, namely:

"J. Conduct of RRBs in Recovery of Loan Dues and Engagement of Recovery Agencies

437A. *The provisions under this Section shall apply to recovery of loan dues by an RRB from borrowers in default, including taking possession of a security.*

Provided that, *wherever explicitly specified, these provisions shall also apply, mutatis mutandis, to collection of dues in the normal course from the borrowers who are not in default.*

437B. *The provisions under this Section shall be without prejudice to any statutory rights available to an RRB, and / or obligations, relating to enforcement of security under any statute, as well as provisions relating to specific recovery actions such as one-time settlement contained in other relevant Directions.*

437C. *'RRB employees', for the purpose of this Section, shall include those employees of an RRB who are deployed for recovery of loan dues, including taking possession of a security.*

J.1 Policy

437D. *An RRB shall put in place a policy on collection / recovery of loan dues, including taking possession of a security, by its own employee or recovery* *agent. The policy shall, inter alia, cover aspects related to trigger(s) for initiation of recovery process, graded actions as per an escalation matrix for loan recovery, code of conduct for employees and recovery agents, recovery of loan dues in case of demise of borrower, a structured framework for handling cases involving financial distress including documented pre-escalation engagement and guidance regarding available resolution options, etc.*

437E. *Further, with regard to engagement of recovery agencies, the policy shall cover, inter alia, eligibility and due diligence criteria for engagement of recovery agencies, performance evaluation standards, inspection / audit and control mechanisms to ensure compliance with statutory / regulatory requirements, procedures to be followed / penal actions to be taken in case of non-compliant recovery agencies and / or their agents, etc.*

437F. *The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery actions of the RRB or recovery agencies not consistent with these Directions.*

437G. *An RRB, deploying a technology-based mechanism for recovery of loan dues in terms of instructions issued at paragraph 437S below, shall incorporate the related aspects under the policy on collection / recovery of loan dues, including but not limited to the restrictions that shall be applied in a gradual manner on a financed mobile device in case of default by the borrower, timelines for issuing notice to the defaulting borrower, role and responsibilities of third party service provider (if the mechanism is not developed or maintained by the RRB), etc.*

J.2 Engagement of recovery agencies for recovery of loan dues

J.2.1 Due diligence

437H. *An RRB engaging recovery agencies shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank on outsourcing of financial services, as amended from time to time. An RRB or the recovery agencies engaged by it shall carry out verification of the antecedents of the recovery agents at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity as specified in the RRB's policy.*

J.2.2 Training

437I. *An RRB shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF. An RRB shall also ensure that recovery agents already engaged by its recovery agencies, but not holding the aforesaid certificate, obtain the certificate from IIBF within a period of one year from the effective date of these Directions.*

J.2.3 Code of Conduct for recovery agents and RRB employees

437J. *An RRB, based on the instructions mentioned in these Directions, shall put in place a code of conduct for recovery agents and its own employees. Where a recovery agency has been engaged, the RRB shall obtain an undertaking from the recovery agency that its recovery agents agree to abide by the code of conduct.*

J.3 Responsibilities of an RRB

J.3.1 Disclosure of information on recovery agencies

437K*. An RRB shall make available an up-to-date list of recovery agencies empanelled with or engaged by it on its website. Such list shall include the name and other details of the recovery agencies such as type (corporate / individual), correspondence address, the period of engagement and purpose of engagement (recovery / possession of security). The RRB shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the RRB shall promptly update such list.*

437L*. While forwarding a case to any recovery agency for recovery of loan dues through in-person visit to the place of the borrower / guarantor, the RRB shall intimate the details of recovery agency to the borrower / guarantor at least one day prior to the first visit.*

437M. *In case of change of the recovery agency during an ongoing recovery process, the RRB shall immediately notify the borrower / guarantor of the change.*

437N. *In the event of termination of the agreement with a recovery agency for any reason, the RRB shall immediately notify the same to the borrowers / guarantors, to whom such recovery agency was assigned, so as to ensure that they do not continue to deal with that agency or its recovery agents.*

J.3.2 Fair treatment to borrowers during recovery process

437O. *An RRB shall ensure that the disclosure of any borrower's / guarantor's information to its employees / recovery agencies is limited to the extent required to enable them to discharge their loan recovery related duties. Further, the RRB shall put in place mitigants, including penal provisions, to ensure that its employees / recovery agencies do not misuse any customer information in any manner.*

437P. *An RRB shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the RRB shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and the calls made by the borrower / guarantor to the telephone / mobile number conveyed by the RRB. The record shall be preserved for a period of six months from the date the call was made, or in cases which are sub judice, till they are disposed of. Further, the RRB shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

437Q. *An RRB shall ensure that the recovery targets or the structure of incentives for its employees or that covered in its contract with a recovery agency, as applicable, do not induce adoption of harsh recovery practices as described at paragraph 437Z below.*

J.3.3 Taking possession of security

437R. *Where an RRB has incorporated a possession clause in the loan contract / agreement with a borrower and relies on such possession clause for enforcing its rights, the RRB shall ensure that the possession clause is legally valid and that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms*

and conditions of the loan contract / agreement shall contain provisions regarding:

(1) notice period before taking possession;

(2) circumstances under which the notice period can be waived;

(3) the procedure for taking possession of the security;

(4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;

(5) the procedure for giving the possession of the security back to the borrower; and

(6) the procedure for sale / auction of the security.

J.3.4 Deployment of technology-based mechanism for recovery of loan dues

437S. *An RRB shall not deploy any technology-based mechanism, either on its own or by entering into an arrangement with a third-party service provider, which restricts or disables any of the functionalities of a mobile device of a borrower such as mobile phone, tablet and laptop as a recovery tool, except to recover its loan dues arising out from financing of such a device. The RRB may resort to such restriction or disablement of the functionalities of a mobile device provided the following conditions are satisfied:*

(1) The acquisition of the concerned mobile device is financed by the RRB through a loan;

(2) The loan agreement / contract, expressly and unambiguously, permits such an action, which shall also include the procedure to be followed in complying with the directions issued under this section;

(3) Due notice is issued to the borrower in terms of the timelines specified in the loan agreement to repay the loan dues, which shall include details of the gradual restrictions that shall be imposed on the device functionalities. However, the RRB shall not initiate any restriction or disable the functionalities of the device using the technology mechanism deployed for the purpose, until the associated loan has become 30 days

past due and the borrower has not paid the amount due despite being served notices in this regard. Gradual restrictions on the device functionalities (except those deemed to be essential in terms of instructions at paragraph 437T below) may be initiated thereafter, and the full set of restrictions as covered in the loan agreement may be made effective only after the loan has become 60 days past due. Further, outgoing calls shall not be restricted before the loan has become 60 days past due;

(4) The RRB and / or the third-party service provider shall obtain certification for its technology-based mechanism from the Original Equipment Manufacturer (OEM) of the mobile device and / or the Operating System platform, if provided.

***437T.** An RRB, deploying any technology-based mechanism for restricting or disabling the functionalities of a mobile device of a borrower, shall ensure adherence to the following:*

(1) The RRB shall adopt a gradual approach rather than disabling the device, ab initio.

(2) The RRB shall not restrict / disable functionalities deemed essential, such as access to incoming calls, SMS and emergency SOS features.

(3) The restrictions applied on the device functionalities shall not result in denial of access in carrying out the activities related to work / employment of the borrower.

(4) The RRB shall ensure that the borrower has visibility into the status of restrictions applied on her / his mobile device at any point of time.

(5) The RRB shall ensure that the restrictions on device functionalities are reversed expeditiously, and not later than one hour of realisation of the dues from the borrower.

(6) In cases of wrongful restrictions or delay in reversal of restrictions applied on the functionalities of a mobile device after realisation of dues from the borrower where the reason for the delay is attributable to the RRB, the lender shall compensate the borrower at the rate of ₹250 per

hour till the wrongful action is remedied. However, the total compensation payable by the RRB to the borrower shall be capped at the amount of loan disbursed.

(7) The RRB shall promptly relinquish access / control or disable, as applicable, the technology-based mechanism deployed for restricting the functionalities of the mobile device after the loan is repaid in full. Further, in cases where the uninstallation of the mechanism from the mobile device is to be undertaken by the borrower, the RRB shall inform him / her of the steps to be taken in this regard.

(8) The borrower shall have the right to prepay the loan, either partly or fully, at any stage.

(9) The RRB shall put in place a robust grievance redressal mechanism to resolve borrower's grievances regarding delays and issues in unlocking of the functionalities of the mobile device.

***437U.** An RRB and its third-party service provider engaged for deployment of the technology-based device locking mechanism shall not access or make use of the personal data (such as contacts, SMS, call logs, photos, location history, etc.) available in the mobile device of a borrower for the purpose of loan recovery or any other purpose under any circumstances.*

J.3.5 Periodic review, monitoring and control

***437V.** An RRB shall put in place a management structure to monitor and control the activities of its recovery agencies and ensure that they refrain from actions that could damage the RRB's integrity and reputation. The RRB shall ensure that its agreement with a recovery agency contains necessary provisions for achieving the same.*

***437W.** An RRB, engaging recovery agencies, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

J.4 Conduct of RRB's employees and recovery agents

***437X.** An RRB's employee and recovery agent, while visiting the borrower / guarantor for collection / recovery of loan dues / taking possession of security, shall identify themselves by displaying their identity card issued by the RRB and* *recovery agency, respectively. The recovery agent shall also carry an authorisation letter issued by the RRB or the recovery agency and a copy of the notice issued by the RRB in terms of paragraph 437L above. The authorisation letter and the notice shall, among other details, include the telephone number of the recovery agency and the grievance redressal officer appointed by the RRB in terms of paragraph 437AA below.*

437Y. *An RRB shall ensure that its employee / recovery agent engaged in activities related to collection / recovery of loan dues adheres to the following:*

(1) An employee / recovery agent shall discuss the matters related to the loan dues and collection / recovery thereof only with the borrower / guarantor, as applicable.

(2) An employee / recovery agent with the borrower / guarantor in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's / guarantor's place for collection / recovery of loan dues.

(3) Only the representative(s) authorised by the RRB / recovery agency shall visit the borrower's / guarantor's premises for activities related to recovery of loan dues.

(4) An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so. Further, the borrower's / guarantor's request to avoid call / visit at a particular time shall be honoured in normal circumstances.

(5) An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the employee / recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place of his / her business / occupation.

