

# **USHA FINANCIAL SERVICES LTD.**

## **COLLECTION POLICY**

**Approved by:- Board of Directors**

**Policy Review Cycle:-Annual**

**Date of Review:- \_\_\_\_\_**



## Table of Contents

1. INTRODUCTION .....	3
a. Scope Objectives and Principle .....	3
b. Guiding Principles of Collection: Code of Conduct .....	4
c. Collection Dos and Don'ts .....	6
2. COLLECTION POLICY .....	7
a. Introduction .....	7
b. Collection Strategy .....	7
c. Bucket-Wise Collection Strategy .....	8
d. Tele-Calling Strategy .....	11
e. Field Visit Strategy .....	11
f. Dunning Strategy .....	12
g. Legal Strategy .....	12
h. Recovery & Resolution Mechanism .....	13
i. Identification of Willful Defaulters.....	13
3. Legal Action and Recovery (Procedure).....	15
a. Arbitration proceedings .....	15
b. SEC 138/25 NI ACT .....	18
c. Demand Promissory Note .....	21
d. LokAdalat .....	21
4. Skip Tracing Process.....	22
5. POLICY ON NON-STARTERS.....	24
6. REPAYMENT MODE.....	26
7. Collector Training.....	26
8. Late Payment Charges .....	27
Annexure – I.....	28
Annexure – II.....	31
Annexure – III.....	34
Annexure – IV.....	37

## 1. INTRODUCTION

The purpose of the collection policy is to create a set of standardized policies and procedures for collection activities. An effective collection policy is essential to keep a strong control on the portfolio of the UFSL and thereby ensuring that the credit expense of the organization is low. It is essential to adopt effective collection strategies that promote on – time repayment as well as manage delinquencies better.

The essential component of a sound NPA management system is quick identification of non-performing advances, their containment at minimum levels and ensuring that their impingement on financials of UFSL are minimum.

Thus the Collections Policy of Usha Financial Services Ltd., (hereafter referred as “the UFSL”) shall aim at making the recovery process faster, so that Gross NPA level is maintained within the risk appetite of the UFSL.

### a. Scope Objectives and Principle

The quality and performances of advances have a direct bearing on the profitability of UFSL. Despite an efficient credit appraisal, disbursement and monitoring mechanism, problems can still arise due to various factors and Non-Performing Asset (NPA) may arise. These factors may be internal or external.

- Policy outlines structured collection mechanism for all recognized critical and stressed accounts.
- The Loan Review Mechanism to be triggered on detection of early warning signals to ensure an effective and expeditious response for correction.
- The Policy emphasizes a broad approach, including critical parameters to be taken into account, towards the collection, recovery and resolution of loans through rehabilitation, compromise settlements etc.
- The Policy also proposes an approach for cleansing of NPA portfolio through judicious write-offs.

#### **Objectives:**

- To minimize delayed payment post due date (or bounce rate of PDC/ECS). To ensure lower forward flow from initial bucket (from 0---30 DPD to >30 DPD).
- To reduce the impact of provision and losses on different products – secured & unsecured.
- To reschedule customers who have short term genuine repayment inability with the right intent of payment.

- To educate customers the benefits of prompt repayment and consequences of non-payment
- To ensure collection cost is under control
- To provide inputs to credit policy based on collection experience.
- To ensure compliance with regulations and applicable Code of conduct
- To manage collection of penalty fees based on UFSL norm.

## **b. Guiding Principles of Collection: Code of Conduct**

“The debt collection policy of the UFSL is based on principle of dignity and respect to customers. The UFSL believes in following fair practices with regard to collection of dues and repossession of security thereby fostering customer confidence and long-term relationship and thereby ensures that there is no coercive practice followed while collecting the dues.

The repayment schedule for any loan sanctioned by UFSL is fixed taking into account repayment capacity and cash flow pattern of the borrower. The UFSL explains to the customer upfront the method of calculation of interest and how the Equated Monthly Installments (EMI) or payments through any other mode of repayment are appropriated against interest and principal due from the customers. The UFSL expects the customers to adhere to the repayment schedule agreed to and approach it for assistance and guidance in case of genuine difficulty in meeting repayment obligations.

- UFSL's recovery procedure shall be based on good manners, impartial treatment and persuasion.
- UFSL shall treat its defaulters with respect and dignity.
- All communications to the customer are in writing, by telephone or through personal visit. The customer is contacted by telephone on the numbers (residence/work place/mobile) provided by him/her in the application form filled in at the time of taking the loan/modified subsequently as intimated to the UFSL. If the customer is not responding/not reachable over telephone or not paying even after telephonic request, the UFSL's representatives make personal visits to the customer's residence/workplace during reasonable hours of the day.
- UFSL shall contact people other than the Borrowers only to locate the borrower
- The UFSL staff or any person authorized to represent the UFSL in collection of dues or/and security repossession identifies himself / herself and displays the Identity card/authority letter issued by the UFSL upon request.
- Representatives of UFSL will not harass or abuse borrowers with threats or offensive mannerisms /language at given time
- The UFSL is committed to ensure that all written and verbal communication with its borrowers are in simple business language and the UFSL adopts civil manners for interaction with borrowers