(6) An employee / recovery agent shall avoid inappropriate occasions such

as bereavement in the family, medical emergencies, or such other calamitous occasion, or marriage functions, etc., for making calls / visits to recover loan dues from a borrower / guarantor.

(7) In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the RRB. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.

(8) Written communication, if any, sent by an employee / recovery agent to the borrower / guarantor shall have prior approval of the RRB and shall contain the name and contact details of the sender.

(9) An employee / recovery agent shall promptly give proper acknowledgement / receipt on collection / recovery of loan dues from the borrower / guarantor.

437Z. *An RRB's employee / recovery agent shall not engage in any harsh methods towards collection / recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:*

(1) Use of minatory or abusive language;

(2) Use of social media for posting video / audio recordings or personal details of the borrower / guarantor;

(3) Sending inappropriate messages either on mobile or through social media;

(4) Excessively calling / messaging to the borrower / guarantor and / or calling / messaging outside the prescribed hours;

(5) Making threatening and / or anonymous calls;

(6) Intimidating or harassing the borrower / guarantor and / or his / her relatives, referees, friends, or co-workers in either verbal, physical or any other manner, including acts intended to humiliate them publicly or intruding upon their privacy;

(7) Use or threat of use of violence or other similar means to harm the borrower / guarantor or their family / assets / reputation;

(8) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

J.5 Complaints against RRB's employees and its recovery agents

437AA. *An RRB shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agency as at paragraph 437L above. Further, all recovery related communications issued by the RRB must contain the name, email address, telephone number and address of the grievance redressal officer concerned of the RRB whom the borrower / guarantor can contact.*

J.6 Adherence to other regulations issued by the Reserve Bank / other authorities

437AB. *In addition to the Directions mentioned herein, an RRB shall also ensure compliance with any relevant instructions issued by the Reserve Bank on related matters such as outsourcing of financial and IT services, etc., and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCPR), 2018, as amended from time to time."*

(Veena Srivastava)
Chief General Manager

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-27/227

DOR.MCS.REC.No.197/01-01-037/2026-27 August 6, 2026

Reserve Bank of India (Urban Co-operative Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026

Certain instructions on matters related to engagement of recovery agents by Urban Co-operative Banks (UCBs) have been issued to UCBs under the Reserve Bank of India (Urban Co-operative Banks – Responsible Business Conduct) Directions, 2025. The extant instructions have since been reviewed and it has been decided to issue comprehensive instructions on conduct related matters in recovery of loan dues and engagement of recovery agencies to all UCBs (hereinafter referred to collectively as “UCBs” and individually as an “UCB”) under the aforesaid Directions.

2. In exercise of the powers conferred by Sections 21, 35A and 56 of the Banking Regulation Act,1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Urban Co-operative Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026.

(2) These Directions shall come into effect from **January 1, 2027**.

4. These Amendment Directions shall modify the Reserve Bank of India (Urban Co-operative Banks – Responsible Business Conduct) Directions, 2025 as under:

(1) In paragraph 4, the following definitions shall be inserted after sub-paragraph 4(23), namely:

*“**4(23A) Recovery agency** means an entity or individual (other than UCB’s own employees) who has been engaged by a UCB, irrespective of the contractual designation / nomenclature used for such engagement, under an outsourcing arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.*

Illustration: A Business Correspondent (BC) involved in recovery related *activities on behalf of a UCB shall be treated as a recovery agency for the purpose of these Directions.*

4(23B) Recovery agent *means a representative of a recovery agency who is involved in recovery related activities, on behalf of a UCB, at the point of customer interface.*

Explanation: Wherever an individual is directly engaged by a UCB under an outsourcing arrangement for recovery / possession related activities, instructions applicable to recovery agency as well as recovery agent shall apply to such an individual."

(2) In Chapter VIII on 'Responsible Lending Conduct', the paragraphs 316 to 325 shall be deleted. Further, the following section and paragraphs shall be inserted after paragraph 325, namely:

"J. Conduct of UCBs in Recovery of Loan Dues and Engagement of Recovery Agencies

325A. *The provisions under this Section shall apply to recovery of loan dues by a UCB from borrowers in default, including taking possession of a security.*

Provided that, *wherever explicitly specified, these provisions shall also apply, mutatis mutandis, to collection of dues in the normal course from the borrowers who are not in default.*

325B. *The provisions under this Section shall be without prejudice to any statutory rights available to a UCB, and / or obligations, relating to enforcement of security under any statute, as well as provisions relating to specific recovery actions such as one-time settlement contained in other relevant Directions.*

325C. *'UCB employees', for the purpose of this Section, shall include those employees of a UCB who are deployed for recovery of loan dues, including taking possession of a security.*

J.1 Policy

325D. *A UCB shall put in place a policy on collection / recovery of loan dues, including taking possession of a security, by its own employee or recovery agent. The policy shall, inter alia, cover aspects related to trigger(s) for initiation of recovery process, graded actions as per an escalation matrix for loan* *recovery, code of conduct for employees and recovery agents, recovery of loan dues in case of demise of borrower, a structured framework for handling cases involving financial distress including documented pre-escalation engagement and guidance regarding available resolution options, etc.*

325E. *Further, with regard to engagement of recovery agencies, the policy shall cover, inter alia, eligibility and due diligence criteria for engagement of recovery agencies, performance evaluation standards, inspection / audit and control mechanisms to ensure compliance with statutory / regulatory requirements, procedures to be followed / penal actions to be taken in case of non-compliant recovery agencies and / or their agents, etc.*

325F. *The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery related actions of the UCB or recovery agencies not consistent with these Directions.*

325G. *A UCB, deploying a technology-based mechanism for recovery of loan dues in terms of instructions issued at paragraph 325S below, shall incorporate the related aspects under the policy on collection / recovery of loan dues, including but not limited to the restrictions that shall be applied in a gradual manner on a financed mobile device in case of default by the borrower, timelines for issuing notice to the defaulting borrower, role and responsibilities of third party service provider (if the mechanism is not developed or maintained by the UCB), etc.*

J.2 Engagement of recovery agencies for recovery of loan dues

J.2.1 Due diligence

325H. *A UCB engaging recovery agencies shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank in the Reserve Bank of India (Urban Co-operative Banks – Managing Risks in Outsourcing) Directions, 2025, as amended from time to time. A UCB or the recovery agencies engaged by it shall carry out verification of the antecedents of the recovery agents at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity as specified in the UCB's policy.*

J.2.2 Training

325I. *A UCB shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF. A UCB shall also ensure that recovery agents already engaged by its recovery agencies, but not holding the aforesaid certificate, obtain the certificate from IIBF within a period of one year from the effective date of these Directions.*

J.2.3 Code of Conduct for recovery agents and UCB employees

325J. *A UCB, based on the instructions mentioned in these Directions, shall put in place a code of conduct for recovery agents and its own employees. Where a recovery agency has been engaged, the UCB shall obtain an undertaking from the recovery agency that its recovery agents agree to abide by the code of conduct.*

J.3 Responsibilities of a UCB

J.3.1 Disclosure of information on recovery agencies

325K*. A UCB shall make available an up-to-date list of recovery agencies empanelled with or engaged by it on its website. Such list shall include the name and other details of the recovery agencies such as type (corporate / individual), correspondence address, the period of engagement and purpose of engagement (recovery / possession of security). The UCB shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the UCB shall promptly update such list.*

325L*. While forwarding a case to any recovery agency for recovery of loan dues through in-person visit to the place of the borrower / guarantor, the UCB shall intimate the details of the recovery agency to the borrower / guarantor at least one day prior to the first visit.*

325M*. In case of change of the recovery agency during an ongoing recovery process, the UCB shall immediately notify the borrower / guarantor of the change.*

325N. *In the event of termination of the agreement with a recovery agency for any reason, the UCB shall immediately notify the same to the borrowers / guarantors, to whom such recovery agency was assigned, so as to ensure that they do not continue to deal with that agency or its recovery agents.*

J.3.2 Fair treatment to borrowers during recovery process

325O. *A UCB shall ensure that the disclosure of any borrower's / guarantor's information to its employees / recovery agencies is limited to the extent required to enable them to discharge their loan recovery related duties. Further, the UCB shall put in place mitigants, including penal provisions, to ensure that its employees / recovery agencies do not misuse any customer information in any manner.*

325P. *A UCB shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the UCB shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and the calls made by the borrower / guarantor to the telephone / mobile number conveyed by the UCB. The record shall be preserved for a period of six months from the date the call was made, or in cases which are sub judice, till they are disposed of. Further, the UCB shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

325Q. *A UCB shall ensure that the recovery targets or the structure of incentives for its employees or that covered in its contract with a recovery agency, as applicable, do not induce adoption of harsh recovery practices as described at paragraph 325Z below.*

J.3.3 Taking possession of security

325R. *Where a UCB has incorporated a possession clause in the loan contract / agreement with a borrower and relies on such possession clause for enforcing its rights, the UCB shall ensure that the possession clause is legally valid and that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms*

and conditions of the loan contract / agreement shall contain provisions regarding:

(1) notice period before taking possession;

(2) circumstances under which the notice period can be waived;

(3) the procedure for taking possession of the security;

(4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;

(5) the procedure for giving the possession of the security back to the borrower; and

(6) the procedure for sale / auction of the security.

J.3.4 Deployment of technology-based mechanism for recovery of loan dues

325S. *A UCB shall not deploy any technology-based mechanism, either on its own or by entering into an arrangement with a third-party service provider, which restricts or disables any of the functionalities of a mobile device of a borrower such as mobile phone, tablet and laptop as a recovery tool, except to recover its loan dues arising out from financing of such a device. The UCB may resort to such restriction or disablement of the functionalities of a mobile device provided the following conditions are satisfied:*

(1) The acquisition of the concerned mobile device is financed by the UCB through a loan;

(2) The loan agreement / contract, expressly and unambiguously, permits such an action, which shall also include the procedure to be followed in complying with the directions issued under this section;

(3) Due notice is issued to the borrower in terms of the timelines specified in the loan agreement to repay the loan dues, which shall include details of the gradual restrictions that shall be imposed on the device functionalities. However, the UCB shall not initiate any restriction or disable the functionalities of the device using the technology mechanism deployed for the purpose, until the associated loan has become 30 days

past due and the borrower has not paid the amount due despite being served notices in this regard. Gradual restrictions on the device functionalities (except those deemed to be essential in terms of instructions at paragraph 325T below) may be initiated thereafter, and the full set of restrictions as covered in the loan agreement may be made effective only after the loan has become 60 days past due. Further, outgoing calls shall not be restricted before the loan has become 60 days past due;

(4) The UCB and / or the third-party service provider shall obtain certification for its technology-based mechanism from the Original Equipment Manufacturer (OEM) of the mobile device and / or the Operating System platform, if provided.