- UFSL shall follow only ethical practices and will not resort to unduly coercive tactics in the process for recovering NPAs.
- Normally the UFSL's representatives will contact the borrower between 0700 hours and 1900 hours, unless the special circumstance of his/her business or occupation requires the UFSL to contact at a different time.
- Tele callers will ensure simple business language, decorum and persuasion while making follow-up calls
- Borrower's requests to avoid calls at a particular time or at a particular place are honored as far as possible.
- The UFSL documents the efforts made for the recovery of dues, as far as possible and the copies of communication sent to customers, if any, are kept on record
- All assistance is given to resolve disputes or differences regarding dues in a mutually acceptable and in an orderly manner
- Inappropriate occasions such as bereavement in the family or such other calamitous occasions are avoided for making calls/visits to collect dues
- The UFSL provides the loan account statement to its customers on request basis when changes in period of loan, quantum of EMI etc. take place. Changes in the rate of interest are communicated to the customers as and when they are effected
- Collections team can disclose the loan obligations only to the customer, co-borrower or the co-guarantor.
- If the customer is not present and only minors/elderly / infirm are present at the time of the visit, the Collections Representative should end the visit with a request that the customer call back. He should not enter the house unless invited. He should not wait for the customer in the customer's residence unless specifically asked to do so by the customer or family.
- UFSL representatives shall not make false, deceptive, or misleading claims for the purpose of collecting repayments. This includes misrepresenting his/ her identity or falsifying facts about debt status or consequences of non-repayment or claiming any monetary or non-monetary awards post tracing of the customer.
- UFSL shall not initiate any legal or recovery measures without giving due notice to the borrower in writing. UFSL shall follow all such procedures as required under law for recovery.
- All communication/letters to the customer either through mail or through Posts shall be handled directly by the UFSL as appropriate. Mail dunning /Posts/ phonograms/SMS etc. shall be in a format approved by Collections Unit of the UFSL.
- Customer's questions should be answered in full. They should be provided with information requested, given assistance and issues resolved. Accounts with unresolved issues are to be escalated to management.
- Customer or third party requests for supervisor names or requests to speak with supervisor should always be honored.

- Customers may use UFSL’s grievance redressal mechanism/ escalation matrix in case of any concerns or grievances pertaining to collection of dues & recovery

### c. Collection Dos and Don’ts

DO’s	DON’Ts
<ul style="list-style-type: none"> <li>✓ Do dress in formal clothes and carry the company identity card during work hours positively</li> <li>✓ Do be punctual and available at Meetings and in the Office</li> <li>✓ Visit and analyze the customer situation</li> <li>✓ Do talk in a pleasant, polite and non-aggressive manner at all times. Answers should be factual and to the point</li> <li>Collection interactions should be based on fair conduct and persuasion</li> <li>✓ Present all the information required by the customer in an appropriate manner</li> <li>✓ Do answer borrower’s query to the satisfaction of the borrower</li> <li>✓ Do provide a valid receipt for each loan installment payment received (partial or full) and educate customers to keep all the receipts for all future references.</li> <li>✓ Visit the Customer on Promise to Pay dates given by them on working days only</li> <li>✓ Maintain a reasonable distance from the customer</li> <li>✓ Contact customer at appropriate hrs. Timings: Earliest- 7.00 AM &amp; 7.00 PM</li> <li>✓ Do keep borrower information confidential and use it only for permissible purposes defined by UFSL</li> </ul>	<ul style="list-style-type: none"> <li>✗ Do not get personal, tough or aggressive or abusive</li> <li>✗ Do not use coercion of any sort to make recovery of payments.</li> <li>✗ Do not humiliate borrowers in public places by discussing their loan over dues with third parties/neighbors</li> <li>✗ Do not threaten that assets will be seized</li> <li>✗ Do not pressurize the members &amp; make unrealistic demands</li> <li>✗ Do not claim that the personal documents collected earlier will form part of collateral</li> <li>✗ Do not force the customers to make payments by not giving them an alternative option</li> <li>✗ Do not humiliate the customer, lose temper, get angry or irritated irrespective of the situation Tone should not be harsh or loud</li> <li>✗ Do not give false promises to customers like promising higher loans in case of part payments, providing jobs to family members etc.</li> <li>✗ Do not seize customer assets or any personal documents e.g. Voter ID, ration card etc.</li> <li>✗ Do not share customer’s information with other member borrowers/customers</li> <li>✗ Do not call borrowers at inappropriate times such as bereavements, illness, social occasions such as marriages, births etc.</li> <li>✗ Do not visit or call borrowers between 7 pm to 7 am positively</li> <li>✗ Do not discriminate on the basis of caste and religion</li> <li>✗ Do not go for collections in a group of more than 2 staff members at a time</li> <li>✗ Do not visit the customers on weekly or public holidays</li> </ul>

## 2. COLLECTION POLICY

### a. Introduction

A Loan Officer (LO) shall represent UFSL in collection and secured assets repossession. The process would follow the guidelines set out below:

- The customer would be contacted ordinarily at the place of his / her choice and in the absence of any specified place, at the place of his / her residence and if unavailable at his / her residence, at the place of business / occupation.
- Identity and authority of persons authorized to represent UFSL for follow up and recovery of dues would be made known to the borrowers at the first instance. UFSL staff or any person authorized to represent the UFSL in collection of dues will identify himself / herself and display the authority letter issued by the UFSL upon request.
- The UFSL would respect privacy of its borrowers.
- The UFSL is committed to ensure that all written and verbal communication with its borrowers will be in simple business language and UFSL will adopt civil manners for interaction with borrowers.
- Normally UFSL's representatives will contact the borrower between 0700 hrs. to 1900 hrs. Unless the special circumstance of his / her business or occupation requires UFSL to contact at a different time.
- Borrower's request to avoid calls at a particular time or at a particular place would be honored as far as possible.
- Inappropriate occasions such as bereavement in the family or such other calamitous occasions and important social functions such as marriages will be avoided for making calls / visits to collect dues.

### b. Collection Strategy

The action plan for collection will vary depending on the reasons of default. Accordingly, defaults are broadly classified as:

- Individual / Entity Defaults
- Technical Defaults
- Defaults caused due to Fraud/Skip

Types of Default	Action Plan
Individual / Entity Default	
Temporary repayment problem	Cases shall be visited, situation assessed and collection to be made within 30 days.

Long – term repayment Problem	Process shall vary basis the cause of default.
<b>Technical Defaults</b>	
Wrong Posting of EMI	Loan Officer shall intimate the operations department to have the issue rectified.
<b>Default Causes by Fraud/Skip</b>	
Default caused by fraud	Cases shall be investigated and reported. Collection & Legal shall initiate action against the Individual/ Case
Default caused by Skip	Case need to be allocated to Field collections & need to trace by using all the available technique/Resources. Sales/collections Shall Jointly work on resolving such cases.