***325T.** A UCB, deploying any technology-based mechanism for restricting or disabling the functionalities of a mobile device of a borrower, shall ensure adherence to the following:*

(1) The UCB shall adopt a gradual approach rather than disabling the device, ab initio.

(2) The UCB shall not restrict / disable functionalities deemed essential, such as access to incoming calls, SMS and emergency SOS features.

(3) The restrictions applied on the device functionalities shall not result in denial of access in carrying out the activities related to work / employment of the borrower.

(4) The UCB shall ensure that the borrower has visibility into the status of restrictions applied on her / his mobile device at any point of time.

(5) The UCB shall ensure that the restrictions on device functionalities are reversed expeditiously, and not later than one hour of realisation of the dues from the borrower.

(6) In cases of wrongful restrictions or delay in reversal of restrictions applied on the functionalities of a mobile device after realisation of dues from the borrower where the reason for the delay is attributable to the UCB, the lender shall compensate the borrower at the rate of ₹250 per

hour till the wrongful action is remedied. However, the total compensation payable by the UCB to the borrower shall be capped at the amount of loan disbursed.

(7) The UCB shall promptly relinquish access / control or disable, as applicable, the technology-based mechanism deployed for restricting the functionalities of the mobile device after the loan is repaid in full. Further, in cases where the uninstallation of the mechanism from the mobile device is to be undertaken by the borrower, the UCB shall inform him / her of the steps to be taken in this regard.

(8) The borrower shall have the right to prepay the loan, either partly or fully, at any stage.

(9) The UCB shall put in place a robust grievance redressal mechanism to resolve borrower's grievances regarding delays and issues in unlocking of the functionalities of the mobile device.

325U. *A UCB and its third-party service provider engaged for deployment of the technology-based device locking mechanism shall not access or make use of the personal data (such as contacts, SMS, call logs, photos, location history, etc.) available in the mobile device of a borrower for the purpose of loan recovery or any other purpose under any circumstances.*

J.3.5 Periodic review, monitoring and control

325V. *A UCB shall put in place a management structure to monitor and control the activities of its recovery agencies and ensure that they refrain from actions that could damage the UCB's integrity and reputation. The UCB shall ensure that its agreement with a recovery agency contains necessary provisions for achieving the same.*

325W. *A UCB, engaging recovery agencies, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

J.4 Conduct of UCB's employees and recovery agents

325X. *A UCB's employee and recovery agent, while visiting the borrower / guarantor for collection / recovery of loan dues / taking possession of security, shall identify themselves by displaying their identity card issued by the UCB and* *recovery agency, respectively. The recovery agent shall also carry an authorisation letter issued by the UCB or the recovery agency and a copy of the notice issued by the UCB in terms of paragraph 325L above. The authorisation letter and the notice shall, among other details, include the telephone number of the recovery agency and the grievance redressal officer appointed by the UCB in terms of paragraph 325AA below.*

325Y. *A UCB shall ensure that its employee / recovery agent engaged in activities related to collection / recovery of loan dues adheres to the following:*

(1) An employee / recovery agent shall discuss the matters related to the loan dues and collection / recovery thereof only with the borrower / guarantor, as applicable.

(2) An employee / recovery agent shall interact with the borrower / guarantor in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's / guarantor's place for collection / recovery of loan dues.

(3) Only the representative(s) authorised by the UCB / recovery agency shall visit the borrower's / guarantor's premises for activities related to recovery of loan dues.

(4) An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so. Further, the borrower's / guarantor's request to avoid call / visit at a particular time shall be honoured in normal circumstances.

(5) An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the employee / recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place of his / her business / occupation.

(6) An employee / recovery agent shall avoid inappropriate occasions such as bereavement in the family, medical emergencies, or such other calamitous occasion, or marriage functions, etc., for making calls / visits to recover loan dues from a borrower / guarantor.

(7) In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the UCB. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or successive occasions.

(8) Written communication, if any, sent by an employee / recovery agent to the borrower / guarantor shall have prior approval of the UCB and shall contain the name and contact details of the sender.

(9) An employee / recovery agent shall promptly give proper acknowledgement / receipt on collection / recovery of loan dues from the borrower / guarantor.

325Z. *A UCB's employee / recovery agent shall not engage in any harsh methods towards collection / recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:*

(1) Use of minatory or abusive language;

(2) Use of social media for posting video / audio recordings or personal details of the borrower / guarantor;

(3) Sending inappropriate messages either on mobile or through social media;

(4) Excessively calling / messaging to the borrower / guarantor and / or calling / messaging outside the prescribed hours;

(5) Making threatening and / or anonymous calls;

(6) Intimidating or harassing the borrower / guarantor and / or his / her relatives, referees, friends, or co-workers in either verbal, physical or any other manner, including acts intended to humiliate them publicly or intruding upon their privacy;

(7) Use or threat of use of violence or other similar means to harm the borrower / guarantor or their family / assets / reputation;

(8) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

J.5 Complaints against UCB's employees and its recovery agents

325AA. *A UCB shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agency as at paragraph 325L above. Further, all recovery related communications issued by the UCB must contain the name, email address, telephone number and address of the grievance redressal officer concerned of the UCB whom the borrower / guarantor can contact.*

J.6 Adherence to other regulations issued by the Reserve Bank / other authorities

325AB. *In addition to the Directions mentioned herein, a UCB shall also ensure compliance with any relevant instructions issued by the Reserve Bank on related matters such as outsourcing of financial and IT services, etc., and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCPR), 2018, as amended from time to time."*

(Veena Srivastava)
Chief General Manager

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-27/229

DOR.MCS.REC.No.200/01-01-040/2026-27 August 6, 2026

Reserve Bank of India (All India Financial Institutions - Responsible Business Conduct) Third Amendment Directions, 2026

Certain instructions on responsibilities of an All India Financial Institution (AIFI) employing recovery agents have been issued to AIFIs under the Reserve Bank of India (All India Financial Institutions – Responsible Business Conduct) Directions, 2025. The extant instructions have since been reviewed and it has been decided to issue comprehensive instructions on conduct related matters in recovery of loan dues and engagement of recovery agencies to all AIFIs (hereinafter referred to collectively as "AIFIs" and individually as an "AIFI") under the aforesaid Directions.

2. In exercise of the powers conferred by Section 45L of the Reserve Bank of India Act, 1934, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (All India Financial Institutions - Responsible Business Conduct) Third Amendment Directions, 2026.

(2) These Directions shall come into effect from **January 1, 2027**.

4. These Amendment Directions shall modify the Reserve Bank of India (All India Financial Institutions – Responsible Business Conduct) Directions, 2025 as under:

(1) In paragraph 3A, the following definitions shall be inserted after sub-paragraph 3A(6), namely:

> *"**3A(6A) Recovery agency** means an entity or individual (other than AIFI's own employees) who has been engaged by an AIFI, irrespective of the contractual designation / nomenclature used for such engagement, under an outsourcing arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.*

***3A(6B) Recovery agent** means a representative of a recovery agency who is involved in recovery related activities, on behalf of an AIFI, at the point of customer interface.*

Explanation: Wherever an individual is directly engaged by an AIFI under an outsourcing arrangement for recovery / possession related activities, instructions applicable to recovery agency as well as recovery agent shall apply to such an individual.”

(2) In Chapter III on ‘Responsible Lending Conduct’, paragraph 32 shall be deleted. Further, the following section and paragraphs shall be inserted after paragraph 32, namely:

“E. Conduct of AIFIs in Recovery of Loan Dues and Engagement of Recovery Agencies

***32.1A.** The provisions under this Section shall apply to recovery of loan dues by an AIFI from borrowers in default, including taking possession of a security.*

***Provided that,** wherever explicitly specified, these provisions shall also apply, mutatis mutandis, to collection of dues in the normal course from the borrowers who are not in default.*

***32.1B.** The provisions under this Section shall be without prejudice to any statutory rights available to an AIFI, and / or obligations, relating to enforcement of security under any statute, as well as provisions relating to specific recovery actions such as one-time settlement contained in other relevant Directions.*

***32.1C.** ‘AIFI employees’, for the purpose of this Section, shall include those employees of an AIFI who are deployed for recovery of loan dues, including taking possession of a security.*

E.1 Policy

***32.1D.** An AIFI shall put in place a policy on collection / recovery of loan dues, including taking possession of a security, by its own employee or recovery agent. The policy shall, inter alia, cover aspects related to trigger(s) for initiation of recovery process, graded actions as per an escalation matrix for loan recovery, code of conduct for employees and recovery agents, recovery of loan* *dues in case of demise of borrower, a structured framework for handling cases involving financial distress including documented pre-escalation engagement and guidance regarding available resolution options, etc.*

32.1E. *Further, with regard to engagement of recovery agencies, the policy shall cover, inter alia, eligibility and due diligence criteria for engagement of recovery agencies, performance evaluation standards, inspection / audit and control mechanisms to ensure compliance with statutory / regulatory requirements, procedures to be followed / penal actions to be taken in case of non-compliant recovery agencies and / or their agents, etc.*

32.1F. *The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery related actions of the AIFI or recovery agencies not consistent with these Directions.*

32.1G. *An AIFI, deploying a technology-based mechanism for recovery of loan dues in terms of instructions issued at paragraph 32.1S below, shall incorporate the related aspects under the policy on collection / recovery of loan dues, including but not limited to the restrictions that shall be applied in a gradual manner on a financed mobile device in case of default by the borrower, timelines for issuing notice to the defaulting borrower, role and responsibilities of third party service provider (if the mechanism is not developed or maintained by the AIFI), etc.*

E.2 Engagement of recovery agencies for recovery of loan dues

E.2.1 Due diligence

32.1H. *An AIFI engaging recovery agencies shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank in the Reserve Bank of India (All India Financial Institutions – Managing Risks in Outsourcing) Directions, 2025, as amended from time to time. An AIFI or the recovery agencies engaged by it shall carry out verification of the antecedents of the recovery agents at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity as specified in the AIFI's policy.*

E.2.2 Training

32.1I. *An AIFI shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF. An AIFI shall also ensure that recovery agents already engaged by its recovery agencies, but not holding the aforesaid certificate, obtain the certificate from IIBF within a period of one year from the effective date of these Directions.*

E.2.3 Code of Conduct for recovery agents and AIFI employees

32.1J. *An AIFI, based on the instructions mentioned in these Directions, shall put in place a code of conduct for recovery agents and its own employees. Where a recovery agency has been engaged, the AIFI shall obtain an undertaking from the recovery agency that its recovery agents agree to abide by the code of conduct.*

E.3 Responsibilities of an AIFI

E.3.1 Disclosure of information on recovery agencies

32.1K*. An AIFI shall make available an up-to-date list of recovery agencies empanelled with or engaged by it on its website. Such list shall include the name and other details of the recovery agencies such as type (corporate / individual), correspondence address, the period of engagement and purpose of engagement (recovery / possession of security). The AIFI shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the AIFI shall promptly update such list.*

32.1L*. While forwarding a case to any recovery agency for recovery of loan dues through in-person visit to the place of the borrower / guarantor, the AIFI shall intimate the details of the recovery agency to the borrower / guarantor at least one day prior to the first visit.*

32.1M. *In case of change of the recovery agency during an ongoing recovery process, the AIFI shall immediately notify the borrower / guarantor of the change.*

32.1N. *In the event of termination of the agreement with a recovery agency for any reason, the AIFI shall immediately notify the same to the borrowers / guarantors, to whom such recovery agency was assigned, so as to ensure that they do not continue to deal with that agency or its recovery agents.*

E.3.2 Fair treatment to borrowers during recovery process

32.1O. *An AIFI shall ensure that the disclosure of any borrower's / guarantor's information to its employees / recovery agencies is limited to the extent required to enable them to discharge their loan recovery related duties. Further, the AIFI shall put in place mitigants, including penal provisions to ensure that its employees / recovery agencies do not misuse any customer information in any manner.*

32.1P. *An AIFI shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the AIFI shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and the calls made by the borrower / guarantor to the telephone / mobile number conveyed by the AIFI. The record shall be preserved for a period of six months from the date the call was made, or in cases which are sub judice, till they are disposed of. Further, the AIFI shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

32.1Q. *An AIFI shall ensure that the recovery targets or the structure of incentives for its employees or that covered in its contract with a recovery agency, as applicable, do not induce adoption of harsh recovery practices as described at paragraph 32.1Z below.*

E.3.3 Taking possession of security

32.1R. *Where an AIFI has incorporated a possession clause in the loan contract / agreement with a borrower and relies on such possession clause for enforcing its rights, the AIFI shall ensure that the possession clause is legally valid and that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms*

and conditions of the loan contract / agreement shall contain provisions regarding:

(1) notice period before taking possession;

(2) circumstances under which the notice period can be waived;

(3) the procedure for taking possession of the security;

(4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;

(5) the procedure for giving the possession of the security back to the borrower; and

(6) the procedure for sale / auction of the security.

E.3.4 Deployment of technology-based mechanism for recovery of loan dues

32.1S. *An AIFI shall not deploy any technology-based mechanism, either on its own or by entering into an arrangement with a third-party service provider, which restricts or disables any of the functionalities of a mobile device of a borrower such as mobile phone, tablet and laptop as a recovery tool, except to recover its loan dues arising out from financing of such a device. The AIFI may resort to such restriction or disablement of the functionalities of a mobile device provided the following conditions are satisfied:*

(1) The acquisition of the concerned mobile device is financed by the AIFI through a loan;

(2) The loan agreement / contract, expressly and unambiguously, permits such an action, which shall also include the procedure to be followed in complying with the directions issued under this section;

(3) Due notice is issued to the borrower in terms of the timelines specified in the loan agreement to repay the loan dues, which shall include details of the gradual restrictions that shall be imposed on the device functionalities. However, the AIFI shall not initiate any restriction or disable the functionalities of the device using the technology mechanism deployed for the purpose, until the associated loan has become 30 days

past due and the borrower has not paid the amount due despite being served notices in this regard. Gradual restrictions on the device functionalities (except those deemed to be essential in terms of instructions at paragraph 32.1T below) may be initiated thereafter, and the full set of restrictions as covered in the loan agreement may be made effective only after the loan has become 60 days past due. Further, outgoing calls shall not be restricted before the loan has become 60 days past due;

(4) The AIFI and / or the third-party service provider shall obtain certification for its technology-based mechanism from the Original Equipment Manufacturer (OEM) of the mobile device and / or the Operating System platform, if provided.

32.1T. *An AIFI, deploying any technology-based mechanism for restricting or disabling the functionalities of a mobile device of a borrower, shall ensure adherence to the following:*

(1) The AIFI shall adopt a gradual approach rather than disabling the device, ab initio.

(2) The AIFI shall not restrict / disable functionalities deemed essential, such as access to incoming calls, SMS and emergency SOS features.

(3) The restrictions applied on the device functionalities shall not result in denial of access in carrying out the activities related to work / employment of the borrower.

(4) The AIFI shall ensure that the borrower has visibility into the status of restrictions applied on her / his mobile device at any point of time.

(5) The AIFI shall ensure that the restrictions on device functionalities are reversed expeditiously, and not later than one hour of realisation of the dues from the borrower.

(6) In cases of wrongful restrictions or delay in reversal of restrictions applied on the functionalities of a mobile device after realisation of dues from the borrower where the reason for the delay is attributable to the AIFI, the lender shall compensate the borrower at the rate of ₹250 per

hour till the wrongful action is remedied. However, the total compensation payable by the AIFI to the borrower shall be capped at the amount of loan disbursed.

(7) The AIFI shall promptly relinquish access / control or disable, as applicable, the technology-based mechanism deployed for restricting the functionalities of the mobile device after the loan is repaid in full. Further, in cases where the uninstallation of the mechanism from the mobile device is to be undertaken by the borrower, the AIFI shall inform him / her of the steps to be taken in this regard.

(8) The borrower shall have the right to prepay the loan, either partly or fully, at any stage.

(9) The AIFI shall put in place a robust grievance redressal mechanism to resolve borrower's grievances regarding delays and issues in unlocking of the functionalities of the mobile device.

32.1U. *An AIFI and its third-party service provider engaged for deployment of the technology-based device locking mechanism shall not access or make use of the personal data (such as contacts, SMS, call logs, photos, location history, etc.) available in the mobile device of a borrower for the purpose of loan recovery or any other purpose under any circumstances.*

E.3.5 Periodic review, monitoring and control

32.1V. *An AIFI shall put in place a management structure to monitor and control the activities of its recovery agencies and ensure that they refrain from actions that could damage the AIFI's integrity and reputation. The AIFI shall ensure that its agreement with a recovery agency contains necessary provisions for achieving the same.*

32.1W. *An AIFI, engaging recovery agencies, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

E.4 Conduct of AIFI's employees and recovery agents

32.1X. *An AIFI's employee and recovery agent, while visiting the borrower / guarantor for collection / recovery of loan dues / taking possession of security, shall identify themselves by displaying their identity card issued by the AIFI and* *recovery agency, respectively. The recovery agent shall also carry an authorisation letter issued by the AIFI or the recovery agency and a copy of the notice issued by the AIFI in terms of paragraph 32.1L above. The authorisation letter and the notice shall, among other details, include the telephone number of the recovery agency and the grievance redressal officer appointed by the AIFI in terms of paragraph 32.1AA below.*

32.1Y. *An AIFI shall ensure that its employee / recovery agent engaged in activities related to collection / recovery of loan dues adheres to the following:*

(1) *An employee / recovery agent shall discuss the matters related to the loan dues and collection / recovery thereof only with the borrower / guarantor, as applicable.*

(2) *An employee / recovery agent shall interact with the borrower / guarantor in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's / guarantor's place for collection / recovery of loan dues.*

(3) *Only the representative(s) authorised by the AIFI / recovery agency shall visit the borrower's / guarantor's premises for activities related to recovery of loan dues.*

(4) *An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so. Further, the borrower's / guarantor's request to avoid call / visit at a particular time shall be honoured in normal circumstances.*

(5) *An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the employee / recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place of his / her business / occupation.*

(6) *An employee / recovery agent shall avoid inappropriate occasions such*

as bereavement in the family, medical emergencies, or such other calamitous occasion, or marriage functions, etc., for making calls / visits to recover loan dues from a borrower / guarantor.

(7) *In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the AIFI. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.*

(8) *Written communication, if any, sent by an employee / recovery agent to the borrower / guarantor shall have prior approval of the AIFI and shall contain the name and contact details of the sender.*

(9) *An employee / recovery agent shall promptly give proper acknowledgement / receipt on collection / recovery of loan dues from the borrower / guarantor.*

32.1Z. *An AIFI's employee / recovery agent shall not engage in any harsh methods towards collection / recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:*

(1) *Use of minatory or abusive language;*

(2) *Use of social media for posting video / audio recordings or personal details of the borrower / guarantor;*

(3) *Sending inappropriate messages either on mobile or through social media;*

(4) *Excessively calling / messaging to the borrower / guarantor and / or calling / messaging outside the prescribed hours;*

(5) *Making threatening and / or anonymous calls;*

(6) *Intimidating or harassing the borrower / guarantor and / or his / her relatives, referees, friends, or co-workers in either verbal, physical or any other manner, including acts intended to humiliate them publicly or intruding upon their privacy;*

(7) Use or threat of use of violence or other similar means to harm the borrower / guarantor or their family / assets / reputation;

(8) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

E.5 Complaints against AIFI's employees and its recovery agents

32.1AA. *An AIFI shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agency as at paragraph 32.1L above. Further, all recovery related communications issued by the AIFI must contain the name, email address, telephone number and address of the grievance redressal officer concerned of the AIFI whom the borrower / guarantor can contact.*

E.6 Adherence to other regulations issued by the Reserve Bank / other authorities

32.1AB. *In addition to the Directions mentioned herein, an AIFI shall also ensure compliance with any relevant instructions issued by the Reserve Bank on related matters such as outsourcing of financial and IT services, etc., and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCPR), 2018, as amended from time to time."*

(Veena Srivastava)
Chief General Manager

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-27/230

DOR.MCS.REC.No.199/01-01-039/2026-27 August 6, 2026

Reserve Bank of India (Non-Banking Financial Companies - Responsible Business Conduct) Third Amendment Directions, 2026

Certain instructions on matters related to engagement of recovery agents by Non-Banking Financial Companies (NBFCs) have been issued to NBFCs under Chapter III on 'Responsible Lending Conduct' of the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025. The extant instructions have since been reviewed and it has been decided to issue comprehensive instructions on conduct related matters in recovery of loan dues and engagement of recovery agencies to all NBFCs, excluding Mortgage Guarantee Companies, Core Investment Companies, NBFC-Account Aggregators, Standalone Primary Dealers, Non-Operating Financial Holding Companies, and NBFCs not having any customer interface.