### c. Bucket-Wise Collection Strategy

Bucket	Activities	Staff responsible
<b>Bucket 1 (1 to 30 Days)</b>	<ul style="list-style-type: none"> <li>• Missed payment/Bounce SMS</li> <li>• 1 to 3 days: Loan officer/Credit Officer to visit/ call the customer to obtain PTP/ Re- payments.</li> <li>• &gt;3 days: bounce calling from the collections obtain PTP and Loan/ Credit officer to ensure re-payment is picked.</li> <li>• In case the customer is temporarily not contactable for 3 consecutive field visits the account shall be allocated to senior levels in distribution and credit officer for mandatory field visit.</li> <li>• Focus is to normalize the account, and ensure corrective action for no future delinquency of the case</li> <li>• For 1-12 DPD , the credit officer will be assisting the Loan Officer in collection</li> </ul>	Tele-Calling, Operation Manager, Credit Manager, Sales Manager, Collection Executive
<b>Bucket 2 (31 to 60 DPD)</b>	<ul style="list-style-type: none"> <li>• Overdue calling (tele-calling unit), field visit and overdue EMI and other applicable charges pick-up will be done by the collection officer.</li> </ul>	Tele-Calling, Operation Manager, Credit Manager, Sales Manager, , Collection Manager, Legal Executive, Field Collection Team,



	<ul style="list-style-type: none"><li>•Based on severity of the case collections manager will also visit the customer</li><li>•The prioritization of collection effort will be normalization first &amp; then stabilization.</li><li>•If the Collection Manager is of the opinion that customer intent is good but ability is impaired and fit case for reschedule, then he will recommend the case to Collection Head and Credit Department.</li><li>•Credit Bureau updation in CIBIL and Equifax shall be used for all cases&gt;30 days.</li><li>•The collections head will refer the case to Legal Department to issue overdue payment reminder notice/ Dunning Letter on the company letterhead (30 DPD Notice)</li></ul>	Collections Head
<b>Bucket 3 (61-90 DPD)</b>	<ul style="list-style-type: none"><li>•Overdue calling (tele---calling), field visit and overdue EMI and other applicable charges pick-up will be done by the collection officer</li><li>•The prioritization of collection effort will be normalization, rollback or stabilization in that order.</li><li>•Based on customer risk profile, collection manager/ Credit Manager will continue visit the customer.</li><li>•If the collection manager is of the opinion that customer's intent is good but ability is impaired and fit case for reschedule/rehabilitation, then he will recommend the case to Credit Manager for available solutions.</li><li>•Credit bureau scrubs shall be continuously used to observe the payment behavior of Overdue clients</li><li>•The collection head will refer the case to</li></ul>	Tele-Calling, Operation Manager, Credit Manager, Sales Manager, Legal Executive, Field Collection Team, Collection Head

	Legal Department to issue notice for overdue payment on the company letterhead (60 DPD Notice)	
<b>Bucket 4 onwards (&gt;90 DPD)</b>	<ul style="list-style-type: none"> <li>•Overdue calling (Tele-calling team), field visit and overdue EMI and other applicable charges pick-up will be done by the collection officer</li> <li>•The prioritization of collection effort will be normalization, rollback or stabilization in that order.</li> <li>•Based on customer risk profile, collection manager will continue visit the customer</li> <li>• The collection Head will refer the case to Legal Department to issue loan recall notice (LRN) for cases &gt;90 days.</li> <li>•Based on the feedback from the collection manager legal action (sec 138/25 of Negotiable instrument Act/ Payment and Settlement Act) will be executed through our legal team</li> <li>•Demand promissory Note can be invoked through claiming legal suite on recommendation from collection manager</li> <li>• In case of EV we possess the vehicle if it is more than 90 Days*</li> <li>•In some exceptional cases, company will offer/accept settlement to/from the customer as approved by Collections Head</li> </ul>	Tele-Calling, Operation Manager, Credit Manager, Sales Manager, Collection Head, Legal Executive, Field Collection Team

- \*For EV we ask the Dealer / OEM to provide us the money on mutual agreed value of the vehicle that shall cover Principal and applicable interest in a stipulated period of time. In case they do not help UFSL team. UFSL may go ahead to carry out legal procedures as mentioned in agreement.

#### **d. Tele-Calling Strategy**

##### **Awareness Calling (Calling Before 1st EMI)**

For enhanced customer experience and to ensure minimal operational delinquency towards early tenor of the loans, awareness calling will be done for all customers (based on contactability) post loan disbursement to make them aware of their due EMI amount and the installment date. The benefit of awareness calling is the confirmation of customer contactability at specified contact numbers and pre-empting any customer issues that could have led to customer dissonance. This activity will be carried by Tele-calling team

##### **Pre-Bounce or Reminder Calling**

Pre-Bounce and Reminder Calling will be done under 2 circumstances by Tele-calling team

- For first 4 months, all customers will be called and reminded about their impending due date and requesting them to fund their account before the due date. This is to ensure that customer habit of clearing EMI thru their UFSL account is established
- After 4 months, only customers who have missed their repayment previous month, but paid within the end-of-month, will be called and asking them to fund their account before due date (so that these accounts will not become overdue post EOM) irrespective of ECS/Cheque or cash mode repayments
- Bounce calling will be done to customers whose cheque/ECS/ACH has bounced during the month, insisting them to repay the overdue installment with applicable charges by phone UFSL collection team (4th day)

#### **e. Field Visit Strategy**

- Prior to field visit, collection team to refer tele calling trial
- The collector shall visit the customer at residence or work place to establish contact, negotiate and collect repayment (or take a PTP)
- The intensity of the field visit will be based
  - Bucket status
  - POS Status
  - Payment behavior in the past

## f. Dunning Strategy

Reminder notices will be sent to the customer. Reminder notice for debt collection will serve several purposes

- It is alternate soft collection method reminding them for overdue repayment
- Since it is documented, it shall serve as evidence when legal action is initiated

Different types of notices will be sent to the customer as per the below aging:

Reminder Notice	Limitation
First reminder notice	30th Day
Second reminder Notice	31 to 60 days
Final reminder	61 to 90 Days
Loan recall notice & Sec 138/25 NIA	>90 Days

\*All the Letter/ Notice Formats are enclosed as annexure to this policy

## g. Legal Strategy

- For certain defaulting accounts, if other collection efforts are not successful or not advisable due to sensitivities of relationship or adverse publicity, the collections manager may initiate legal action through Legal department
- For carrying out legal activity, the collections manager will designate an officer to be in charge of the legal activity.
- For legal action, specific approved lawyers will be identified and empanelled
- Legal action may be initiated under Civil and/or criminal procedure code as appropriate to the facts of the case.
- The collection unit may use the option of sending legal conciliation letters/ Loan recall notices to specific customers given the stage of delinquency and feedback from Tele- calling/ field.