2. In exercise of the powers conferred by Sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Non-Banking Financial Companies - Responsible Business Conduct) Third Amendment Directions, 2026.

(2) These Directions shall come into effect from **January 1, 2027**.

4. These Amendment Directions shall modify the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025 as under:

(1) In paragraph 6, the following definitions shall be inserted after sub-paragraph 6(11), namely:

> ***"6(11A) Recovery agency*** *means an entity or individual (other than NBFC's own employees) who has been engaged by an NBFC, irrespective of the contractual designation / nomenclature used for such engagement, under an outsourcing*

arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.

6(11B) Recovery agent *means a representative of a recovery agency who is involved in recovery related activities, on behalf of an NBFC, at the point of customer interface.*

Explanation: Wherever an individual is directly engaged by an NBFC under an outsourcing arrangement for recovery / possession related activities, instructions applicable to recovery agency as well as recovery agent shall apply to such an individual."

(2) In Chapter II on 'Institutional Framework', the sub-paragraphs 7(7) and 7(8) shall be deleted.

(3) In Chapter III on 'Responsible Lending Conduct', the paragraphs 26, 27 and 89 to 97 shall be deleted.

(4) In Chapter III on 'Responsible Lending Conduct', the section I on 'Responsibilities of Recovery Agents of the NBFC' and the paragraphs 98 to 100 thereunder shall be deleted. Further, the following section and paragraphs shall be inserted after paragraph 100, namely:

"J. Conduct of NBFCs in Recovery of Loan Dues and Engagement of Recovery Agencies

100A. *The provisions under this Section shall apply to recovery of loan dues by an NBFC from borrowers in default, including taking possession of a security.*

Provided that, *wherever explicitly specified, these provisions shall also apply, mutatis mutandis, to collection of dues in the normal course from the borrowers who are not in default.*

100B. *The provisions under this Section shall be without prejudice to any statutory rights available to an NBFC, and / or obligations, relating to enforcement of security under any statute, as well as provisions relating to specific recovery actions such as one-time settlement contained in other relevant Directions.*

100C. *'NBFC employees', for the purpose of this Section, shall include those employees of an NBFC who are deployed for recovery of loan dues, including taking possession of a security.*

J.1 Policy

100D. *An NBFC shall put in place a policy on collection / recovery of loan dues, including taking possession of a security, by its own employee or recovery agent. The policy shall, inter alia, cover aspects related to trigger(s) for initiation of recovery process, graded actions as per an escalation matrix for loan recovery, code of conduct for employees and recovery agents, recovery of loan dues in case of demise of borrower, a structured framework for handling cases involving financial distress including documented pre-escalation engagement and guidance regarding available resolution options, etc.*

100E. *Further, with regard to engagement of recovery agencies, the policy shall cover, inter alia, eligibility and due diligence criteria for engagement of recovery agencies, performance evaluation standards, inspection / audit and control mechanisms to ensure compliance with statutory / regulatory requirements, procedures to be followed / penal actions to be taken in case of non-compliant recovery agencies and / or their agents, etc.*

100F. *The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery related actions of the NBFC or recovery agencies not consistent with these Directions.*

100G. *An NBFC, deploying a technology-based mechanism for recovery of loan dues in terms of instructions issued at paragraph 100S below, shall incorporate the related aspects under the policy on collection / recovery of loan dues, including but not limited to the restrictions that shall be applied in a gradual manner on a financed mobile device in case of default by the borrower, timelines for issuing notice to the defaulting borrower, role and responsibilities of third party service provider (if the mechanism is not developed or maintained by the NBFC), etc.*

J.2 Engagement of recovery agencies for recovery of loan dues

J.2.1 Due diligence

100H. *An NBFC engaging recovery agencies shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank in the Reserve Bank of India (Non-Banking Financial Companies – Managing Risks in Outsourcing) Directions, 2025, as amended* *from time to time. An NBFC or the recovery agencies engaged by it shall carry out verification of the antecedents of the recovery agents at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity as specified in the NBFC's policy.*

J.2.2 Training

100I. *An NBFC shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF. An NBFC shall also ensure that recovery agents already engaged by its recovery agencies, but not holding the aforesaid certificate, obtain the certificate from IIBF within a period of one year from the effective date of these Directions.*

J.2.3 Code of Conduct for recovery agents and NBFC employees

100J. *An NBFC, based on the instructions mentioned in these Directions, shall put in place a code of conduct for recovery agents and its own employees. Where a recovery agency has been engaged, the NBFC shall obtain an undertaking from the recovery agency that its recovery agents agree to abide by the code of conduct.*

J.3 Responsibilities of an NBFC

J.3.1 Disclosure of information on recovery agencies

100K*. An NBFC shall make available an up-to-date list of recovery agencies empanelled with or engaged by it on its website. Such list shall include the name and other details of the recovery agencies such as type (corporate / individual), correspondence address, the period of engagement and purpose of engagement (recovery / possession of security). The NBFC shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the NBFC shall promptly update such list.*

100L*. While forwarding a case to any recovery agency for recovery of loan dues through in-person visit to the place of the borrower / guarantor, the NBFC shall* *intimate the details of the recovery agency to the borrower / guarantor at least one day prior to the first visit.*

100M. *In case of change of the recovery agency during an ongoing recovery process, the NBFC shall immediately notify the borrower / guarantor of the change.*

100N. *In the event of termination of the agreement with a recovery agency for any reason, the NBFC shall immediately notify the same to the borrowers / guarantors, to whom such recovery agency was assigned, so as to ensure that they do not continue to deal with that agency or its recovery agents.*

J.3.2 Fair treatment to borrowers during recovery process

100O. *An NBFC shall ensure that the disclosure of any borrower's / guarantor's information to its employees / recovery agencies is limited to the extent required to enable them to discharge their loan recovery related duties. Further, the NBFC shall put in place mitigants, including penal provisions, to ensure that its employees / recovery agencies do not misuse any customer information in any manner.*

100P. *An NBFC shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the NBFC shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and the calls made by the borrower / guarantor to the telephone / mobile number conveyed by the NBFC. The record shall be preserved for a period of six months from the date the call was made, or in cases which are sub judice, till they are disposed of. Further, the NBFC shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

100Q. *An NBFC shall ensure that the recovery targets or the structure of incentives for its employees or that covered in its contract with a recovery agency, as applicable, do not induce adoption of harsh recovery practices as described at paragraph 100Z below.*

J.3.3 Taking possession of security

100R. *Where an NBFC has incorporated a possession clause in the loan contract*

/ agreement with a borrower and relies on such possession clause for enforcing its rights, the NBFC shall ensure that the possession clause is legally valid and that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms and conditions of the loan contract / agreement shall contain provisions regarding:

(1) notice period before taking possession;

(2) circumstances under which the notice period can be waived;

(3) the procedure for taking possession of the security;

(4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;

(5) the procedure for giving the possession of the security back to the borrower; and

(6) the procedure for sale / auction of the security.

J.3.4 Deployment of technology-based mechanism for recovery of loan dues

***100S.** An NBFC shall not deploy any technology-based mechanism, either on its own or by entering into an arrangement with a third-party service provider, which restricts or disables any of the functionalities of a mobile device of a borrower such as mobile phone, tablet and laptop as a recovery tool, except to recover its loan dues arising out from financing of such a device. The NBFC may resort to such restriction or disablement of the functionalities of a mobile device provided the following conditions are satisfied:*

(1) The acquisition of the concerned mobile device is financed by the NBFC through a loan;

(2) The loan agreement / contract, expressly and unambiguously, permits such an action, which shall also include the procedure to be followed in complying with the directions issued under this section;

(3) Due notice is issued to the borrower in terms of the timelines specified in the loan agreement to repay the loan dues, which shall include details of the gradual restrictions that shall be imposed on the device functionalities.

However, the NBFC shall not initiate any restriction or disable the functionalities of the device using the technology mechanism deployed for the purpose, until the associated loan has become 30 days past due and the borrower has not paid the amount due despite being served notices in this regard. Gradual restrictions on the device functionalities (except those deemed to be essential in terms of instructions at paragraph 100T below) may be initiated thereafter, and the full set of restrictions as covered in the loan agreement may be made effective only after the loan has become 60 days past due. Further, outgoing calls shall not be restricted before the loan has become 60 days past due;

(4) The NBFC and / or the third-party service provider shall obtain certification for its technology-based mechanism from the Original Equipment Manufacturer (OEM) of the mobile device and / or the Operating System platform, if provided.

100T. *An NBFC, deploying any technology-based mechanism for restricting or disabling the functionalities of a mobile device of a borrower, shall ensure adherence to the following:*

(1) The NBFC shall adopt a gradual approach rather than disabling the device, ab initio.

(2) The NBFC shall not restrict / disable functionalities deemed essential, such as access to incoming calls, SMS and emergency SOS features.

(3) The restrictions applied on the device functionalities shall not result in denial of access in carrying out the activities related to work / employment of the borrower.

(4) The NBFC shall ensure that the borrower has visibility into the status of restrictions applied on her / his mobile device at any point of time.

(5) The NBFC shall ensure that the restrictions on device functionalities are reversed expeditiously, and not later than one hour of realisation of the dues from the borrower.

(6) In cases of wrongful restrictions or delay in reversal of restrictions applied on the functionalities of a mobile device after realisation of dues from the

borrower where the reason for the delay is attributable to the NBFC, the lender shall compensate the borrower at the rate of ₹250 per hour till the wrongful action is remedied. However, the total compensation payable by the NBFC to the borrower shall be capped at the amount of loan disbursed.

(7) The NBFC shall promptly relinquish access / control or disable, as applicable, the technology-based mechanism deployed for restricting the functionalities of the mobile device after the loan is repaid in full. Further, in cases where the uninstallation of the mechanism from the mobile device is to be undertaken by the borrower, the NBFC shall inform him / her of the steps to be taken in this regard.

(8) The borrower shall have the right to prepay the loan, either partly or fully, at any stage.

(9) The NBFC shall put in place a robust grievance redressal mechanism to resolve borrower's grievances regarding delays and issues in unlocking of the functionalities of the mobile device.

***100U.** An NBFC and its third-party service provider engaged for deployment of the technology-based device locking mechanism shall not access or make use of the personal data (such as contacts, SMS, call logs, photos, location history, etc.) available in the mobile device of a borrower for the purpose of loan recovery or any other purpose under any circumstances.*

J.3.5 Periodic review, monitoring and control

***100V.** An NBFC shall put in place a management structure to monitor and control the activities of its recovery agencies and ensure that they refrain from actions that could damage the NBFC's integrity and reputation. The NBFC shall ensure that its agreement with a recovery agency contains necessary provisions for achieving the same.*

***100W.** An NBFC, engaging recovery agencies, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

J.4 Conduct of NBFC's employees and recovery agents

100X. *An NBFC's employee and recovery agent, while visiting the borrower / guarantor for collection / recovery of loan dues / taking possession of security, shall identify themselves by displaying their identity card issued by the NBFC and recovery agency, respectively. The recovery agent shall also carry an authorisation letter issued by the NBFC or the recovery agency and a copy of the notice issued by the NBFC in terms of paragraph 100L above. The authorisation letter and the notice shall, among other details, include the telephone number of the recovery agency and the grievance redressal officer appointed by the NBFC in terms of paragraph 100AA below.*

100Y. *An NBFC shall ensure that its employee / recovery agent engaged in activities related to collection / recovery of loan dues adheres to the following:*

(1) An employee / recovery agent shall discuss the matters related to the loan dues and collection / recovery thereof only with the borrower / guarantor, as applicable.

(2) An employee / recovery agent shall interact with the borrower / guarantor in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's / guarantor's place for collection / recovery of loan dues.

(3) Only the representative(s) authorised by the NBFC / recovery agency shall visit the borrower's / guarantor's premises for activities related to recovery of loan dues.

(4) An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so. Further, the borrower's / guarantor's request to avoid call / visit at a particular time shall be honoured in normal circumstances.

(5) An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the employee

/ recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place of his / her business / occupation.

(6) An employee / recovery agent shall avoid inappropriate occasions such as bereavement in the family, medical emergencies, or such other calamitous occasion, or marriage functions, etc., for making calls / visits to recover loan dues from a borrower / guarantor.

(7) In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the NBFC. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.

(8) Written communication, if any, sent by an employee / recovery agent to the borrower / guarantor shall have prior approval of the NBFC and shall contain the name and contact details of the sender.

(9) An employee / recovery agent shall promptly give proper acknowledgement / receipt on collection / recovery of loan dues from the borrower / guarantor.

100Z. *An NBFC's employee / recovery agent shall not engage in any harsh methods towards collection / recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:*

(1) Use of minatory or abusive language;

(2) Use of social media for posting video / audio recordings or personal details of the borrower / guarantor;

(3) Sending inappropriate messages either on mobile or through social media;

(4) Excessively calling / messaging to the borrower / guarantor and / or calling / messaging outside the prescribed hours;

(5) Making threatening and / or anonymous calls;

(6) Intimidating or harassing the borrower / guarantor and / or his / her

relatives, referees, friends, or co-workers in either verbal, physical or any other manner, including acts intended to humiliate them publicly or intruding upon their privacy;

(7) Use or threat of use of violence or other similar means to harm the borrower / guarantor or their family / assets / reputation;

(8) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

J.5 Complaints against NBFC's employees and its recovery agents

***100AA.** An NBFC shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agency as at paragraph 100L above. Further, all recovery related communications issued by the NBFC must contain the name, email address, telephone number and address of the grievance redressal officer concerned of the NBFC whom the borrower / guarantor can contact.*

J.6 Adherence to other regulations issued by the Reserve Bank / other authorities

***100AB.** In addition to the Directions mentioned herein, an NBFC shall also ensure compliance with any relevant instructions issued by the Reserve Bank on related matters such as outsourcing of financial and IT services, etc., and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCPR), 2018, as amended from time to time."*

(Veena Srivastava)
Chief General Manager

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-27/223

DOR.MCS.REC.No.193/01-01-032/2026-27 August 6, 2026

Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026

Certain instructions on matters related to engagement of recovery agents by banks have been issued to Commercial Banks (other than Small Finance Banks, Payments Banks, Regional Rural Banks, and Local Area Banks) under the Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Directions, 2025. The extant instructions have since been reviewed and it has been decided to issue comprehensive instructions on conduct related matters in recovery of loan dues and engagement of recovery agencies to all Commercial Banks (other than Small Finance Banks, Payments Banks, Regional Rural Banks, and Local Area Banks) (hereinafter referred to collectively as "banks" and individually as a "bank") under the aforesaid Directions.

2. In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act,1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026.

(2) These Directions shall come into effect from **January 1, 2027**.

4. These Amendment Directions shall modify the Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Directions, 2025 as under:

(1) In paragraph 4, the following definitions shall be inserted after sub-paragraph 4(24), namely:

> ***"4(24A) Recovery agency*** *means an entity or individual (other than bank's own employees) who has been engaged by a bank, irrespective of the contractual designation / nomenclature used for such engagement, under an*

outsourcing arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.

Illustration: A Business Correspondent (BC) involved in recovery related activities on behalf of a bank shall be treated as a recovery agency for the purpose of these Directions.

4(24B) Recovery agent *means a representative of a recovery agency who is involved in recovery related activities, on behalf of a bank, at the point of customer interface.*

Explanation: Wherever an individual is directly engaged by a bank under an outsourcing arrangement for recovery / possession related activities, instructions applicable to recovery agency as well as recovery agent shall apply to such an individual."

(2) In Chapter VIII on 'Responsible Lending Conduct', the paragraphs 408 to 416 and 442 to 454 shall be deleted. Further, the following section and paragraphs shall be inserted after paragraph 454, namely:

"L. Conduct of Banks in Recovery of Loan Dues and Engagement of Recovery Agencies

454A. *The provisions under this Section shall apply to recovery of loan dues by a bank from borrowers in default, including taking possession of a security.*

Provided that, *wherever explicitly specified, these provisions shall also apply, mutatis mutandis, to collection of dues in the normal course from the borrowers who are not in default.*

454B. *The provisions under this Section shall be without prejudice to any statutory rights available to a bank, and / or obligations, relating to enforcement of security under any statute, as well as provisions relating to specific recovery actions such as one-time settlement contained in other relevant Directions.*

454C. *'Bank employees', for the purpose of this Section, shall include those employees of a bank who are deployed for recovery of loan dues, including taking possession of a security.*

L.1 Policy

454D. *A bank shall put in place a policy on collection / recovery of loan dues, including taking possession of a security, by its own employee or recovery agent. The policy shall, inter alia, cover aspects related to trigger(s) for initiation of recovery process, graded actions as per an escalation matrix for loan recovery, code of conduct for employees and recovery agents, recovery of loan dues in case of demise of borrower, a structured framework for handling cases involving financial distress including documented pre-escalation engagement and guidance regarding available resolution options, etc.*

454E. *Further, with regard to engagement of recovery agencies, the policy shall cover, inter alia, eligibility and due diligence criteria for engagement of recovery agencies, performance evaluation standards, inspection / audit and control mechanisms to ensure compliance with statutory / regulatory requirements, procedures to be followed / penal actions to be taken in case of non-compliant recovery agencies and / or their agents, etc.*

454F. *The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery related actions of the bank or recovery agencies not consistent with these Directions.*

454G. *A bank, deploying a technology-based mechanism for recovery of loan dues in terms of instructions issued at paragraph 454S below, shall incorporate the related aspects under the policy on collection / recovery of loan dues, including but not limited to the restrictions that shall be applied in a gradual manner on a financed mobile device in case of default by the borrower, timelines for issuing notice to the defaulting borrower, role and responsibilities of third party service provider (if the mechanism is not developed or maintained by the bank), etc.*

L.2 Engagement of recovery agencies for recovery of loan dues

L.2.1 Due diligence

454H. *A bank engaging recovery agencies shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank in the Reserve Bank of India (Commercial Banks –*

Managing Risks in Outsourcing) Directions, 2025, as amended from time to time. A bank or the recovery agencies engaged by it shall carry out verification of the antecedents of the recovery agents at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity as specified in the bank's policy.

L.2.2 Training

454I. *A bank shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF.*

L.2.3 Code of Conduct for recovery agents and bank employees

454J. *A bank, based on the instructions mentioned in these Directions, shall put in place a code of conduct for recovery agents and its own employees. Where a recovery agency has been engaged, the bank shall obtain an undertaking from the recovery agency that its recovery agents agree to abide by the code of conduct.*

L.3 Responsibilities of a bank

L.3.1 Disclosure of information on recovery agencies

454K*. A bank shall make available an up-to-date list of recovery agencies empanelled with or engaged by it on its website. Such list shall include the name and other details of the recovery agencies such as type (corporate / individual), correspondence address, the period of engagement and purpose of engagement (recovery / possession of security). The bank shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the bank shall promptly update such list.*

454L. *While forwarding a case to any recovery agency for recovery of loan dues through in-person visit to the place of the borrower / guarantor, the bank shall intimate the details of the recovery agency to the borrower / guarantor at least one day prior to the first visit.*

454M. *In case of change of the recovery agency during an ongoing recovery process, the bank shall immediately notify the borrower / guarantor of the change.*

454N. *In the event of termination of the agreement with a recovery agency for any reason, the bank shall immediately notify the same to the borrowers / guarantors, to whom such recovery agency was assigned, so as to ensure that they do not continue to deal with that agency or its recovery agents.*

L.3.2 Fair treatment to borrowers during recovery process

454O. *A bank shall ensure that the disclosure of any borrower's / guarantor's information to its employees / recovery agencies is limited to the extent required to enable them to discharge their loan recovery related duties. Further, the bank shall put in place mitigants, including penal provisions, to ensure that its employees / recovery agencies do not misuse any customer information in any manner.*

454P. *A bank shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the bank shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and the calls made by the borrower / guarantor to the telephone / mobile number conveyed by the bank. The record shall be preserved for a period of six months from the date the call was made, or in cases which are sub judice, till they are disposed of. Further, the bank shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

454Q. *A bank shall ensure that the recovery targets or the structure of incentives for its employees or that covered in its contract with a recovery agency, as applicable, do not induce adoption of harsh recovery practices as described at paragraph 454Z below.*

L.3.3 Taking possession of security

454R. *Where a bank has incorporated a possession clause in the loan contract / agreement with a borrower and relies on such possession clause for enforcing its rights, the bank shall ensure that the possession clause is legally* *valid and that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms and conditions of the loan contract / agreement shall contain provisions regarding:*

(1) notice period before taking possession;

(2) circumstances under which the notice period can be waived;

(3) the procedure for taking possession of the security;

(4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;

(5) the procedure for giving the possession of the security back to the borrower; and

(6) the procedure for sale / auction of the security.