### **The following legal strategy will be used for customers**

>=90 DPD --- Send notice under Section 138 of Negotiable Instruments Act (Check Bounce) & Execution of Demand Promissory Notes as per NI act.

However, there may be instances where the unit may not file legal cases. These will be

- All cases where account; balance is low.
- Where payment has been received in the last three months.
- Where there is a settlement / negotiation in progress.

Legal activity will be monitored and reported through monthly reports giving:

- Fresh cases filed in the month
- Cases resolved in the month and therefore
- Cases in progress

The report will also indicate the amount recovered in the resolutions obtained in the month.

Legal action will be initiated under Sec 138, Civil/Criminal procedure codes based on the following parameters viz. bucket, principal outstanding, check amounts and collection history.

Though standard procedure for initiating Loan Recall procedure will be after 90 DPD, but in some cases where immediate action is needed, Loan Recall procedure could be initiated even before 90 DPD with approval from Collection, Credit & Legal Head.

## **h. Recovery & Resolution Mechanism**

Continuous and focused follow up on a daily basis is the underlying principle for good recovery and also for identifying genuine problems of the borrowers so that timely assistance can be extended to correct any temporary mismatch of the cash flow/ review of repayment schedule etc.

- Endeavour should be to prevent the asset from becoming NPA rather than applying remedial measures at post NPA stage.
- Timely restructuring / rehabilitation in deserving cases should be ensured.
- In exceptional cases, UFSL may opt for One Time Settlement where chances of entire recovery are remote / time consuming.
- UFSL will enforce the provisions of identifying and declaring willful defaulters in accordance with RBI guidelines. General consistency in approach is expected while dealing with willful defaulters.

Approach for recovery should be practical and non---prejudiced. Fair treatment and persuasion are the basic principles of recovery mechanism. Enforcement of security be undertaken only where restructure / rehabilitation has failed or impossible

The recovery mechanisms will include Rectification & Restructuring and in case these options are seen as not feasible, due recovery options will be resorted to as stated in this policy

## **i. Identification of Willful Defaulters**

As per the scheme framed by RBI with effect from 01.04.1997, Financial Institutions are required to submit the list of suit filed accounts of willful defaulters of Rs.25 lac and above as at end of every quarter to Credit Bureaus and/or any other credit information company of which it is a member and the quarterly list of willful defaulters of Rs.25 lac and above where suit has not been filed to RBI.

**Classification of willful defaulter by UFSL for internal purposes:**

UFSL shall classify willful defaulters irrespective of the amount outstanding, for internal purposes. The term "willful default" in accordance with RBI guidelines would be deemed to have occurred if any of the following events is noted:

The borrower/unit has defaulted in meeting its payment/repayment obligations to the lender even when it has the capacity to honor the said obligations.

- The borrower/ unit have defaulted in meeting its payment/repayment obligations to the lender and have not utilized the finance from the lender for the specific purposes for which finance was availed of but has diverted the funds for other purposes.
- The borrower has defaulted in meeting its payment/repayment obligations to the lender and has siphoned off the funds so that the funds have not been utilized for the specific purpose for which finance was availed of, nor are the funds available with the borrower in the form of other assets.

For the purpose of determining future course of action in an account, the guiding principle will be the intention of the borrowers concerned. Willful defaults broadly cover the following:

- Deliberate non---payment of the dues despite adequate cash flow and good net worth;
- Siphoning off of funds to the detriment of the defaulting unit;
- Assets financed either not been purchased or been sold and proceeds have been mis-utilized;
- Misrepresentation/falsification of records;
- Disposal/removal of securities without UFSL's knowledge;
- Fraudulent transactions by the borrower.
- Absconding from current residence without giving any prior notice to UFSL.
- Involvement in sub lending activity by the borrower.

As and when accounts is classified as NPA or on occurrence of any of the events noted above in an existing NPA account, collection team shall examine whether same is a case of willful default.

**Internal Committee for approving list of willful defaulters:**

A Sub Committee for ‘ The Risk management committee of the board’, constituting Head of Collections, Head of Operations, Head of Credit & Head of Legal Department shall be the final authority to approve the list of willful defaulters for POS Rs 0.5 lacs to Rs 25 Lacs.

**System tracking:**

The complete list of willful defaulters shall be shared with corporate credit team once in a month for updation in internal systems as negative customer.

### 3. Legal Action and Recovery (Procedure)

Recovery proceedings would be initiated against the borrower / guarantor wherever exit, restructuring and rehabilitation or settlement / compromise have been exhausted or are not possible.

All legal actions / recovery actions shall be approved by the designated approval authorities as per the Delegation of Authority of the UFSL. In cases of willful default, (e.g. diversion and siphoning of funds), fraud and malfeasance on the part of the borrower, legal action may be the first and only option for recovery, as any other option of recovery would not be appropriate.

The following steps can be initiated in respect of such borrowers.