L.3.4 Deployment of technology-based mechanism for recovery of loan dues

454S. *A bank shall not deploy any technology-based mechanism, either on its own or by entering into an arrangement with a third-party service provider, which restricts or disables any of the functionalities of a mobile device of a borrower such as mobile phone, tablet and laptop as a recovery tool, except to recover its loan dues arising out from financing of such a device. The bank may resort to such restriction or disablement of the functionalities of a mobile device provided the following conditions are satisfied:*

(1) The acquisition of the concerned mobile device is financed by the bank through a loan;

(2) The loan agreement / contract, expressly and unambiguously, permits such an action, which shall also include the procedure to be followed in complying with the directions issued under this section;

(3) Due notice is issued to the borrower in terms of the timelines specified in the loan agreement to repay the loan dues, which shall include details of the gradual restrictions that shall be imposed on the device functionalities. However, the bank shall not initiate any restriction or

disable the functionalities of the device using the technology mechanism deployed for the purpose, until the associated loan has become 30 days past due and the borrower has not paid the amount due despite being served notices in this regard. Gradual restrictions on the device functionalities (except those deemed to be essential in terms of instructions at paragraph 454T below) may be initiated thereafter, and the full set of restrictions as covered in the loan agreement may be made effective only after the loan has become 60 days past due. Further, outgoing calls shall not be restricted before the loan has become 60 days past due;

(4) The bank and / or the third-party service provider shall obtain certification for its technology-based mechanism from the Original Equipment Manufacturer (OEM) of the mobile device and / or the Operating System platform, if provided.

454T. *A bank, deploying any technology-based mechanism for restricting or disabling the functionalities of a mobile device of a borrower, shall ensure adherence to the following:*

(1) The bank shall adopt a gradual approach rather than disabling the device, ab initio.

(2) The bank shall not restrict / disable functionalities deemed essential, such as access to incoming calls, SMS and emergency SOS features.

(3) The restrictions applied on the device functionalities shall not result in denial of access in carrying out the activities related to work / employment of the borrower.

(4) The bank shall ensure that the borrower has visibility into the status of restrictions applied on her / his mobile device at any point of time.

(5) The bank shall ensure that the restrictions on device functionalities are reversed expeditiously, and not later than one hour of realisation of the dues from the borrower.

(6) In cases of wrongful restrictions or delay in reversal of restrictions applied on the functionalities of a mobile device after realisation of dues

from the borrower where the reason for the delay is attributable to the bank, the lender shall compensate the borrower at the rate of ₹250 per hour till the wrongful action is remedied. However, the total compensation payable by the bank to the borrower shall be capped at the amount of loan disbursed.

(7) *The bank shall promptly relinquish access / control or disable, as applicable, the technology-based mechanism deployed for restricting the functionalities of the mobile device after the loan is repaid in full. Further, in cases where the uninstallation of the mechanism from the mobile device is to be undertaken by the borrower, the bank shall inform him / her of the steps to be taken in this regard.*

(8) *The borrower shall have the right to prepay the loan, either partly or fully, at any stage.*

(9) *The bank shall put in place a robust grievance redressal mechanism to resolve borrower's grievances regarding delays and issues in unlocking of the functionalities of the mobile device.*

454U. *A bank and its third-party service provider engaged for deployment of the technology-based device locking mechanism shall not access or make use of the personal data (such as contacts, SMS, call logs, photos, location history, etc.) available in the mobile device of a borrower for the purpose of loan recovery or any other purpose under any circumstances.*

L.3.5 Periodic review, monitoring and control

454V. *A bank shall put in place a management structure to monitor and control the activities of its recovery agencies and ensure that they refrain from actions that could damage the bank's integrity and reputation. The bank shall ensure that its agreement with a recovery agency contains necessary provisions for achieving the same.*

454W. *A bank, engaging recovery agencies, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

L.4 Conduct of bank's employees and recovery agents

454X. *A bank's employee and recovery agent, while visiting the borrower / guarantor for collection / recovery of loan dues / taking possession of security, shall identify themselves by displaying their identity card issued by the bank and recovery agency, respectively. The recovery agent shall also carry an authorisation letter issued by the bank or the recovery agency and a copy of the notice issued by the bank in terms of paragraph 454L above. The authorisation letter and the notice shall, among other details, include the telephone number of the recovery agency and the grievance redressal officer appointed by the bank in terms of paragraph 454AA below.*

454Y. *A bank shall ensure that its employee / recovery agent engaged in activities related to collection / recovery of loan dues adheres to the following:*

(1) An employee / recovery agent shall discuss the matters related to the loan dues and collection / recovery thereof only with the borrower / guarantor, as applicable.

(2) An employee / recovery agent shall interact with the borrower / guarantor in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's / guarantor's place for collection / recovery of loan dues.

(3) Only the representative(s) authorised by the bank / recovery agency shall visit the borrower's / guarantor's premises for activities related to recovery of loan dues.

(4) An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so. Further, the borrower's / guarantor's request to avoid call / visit at a particular time shall be honoured in normal circumstances.

(5) An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the

employee / recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place of his / her business / occupation.

(6) *An employee / recovery agent shall avoid inappropriate occasions such as bereavement in the family, medical emergencies, or such other calamitous occasion, or marriage functions, etc., for making calls / visits to recover loan dues from a borrower / guarantor.*

(7) *In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the bank. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.*

(8) *Written communication, if any, sent by an employee / recovery agent to the borrower / guarantor shall have prior approval of the bank and shall contain the name and contact details of the sender.*

(9) *An employee / recovery agent shall promptly give proper acknowledgement / receipt on collection / recovery of loan dues from the borrower / guarantor.*

454Z. *A bank's employee / recovery agent shall not engage in any harsh methods towards collection / recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:*

(1) *Use of minatory or abusive language;*

(2) *Use of social media for posting video / audio recordings or personal details of the borrower / guarantor;*

(3) *Sending inappropriate messages either on mobile or through social media;*

(4) *Excessively calling / messaging to the borrower / guarantor and / or calling / messaging outside the prescribed hours;*

(5) *Making threatening and / or anonymous calls;*

(6) Intimidating or harassing the borrower / guarantor and / or his / her relatives, referees, friends, or co-workers in either verbal, physical or any other manner, including acts intended to humiliate them publicly or intruding upon their privacy;

(7) Use or threat of use of violence or other similar means to harm the borrower / guarantor or their family / assets / reputation;

(8) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

L.5 Complaints against bank's employees and its recovery agents

454AA. *A bank shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agency as at paragraph 454L above. Further, all recovery related communications issued by the bank must contain the name, email address, telephone number and address of the grievance redressal officer concerned of the bank whom the borrower / guarantor can contact.*

L.6 Adherence to other regulations issued by the Reserve Bank / other authorities

454AB. *In addition to the Directions mentioned herein, a bank shall also ensure compliance with any relevant instructions issued by the Reserve Bank on related matters such as outsourcing of financial and IT services, etc., and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCPR), 2018, as amended from time to time."*

(Veena Srivastava)
Chief General Manager

भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

RBI/2026-27/225

DOR.MCS.REC.No.195/01-01-035/2026-27 August 6, 2026

Reserve Bank of India (Local Area Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026

Certain instructions on matters related to recovery of microfinance loans and engagement of recovery agents therefor by Local Area Banks (LABs) have been issued to LABs under the Reserve Bank of India (Local Area Banks - Responsible Business Conduct) Directions, 2025. The extant instructions have since been reviewed and it has been decided to issue comprehensive instructions on conduct related matters in recovery of loan dues and engagement of recovery agencies to all LABs (hereinafter referred to collectively as “LABs” and individually as an “LAB”) under the aforesaid Directions.

2. In exercise of the powers conferred by Sections 21 and 35A of the Banking Regulation Act,1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Local Area Banks - Responsible Business Conduct) Fourth Amendment Directions, 2026.

(2) These Directions shall come into effect from **January 1, 2027**.

4. These Amendment Directions shall modify the Reserve Bank of India (Local Area Banks - Responsible Business Conduct) Directions, 2025 as under:

(1) In paragraph 4, the following definitions shall be inserted after sub-paragraph 4(24), namely:

> ***“4(24A) Recovery agency*** *means an entity or individual (other than LAB’s own employees) who has been engaged by an LAB, irrespective of the contractual designation / nomenclature used for such engagement, under an outsourcing arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.*

Illustration: A Business Correspondent (BC) involved in recovery related activities on behalf of an LAB shall be treated as a recovery agency for the purpose of these Directions.

4(24B) Recovery agent *means a representative of a recovery agency who is involved in recovery related activities, on behalf of an LAB, at the point of customer interface.*

Explanation: Wherever an individual is directly engaged by an LAB under an outsourcing arrangement for recovery / possession related activities, instructions applicable to recovery agency as well as recovery agent shall apply to such an individual."

(2) In Chapter VIII on 'Responsible Lending Conduct', the paragraphs 227 to 235 shall be deleted. Further, the following section and paragraphs shall be inserted after paragraph 235, namely:

"H. Conduct of LABs in Recovery of Loan Dues and Engagement of Recovery Agencies

235A. *The provisions under this Section shall apply to recovery of loan dues by an LAB from borrowers in default, including taking possession of a security.*

Provided that, *wherever explicitly specified, these provisions shall also apply, mutatis mutandis, to collection of dues in the normal course from the borrowers who are not in default.*

235B. *The provisions under this Section shall be without prejudice to any statutory rights available to an LAB, and / or obligations, relating to enforcement of security under any statute, as well as provisions relating to specific recovery actions such as one-time settlement contained in other relevant Directions.*

235C. *'LAB employees', for the purpose of this Section, shall include those employees of an LAB who are deployed for recovery of loan dues, including taking possession of a security.*

H.1 Policy

235D. *An LAB shall put in place a policy on collection / recovery of loan dues, including taking possession of a security, by its own employee or recovery agent. The policy shall, inter alia, cover aspects related to trigger(s) for initiation*

of recovery process, graded actions as per an escalation matrix for loan recovery, code of conduct for employees and recovery agents, recovery of loan dues in case of demise of borrower, a structured framework for handling cases involving financial distress including documented pre-escalation engagement and guidance regarding available resolution options, etc.