#### a. Arbitration proceedings

Procedure	
Steps	Description
<b>Initiation of arbitration proceeding</b>	<ul style="list-style-type: none"> <li>• Arbitration proceedings will be initiated only when an Arbitration agreement is in writing between the parties.</li> <li>• Once the cases are identified for arbitration proceedings, a demand notice shall be issued to the customer demanding repayment of entire loan outstanding (principal + interest + other charges) within 10 -15 days.</li> <li>• In parallel, UFSL will also choose to issue a notice for inspection of asset (optional).</li> </ul>
<b>Appointment of arbitrator</b>	<ul style="list-style-type: none"> <li>• After expiry of the notice period in the demand notice and provided customer has not complied with the demand notice, the UFSL will invoke the arbitration clause and UFSL will on its own or through its advocate appoints an arbitrator and send a notice to customer stating that a dispute has occurred and the UFSL has appointed an arbitrator to adjudicate upon the disputes and claims between the parties as per agreement. The place for arbitration is also notified as mentioned in the agreement</li> </ul>
<b>Arbitration proceeding</b>	<ul style="list-style-type: none"> <li>• Upon appointment, the arbitrator will inform all the parties regarding his appointment and call the parties for a preliminary hearing and after such hearing, will</li> </ul>



	issue necessary instructions to the parties and will fix the hearing for submitting statement of claim and other things.
<b>Filing of statement of claim</b>	<ul style="list-style-type: none"><li>• The claimant (UFSL) has to file statement of claim before the arbitrator within the period of time agreed upon by the parties or as determined by the arbitrator. The claim shall be supported with agreement copy, copies of notice issued, statement of account etc. The statement of claim shall contain statement of facts supporting the claim, the points at issue and the relief or remedy sought.</li></ul>
<b>Inspection of documents &amp; customer reply</b>	<ul style="list-style-type: none"><li>• The arbitrator at the request of the customer will allow the customer to inspect the documents submitted by the UFSL.</li><li>• Post filing of the claim, the customer will state his defense in respect of the statement of claim filed in a written statement with all supporting documents.</li></ul>
<b>Rejoinder by claimant</b>	<ul style="list-style-type: none"><li>• Post the customer reply to the statement of claim, the UFSL will amend or supplement with a rejoinder to refute the response of the customer.</li></ul>
<b>Framing of issues</b>	<ul style="list-style-type: none"><li>• The Arbitrator will frame the issues among the parties and ask the parties to file original documents in support of their claim and defense.</li></ul>
<b>Evidence, Examination, Arguments and Award</b>	<ul style="list-style-type: none"><li>• Proceedings will be mainly through written submissions &amp; documents, unless otherwise agreed by both parties or one party has explicitly requested for oral hearing.</li><li>• Both the parties, with arbitrator's permission, will examine the evidence (inspection of documents, goods or other property). Both parties have chance to cross-examine the other party and then present their arguments.</li><li>• The decision of the Arbitrator / Arbitrator Tribunal is termed as Arbitral Award. After hearing all the parties and going through the evidence placed on record, the arbitrator will pass the award. The arbitrator will send the copies of the award to all the parties. If the said award, after service, remains unchallenged for 90 days, the same will have effect as decree of the court.</li><li>• It is permissible for the parties to arrive at a mutual settlement. If parties settle the dispute by mutual agreement, the settlement will be recorded in the form of an Arbitral Award and such Arbitral Award shall have the same force as any other Arbitral Award</li><li>• Based on the final Arbitral Award, the parties will file the Award before the Court to initiate execution</li></ul>



	proceedings i.e. sale of the assets of the Respondent in satisfaction of the claim.
<b>Appeal of the award:</b>	<ul style="list-style-type: none"><li>• A three months' time is provided to the parties to challenge the award of the Arbitrator. In case parties fail to challenge the Arbitral Award within the stipulated time, the Arbitral Award becomes final and binding on the parties</li></ul>
<b>Interim measure by the court</b>	<ul style="list-style-type: none"><li>• Any time before the arbitration or during the arbitration proceeding or after the award but before enforcement, the UFSL will seek interim relief from the court on the following grounds ---</li><li>• Seeking custody of asset or sale of asset</li><li>• For appointment of receiver</li><li>• Seeking injunction to restrict customer to transfer the asset to third party during arbitration</li><li>• To seek detention or inspection of property as this is subject matter under arbitration.</li></ul>
<b>Filing of application under section 9</b>	<ul style="list-style-type: none"><li>• The UFSL under section 9 of the arbitration act will have to file an application to seek interim relief for either of the above in the concerned jurisdiction court. The application should be accompanied by the agreement copy, statement of payment, default notices issued and bounced cheque.</li><li>• The Application should request appointment of receiver and instruct to take into custody the asset, if necessary with police help. It should also request the court to instruct the customer not to create third party rights till the petition is heard and settled. Additional request will be made to sell the asset by public auction.</li><li>• On receiving the petition, the court will ask the financier to serve a notice of the same to the customer. The notice will be hand delivered or sent by registered AD.</li><li>• The customer, on receipt of this notice, is supposed to appear in the court and file his reply to the notice. In case, he doesn't appear and reply to the notice, the court will give ex-parte order.</li></ul>
<b>Appointment of Receiver and Repossession of Asset</b>	<ul style="list-style-type: none"><li>• If a prima facie case is made out, the court will also grant ex--- parte interim injunction. Receiver will be appointed after hearing out both parties by the court. The court will order repossession of asset by the receiver.</li><li>• The receiver will take police help and that of the company staff to locate and take the asset into his</li></ul>

	<p>possession. It should be ensured that Receiver files a report in the court post possession /action taken by him in respect of the asset.</p> <ul style="list-style-type: none"> <li>• The Arbitral tribunal will also require a party to provide appropriate security in connection with interim order? under the Act</li> <li>• In parallel, claim petition should be filed before the arbitrator and proceeding initiated (this is in case sec 9 is invoked prior to arbitration proceeding being launched).</li> </ul>
<b>Disposal of asset</b>	<ul style="list-style-type: none"> <li>• In case arbitration is taking a long time or getting prolonged, then the company will request the court for disposal of asset.</li> <li>• The sale of asset is done by public auction by giving an advertisement in the newspaper. This is carried out by the receiver only. The amount received on sale of asset is deposited in the court.</li> <li>• For the shortfall amount (if any), arbitration proceedings will continue and court will grant an award at the end of the arbitration process to recover from customer's other assets.</li> </ul>

## b. SEC 138/25 NI ACT

### **Criminal proceeding under section 138/Sec 25 of NI act 1881 & 2002 & Section 25 in The Payment and Settlement Systems Act, 2007**

A drawer (customer) would have committed an offence under this act which is punishable by law provided a cheque/ECS issued by him to the payee UFSL in discharge of any debt or liability is returned unpaid (bounced) by the drawee (customer UFSL) for insufficient funds in the customer account or the cheque amount exceeds the arrangement the customer has with his bank to honor the cheque.

#### **Procedure**

<b>Steps</b>	<b>Description</b>
<b>Initiation</b>	<ul style="list-style-type: none"> <li>• If the EMI cheques/ECS presented for payment towards loan liability on behalf of the customer returns unpaid from the bank due to insufficient funds or exceeds arrangement, then a cause is created to initiate proceedings under section 138 of NI Act &amp; Section 25 in The Payment and Settlement Systems Act, 2007.</li> <li>• In case security PDC's (postdated cheques) have been banked for the loan outstanding amount after the loan recall notice (LRN) has been sent and the cheque</li> </ul>



	returns unpaid from the bank due to insufficient funds or exceeds arrangement, then a cause is created to initiate proceedings under section 138 of NI Act.
<b>Issue of notice</b>	<ul style="list-style-type: none"><li>•The cheques that are returned unpaid by the bank with a memo indicating that the cheques have returned unpaid due to insufficient funds or exceeds arrangement have to be collected &amp; kept in custody for case initiation.</li><li>•Copy of the cheque and bank memo have to be handed over to the company lawyer for him to issue notice under section 138 to the drawer (customer) within 30 days of cheque return memo date, demanding payment of the unpaid amount within 15 days of receipt of notice. The notice has to be sent by registered post with acknowledgment due. In case of Partnership Firm, the notice should be sent to the Firm and all the partners. In case of Public Limited / Private Limited Company, the notice should be sent to the Company and all the Directors who are in charge of and are responsible for the conduct of the business of the company.</li><li>•In case the customer pays the amount demanded within 15 days of notice receipt, then no further proceeding is required and case is closed.</li></ul>
<b>Filing of case</b>	<ul style="list-style-type: none"><li>• If the customer does not pay within 15 days of notice receipt, then based on the delivery acknowledgement of notice received by the company, within the next 30 days, a complaint has to be filed in the court by the lawyer. 30 days limit will be counted after expiry of 15 days from the date of receipt of the notice by customer. In case acknowledgement is not received or date not mentioned, then the case will still be filed after 15 days of issuance of notice (assuming that the notice has been delivered) within the next 30 days.</li><li>• The documents that are required for complaint filing are original returned cheques, original bank memo, Original Notice sent along with the postal receipt and acknowledgement received from the customer, Copy of Loan Recall Notice along with Postal receipt of LRN, Board Resolution authorizing Legal Executive to appear on behalf of case and Loan Agreement (however will be filed at subsequent stage)</li><li>• The company legal team based on the recent SC judgment &amp; bill passed in parliament will decide the jurisdiction in which the case shall be filed.</li></ul>



<b>Verification of documents</b>	<ul style="list-style-type: none"><li>• After filing of the case, a date is fixed by the court for verification/sworn statement of the complainant in relation to the complaint. The Board Resolution holder (which is a company official i.e. the Legal Executive) gives a statement confirming the facts of the case in court w.r.t. case. The key confirmations are existence of debt, cheque returning unpaid due to insufficiency of funds, adequate notice &amp; time given to customer for payment on demand which has not been honoured.</li></ul>
<b>Issuance and service of summons</b>	<ul style="list-style-type: none"><li>• Post the verification in the court, either on the same day or future date, the court will issue summons to the customer to appear before the court to defend the charges. Summons is issued by the court on payment of processing fee.</li><li>• The service of summons is one of the most critical factors for expediting the case. Without summons being served, the next stage will not be moved to, which is the appearance of the accused to admit or deny charges based on which further proceedings or judgement will be delivered</li></ul>
<b>Bailable or non-bailable warrant stage</b>	<ul style="list-style-type: none"><li>• Upon serving the summons, the customer is expected to appear before the court either to contest or admit the charges. In case the customer fails to appear in court without proving any reason (ill---health or death in family); the court will issue bailable or non---bailable warrant against the customer to ensure his presence in the court on the next hearing date. Generally, it will happen that a bailable warrant is issued first and then non---bailable warrant is issued in case the customer doesn't heed the bailable warrant.</li><li>• If the Bailable warrant (BW) or non bailable warrant (NBW) is issued by the court, the same has to be served through the concerned police station where the accused customer resides. Again the company official (collection officer) should accompany the policeman at the time of execution of the BW/NBW on the accused customer for effective recovery</li></ul>
<b>Recording of plea</b>	<ul style="list-style-type: none"><li>• Once the customer is present in the court, the court will record his plea either to admit the offence of dishonor of cheques or not. In case he denies the charges, the court for evidence by the complainant fixes a date.</li></ul>
<b>Evidence, cross-examination &amp; argument</b>	<ul style="list-style-type: none"><li>• On the next hearing date, evidence is led by the complainant by way of affidavit and supporting documents. Once the evidence is lead, the customer gets an opportunity to defend himself. He will choose to cross---examine the complainant. Also, he will call</li></ul>

	on witnesses including the bank to support his argument.
<b>Final order or judgment</b>	Post the argument on either side, the judgment is delivered in favor of or against the accused as per law.

### c. Demand Promissory Note

Promissory notes are one part of NEGOTIABLE INSTRUMENT. Section 83 of the BILLS OF EXCHANGE ACT 1882 & Governed by section 4 of NI Act 1881 --- refers to 'an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay on demand or at a fixed or determinable future time, a sum certain in money, to or to the order of a specified person or to a bearer.