235E. *Further, with regard to engagement of recovery agencies, the policy shall cover, inter alia, eligibility and due diligence criteria for engagement of recovery agencies, performance evaluation standards, inspection / audit, and control mechanisms to ensure compliance with statutory / regulatory requirements, procedures to be followed / penal actions to be taken in case of non-compliant recovery agencies and / or their agents, etc.*

235F. *The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery related actions of the LAB or recovery agencies not consistent with these Directions.*

235G. *An LAB, deploying a technology-based mechanism for recovery of loan dues in terms of instructions issued at paragraph 235S below, shall incorporate the related aspects under the policy on collection / recovery of loan dues, including but not limited to the restrictions that shall be applied in a gradual manner on a financed mobile device in case of default by the borrower, timelines for issuing notice to the defaulting borrower, role and responsibilities of third party service provider (if the mechanism is not developed or maintained by the LAB), etc.*

H.2 Engagement of recovery agencies for recovery of loan dues

H.2.1 Due diligence

235H. *An LAB engaging recovery agencies shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank in the Reserve Bank of India (Local Area Banks – Managing Risks in Outsourcing) Directions, 2025, as amended from time to time. An LAB or the recovery agencies engaged by it shall carry out verification of the antecedents of the recovery agents at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity as specified in the LAB's policy.*

H.2.2 Training

235I. *An LAB shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF. An LAB shall also ensure that recovery agents already engaged by its recovery agencies, but not holding the aforesaid certificate, obtain the certificate from IIBF within a period of one year from the effective date of these Directions.*

H.2.3 Code of Conduct for recovery agents and LAB employees

235J. *An LAB, based on the instructions mentioned in these Directions, shall put in place a code of conduct for recovery agents and its own employees. Where a recovery agency has been engaged, the LAB shall obtain an undertaking from the recovery agency that its recovery agents agree to abide by the code of conduct.*

H.3 Responsibilities of an LAB

H.3.1 Disclosure of information on recovery agencies

235K*. An LAB shall make available an up-to-date list of recovery agencies empanelled with or engaged by it on its website. Such list shall include the name and other details of the recovery agencies such as type (corporate / individual), correspondence address, the period of engagement and purpose of engagement (recovery / possession of security). The LAB shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the LAB shall promptly update such list.*

235L*. While forwarding a case to any recovery agency for recovery of loan dues through in-person visit to the place of the borrower / guarantor, the LAB shall intimate the details of the recovery agency to the borrower / guarantor at least one day prior to the first visit.*

235M. *In case of change the of recovery agency during an ongoing recovery process, the LAB shall immediately notify the borrower / guarantor of the change.*

235N. *In the event of termination of the agreement with a recovery agency for any reason, the LAB shall immediately notify the same to the borrowers / guarantors, to whom such recovery agency was assigned, so as to ensure that they do not continue to deal with that agency or its recovery agents.*

H.3.2 Fair treatment to borrowers during recovery process

235O. *An LAB shall ensure that the disclosure of any borrower's / guarantor's information to its employees / recovery agencies is limited to the extent required to enable them to discharge their loan recovery related duties. Further, the LAB shall put in place mitigants, including penal provisions, to ensure that its employees / recovery agencies do not misuse any customer information in any manner.*

235P. *An LAB shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the LAB shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and the calls made by the borrower / guarantor to the telephone / mobile number conveyed by the LAB. The record shall be preserved for a period of six months from the date the call was made, or in cases which are sub judice, till they are disposed of. Further, the LAB shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

235Q. *An LAB shall ensure that the recovery targets or the structure of incentives for its employees or that covered in its contract with a recovery agency, as applicable, do not induce adoption of harsh recovery practices as described at paragraph 235Z below.*

H.3.3 Taking possession of security

235R. *Where an LAB has incorporated a possession clause in the loan contract / agreement with a borrower and relies on such possession clause for enforcing its rights, the LAB shall ensure that the possession clause is legally valid and that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms and conditions of the loan contract / agreement shall contain provisions* *regarding:*

(1) notice period before taking possession;

(2) circumstances under which the notice period can be waived;

(3) the procedure for taking possession of the security;

(4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;

(5) the procedure for giving the possession of the security back to the borrower; and

(6) the procedure for sale / auction of the security.

H.3.4 Deployment of technology-based mechanism for recovery of loan dues

235S. *An LAB shall not deploy any technology-based mechanism, either on its own or by entering into an arrangement with a third-party service provider, which restricts or disables any of the functionalities of a mobile device of a borrower such as mobile phone, tablet and laptop as a recovery tool, except to recover its loan dues arising out from financing of such a device. An LAB may resort to such restriction or disablement of the functionalities of a mobile device provided the following conditions are satisfied:*

(1) The acquisition of the concerned mobile device is financed by the LAB through a loan;

(2) The loan agreement / contract, expressly and unambiguously, permits such an action, which shall also include the procedure to be followed in complying with the directions issued under this section;

(3) Due notice is issued to the borrower in terms of the timelines specified in the loan agreement to repay the loan dues, which shall include details of the gradual restrictions that shall be imposed on the device functionalities. However, the LAB shall not initiate any restriction or disable the functionalities of the device using the technology mechanism deployed for the purpose, until the associated loan has become 30 days past due and the borrower has not paid the amount due despite being

served notices in this regard. Gradual restrictions on the device functionalities (except those deemed to be essential in terms of instructions at paragraph 235T below) may be initiated thereafter, and the full set of restrictions as covered in the loan agreement may be made effective only after the loan has become 60 days past due. Further, outgoing calls shall not be restricted before the loan has become 60 days past due;

(4) The LAB and / or the third-party service provider shall obtain certification for its technology-based mechanism from the Original Equipment Manufacturer (OEM) of the mobile device and / or the Operating System platform, if provided.

***235T.** An LAB, deploying any technology-based mechanism for restricting or disabling the functionalities of a mobile device of a borrower, shall ensure adherence to the following:*

(1) The LAB shall adopt a gradual approach rather than disabling the device, ab initio.

(2) The LAB shall not restrict / disable functionalities deemed essential, such as access to incoming calls, SMS and emergency SOS features.

(3) The restrictions applied on the device functionalities shall not result in denial of access in carrying out the activities related to work / employment of the borrower.

(4) The LAB shall ensure that the borrower has visibility into the status of restrictions applied on her / his mobile device at any point of time.

(5) The LAB shall ensure that the restrictions on device functionalities are reversed expeditiously, and not later than one hour of realisation of the dues from the borrower.

(6) In cases of wrongful restrictions or delay in reversal of restrictions applied on the functionalities of a mobile device after realisation of dues from the borrower where the reason for the delay is attributable to the LAB, the lender shall compensate the borrower at the rate of ₹250 per hour till the wrongful action is remedied. However, the total

compensation payable by the LAB to the borrower shall be capped at the amount of loan disbursed.

(7) The LAB shall promptly relinquish access / control or disable, as applicable, the technology-based mechanism deployed for restricting the functionalities of the mobile device after the loan is repaid in full. Further, in cases where the uninstallation of the mechanism from the mobile device is to be undertaken by the borrower, the LAB shall inform him / her of the steps to be taken in this regard.

(8) The borrower shall have the right to prepay the loan, either partly or fully, at any stage.

(9) The LAB shall put in place a robust grievance redressal mechanism to resolve borrower's grievances regarding delays and issues in unlocking of the functionalities of the mobile device.

235U. *An LAB and its third-party service provider engaged for deployment of the technology-based device locking mechanism shall not access or make use of the personal data (such as contacts, SMS, call logs, photos, location history, etc.) available in the mobile device of a borrower for the purpose of loan recovery or any other purpose under any circumstances.*

H.3.5 Periodic review, monitoring and control

235V. *An LAB shall put in place a management structure to monitor and control the activities of its recovery agencies and ensure that they refrain from actions that could damage the LAB's integrity and reputation. The LAB shall ensure that its agreement with a recovery agency contains necessary provisions for achieving the same.*

235W. *An LAB, engaging recovery agencies, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

H.4 Conduct of LAB's employees and recovery agents

235X. *An LAB's employee and recovery agent, while visiting the borrower / guarantor for collection / recovery of loan dues / taking possession of security, shall identify themselves by displaying their identity card issued by the LAB and recovery agency, respectively. The recovery agent shall also carry an* *authorisation letter issued by the LAB or the recovery agency and a copy of the notice issued by the LAB in terms of paragraph 235L above. The authorisation letter and the notice shall, among other details, include the telephone number of the recovery agency and the grievance redressal officer appointed by the LAB in terms of paragraph 235AA below.*

235Y. *An LAB shall ensure that its employee / recovery agent engaged in activities related to collection / recovery of loan dues adheres to the following:*

(1) An employee / recovery agent shall discuss the matters related to the loan dues and collection / recovery thereof only with the borrower / guarantor, as applicable.

(2) An employee / recovery agent shall interact with the borrower / guarantor in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's / guarantor's place for collection / recovery of loan dues.

(3) Only the representative(s) authorised by the LAB / recovery agency shall visit the borrower's / guarantor's premises for activities related to recovery of loan dues.

(4) An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so. Further, the borrower's / guarantor's request to avoid call / visit at a particular time shall be honoured in normal circumstances.

(5) An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice, or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the employee / recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place his / her of business / occupation.

(6) An employee / recovery agent shall avoid inappropriate occasions such as bereavement in the family, medical emergencies, or such other

calamitous occasion, or marriage functions, etc., for making calls / visits to recover loan dues from a borrower / guarantor.

(7) In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the LAB. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.

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(3) Sending inappropriate messages either on mobile or through social media;

(4) Excessively calling / messaging to the borrower / guarantor and / or calling / messaging outside the prescribed hours;

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borrower / guarantor or their family / assets / reputation;

(8) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

H.5 Complaints against LAB's employees and its recovery agents

235AA. *An LAB shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agency as at paragraph 235L above. Further, all recovery related communications issued by the LAB must contain the name, email address, telephone number and address of the grievance redressal officer concerned of the LAB whom the borrower / guarantor can contact.*

H.6 Adherence to other regulations issued by the Reserve Bank / other authorities

235AB. *In addition to the Directions mentioned herein, an LAB shall also ensure compliance with any relevant instructions issued by the Reserve Bank on related matters such as outsourcing of financial and IT services, etc., and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCPR), 2018, as amended from time to time."*

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