- Promissory Note executed in one State may be presented in another State in India with the stamp bearing on the promissory note. No additional stamp duty need to be paid
- PN has TIME validity. The Promissory Note is valid for only 3 years from the date of execution
- Upon default by the customer, a formal notice to be send giving 7 days' time to repay the due
- If the customer doesn't pay within 7 days of notice receipt, then based on the delivery acknowledgement of notice received by the company, immediately civil suit will be filed in the court by our empaneled advocate
- After filing of the case, a date is fixed by the court for verification/sworn statement of the complainant in relation to the complaint. The Board Resolution holder (which is a company official i.e. the Legal manager/officer) gives a statement confirming the facts of the case in court w.r.t case. The key confirmations are existence of debt, cheque returning unpaid due to insufficiency of funds, adequate notice & time given to customer for payment on demand which has not been honored.
- Promissory Note can be executed partially also by writing behind PN about the part payment received, During the legal course customer may agree to make the part payment, the same should be refer to the court of law and PN will be valid for further execution for the balance amt.
- Post the argument on either side, the judgment is delivered in favor of or against the accused as per law

### d. Lok Adalat

Lok Adalat is a system of alternate dispute resolution. The lok adalat (people's court) settles dispute through conciliation and compromise. The courts will be presided by

sitting judge or by retired judge, social activists, or members of legal profession if so designated by competent court or by state government. However, it does not have jurisdiction on matters related to non-compoundable offences.

Procedure

Steps	Description
<b>Making an application in case of existing litigation</b>	Any party to a dispute will, before the dispute is brought before any Court, make an application to the Permanent LokAdalat for the settlement of dispute. It is written statement with all the facts of the case & nature of dispute and is submitted with all necessary proofs. Dates for lokadalat are fixed at locations
<b>Making an application in case of pre litigation:</b>	Any party, which is aggrieved by some action of non-performance of some act as per the agreement, will file necessary application duly signed by the Board Resolution holder for referring their dispute to a LokAdalat. A single application also will be filed where there are a number of opposite parties/customers. The application is filed before the District Judge or The Secretary, District Legal Service Authority.
<b>Claim petition and issue of summons</b>	<p>Notices are to be prepared by the Counsel on the format prescribed by the authority for all the customers against whom the proceedings are intended. Thereafter all the notices shall be stamped and signed by the concerned officer of the authority.</p> <p>Dispatch of notices to the defaulters is done through speed post, courier, police personnel, and even by hand by the officials of the company. This is to be ensured so that there is a maximum turnout of the defaulting customers. If applicable, Petitions are required to be prepared and to be filed well in advance before the authority.</p>

#### 4. Skip Tracing Process

Customer who are not traceable at his/ her residence or place of work and who is not contactable through telephone/mobile.

- These are customers who have gone away suddenly and secretly without informing anybody. Where no information is available with the neighbors or group members.
- Business place has been shut down and no information known to the fellow businessmen
- No prior notice or intimation has been given to us.

Customers who not available during the visit/door is locked/not reachable or not receiving calls for 3 consecutive times will be classified as an abscond customer.

**Workflow:**

Activity	Ageing	Responsibility
Overdue cases identified to be marked as 'temporarily not contactable (TNC)	Day 1-3	Collection Officer, Credit Officer, Sales Officer
Mandatory visit by Credit Manager after 2 consecutive failed attempts by the Credit Officer/ Loan Officer to contact the customer. Mark as abscond, if that is the case, overdue reason has be authorized by the Credit Manager after necessary due diligence and/or discussion	Day 4-7	Collection Officer, Credit Manager, Sales Officer
Cases authorized by CBH will be automatically allocated to the Collections team	Day 8	Credit Manager & Collections Manager
Visit by the Collection Manager and confirmation/additional input given to Collections Head	Day 8- 30	Collections Manager & Collections Head
Non---traceable abscond overdue cases will be flagged off as NPA, interest accrual stopped and will subsequently attract 100% provisioning over 60 days (based on recommendation by the collection head)	Day 60	Collections Head

The various steps that will be initiated for skip tracing to locate the new office or residence address

- Check with existing neighbors and relatives
- Check with customer's customer or customer suppliers
- Check on permanent address, KYC info mentioned in the application form
- Check with references with whom Telephonic Verification was done
- Check with the local gas Collector if gas receipt was provided as address proof
- Do a Bureau scrub to check if other contact and addresses are available
- Check with the local post office if the customer has left any forwarding address
- Check with local school where customers wards were studying
- Any public utility service & site – electoral rolls, telephone directories, land record portals
- Last place worked for salaried customer or Co-applicant
- Check with ration depot to see if there are any updated address or recent purchases

Alternate searches

- In case of self-employed professionals or non---professional, searches can be made in business information portal, Job portal, Advertisement portal and other social sites.
- For customers who may have previously downloaded mobile banking application of UFSL onto their IOS or Android phones, updated present location of the individual may

be available with the UFSL in case they have not changed their mobile instrument. Collections team must seek necessary information from IT team in such instances to get the updated co-ordinates of such customers.

- Check with social network sites to see the updated information or check with common friends if any.
- Check with Job portals if customer has applied for Jobs in any jobsites

Upon tracing, the case should be visited by collection Officer in the new address for resolution.

## 5. POLICY ON NON-STARTERS

After our experience of poor customer selection in the last one year, leading to extensive credit write-offs, it is necessary to put in place strict disciplines for future customer selection. The 'Non Starter Loan monitoring and follow through disciplinary process is one such program. A loan which is a 'non-starter' clearly indicates poor customer selection either through gross negligence or fraud. A non---starter is a customer who intentionally fails to repay one or all of the first four installments.

### Non---starter Definition:

A Non---starter is a customer who intentionally fails to repay one or all of the first four installments.

- I. One installment means – 1 monthly installment, 2 bi---monthly installments, 4 weekly installments
- II. Disciplinary actions on Nonstarters for Credit Officer, Loan officer, Relationship Officer Sanctioning authority person, House visit and GRT person shall not include:
  - Rescheduled loans
  - Death customers & spouse death cases
  - Genuine & acceptable reasons as identified during credit investigation (Refer annexure)

### Non Starter Loan Under Unsecured Personal Loan and SME

Lending Type	Loan Originator	Non-Starter Occurrence	Actions
Individual Loans	Loan Officer/ Sales Agent/ Relationship Officer	First Time	Warning email from Manager with a copy marked to Head of Department Person Concerned shall not qualify for any applicable incentives
		Second Time	Written warning from HR. Acknowledgment of Warning letter shall be filed in the employee

			personal file Person will not be eligible for annual performance grading of EE and FEE during the FY.
		Third Time	Termination. Recovery of the loss amount from the employee final settlement shall be conditional
	<b>Credit Officer</b>	≤3 Non starters	Warning email from manager with a copy marked to Head of Department.
		4 to 6 Non starters	Written warning from HR. Acknowledgment of Warning letter shall be filed in the employee personal file Person shall not qualify for any applicable incentives. Person will not be eligible for annual performance grading of EE and FEE during the FY
		>6 Non starters	Certification shall be withdrawn & employees shall be put on PIP. Recovery of the loss amount from the employee final settlement shall be conditional

**Action plan:**

- a. Team/ Branches having 5 or more nonstarters should review the customer acquisition quality and Regional Manager/ Credit Head should present an action plan to the Collection management team. Branches with > 5 non---starter shall not be eligible for best branch award or any other such awards as and when announced by UFSL.
- b. All non---starter loans shall be investigated by credit within 30 days of default and the findings of the investigation shall be shared with Credit Head and Collection team.
- c. In some exceptional cases there could be genuine reasons for customers not being able to repay the first four installments. These cases will be investigated by credit & if found genuine no disciplinary action will be taken. UFSL is undertaking this to ensure that basic responsibilities to induct good customers are taken care off and credit is extended only to those who are creditworthy.
- d. Non Starter Report will be produced every month and implementation of the program will be the responsibility of the Branch Manager/ Credit Head & HR Manager.
- e. Non-starter status & the action taken should be reviewed during the monthly business reviews.

Important Note: Any severe negligence (Conditional) leading to loss of reputation or monetary shall be considered for recovery of loss amount from employee's Full & Final Settlement.

Recovery of the loss amount from the employee final settlement shall be conditional

<b>Genuine reasons of exclusion from the policy on non---starter</b>
Medical reasons as verified through medical documents
Financial distress caused by death of earning member, natural calamities or act of nature / accidents caused by fire & any other act that has an impact on livelihood of the customer and business.
Some Other Technical Issues

## 6. REPAYMENT MODE

### **Modes of repayments:**

Customer can opt for any of the following mode of payments.

- Cash repayment at personal meeting centre
- Repayment at Branch office
- Postdated cheque
- NEFT/RTGS (In future)

For all the cash payments collected in a day, the collector must deposit the cash with Branch on the same day. All Cheque / DD's collected by the collector needs to be deposited with the Branch with proper acknowledgement.

## 7. Collector Training

- The concerned collection manager will be responsible for the training of collector
- Every collector who joins must undergo training on product, process, communication and negotiation skills and code of conduct as per Induction process.
- As part of induction, new collector must also be sent on joint visits with senior collector prior to doing independent skills.
- No collector should go to field without completion of training. Each collector has to be trained and signed off the training record before going on filed with receipt book.
- Collection Manager to ensure completion of DRA Certification Training for collectors

## **8. Late Payment Charges**

For all SME and unsecured individual loans, late repayment charges applicable shall be as per the respective Product Policy programs.

Any exception approval on charges waive off shall require approvals from Credit Policy committee.

**Annexure - I**  
**First Reminder Notice/ Dunning Letter**

**LEGAL REMINDER-CUM-DEMAND NOTICE**

<Date>

To,

<Borrower's Name>  
Under Sole Proprietorship of  
<Co Borrower 1>

Borrower

<Address Line 1>  
<Address Line 2>  
<Address Line 3>

Co-Borrower

<Co Borrower 2/ Guarantor>

Co-Borrower/ Guarantor

<Address Line 1>  
<Address Line 2>  
<Address Line 3>

**Sub. : 1. Loan Account no.**

**<Loan Account No.>**

**2. Outstanding dues.**

**Rs. <Overdue Amount> (Rupees**

**<Overdue Amount> Only**

Dear Sir/Madam,

We refer to the captioned Loan agreement under which you No.1 in the capacity of a Borrower, No.2 and No. 3 in the capacity of Co-Borrower have availed from us financial facilities, and in discharge of the financial liabilities arisen in connection therewith, you undertook to repay the same in monthly installments.

As per terms and conditions of the subject mentioned loan agreement the co-borrower and guarantor shall be jointly and severally liable with the Borrower under the said credit Facility/ ies and his/her/their obligations in relation to the said credit Facility/ ies shall be concurrent with that of the Borrower and accordingly, co-Borrower shall guarantee and regularly and punctually pay to us all installments as well as other dues payable under the said credit Facility/ ies himself/ herself/ themselves in the event of default by the Borrower.



**UFSL**

*We Support Your Goals*

We regret to note that you no.1 along with no.2 and no.3 have failed to honor your commitment/s towards repayment of (●) monthly installment for the month **<Default Month>**, each amounting to Rs. **< Single EMI Amount>** on their respective due dates. Dishonour of the said installments has attracted bounce charges, delay payment charges and other contractual as liable to be paid to us, in the event of default under the subject mentioned loan agreement.

Despite repeated requests, telecalls and personal visits you no.1, no.2 and no.3 have defaulted and failed to repay the (●) monthly installment amounting to a total of Rs. **<Pending Principle Amount>**. This action on the part of you has made us to believe that you have availed the said financial facility with the sole intention of cheating us and putting us in to a wrongful loss.

**Please note that under the credit information companies (Regulation) Act, we are required to share your credit history to the Credit Information Bureau of India (CIBIL) Ltd, an initiative of the Government of India and Reserve Bank of India and this may impact your ability to avail credit facilities from any financial institution in future.**

**It has come to the Notice of our credit Team, that you no.1, no.2 and no.3 are not making payment of your monthly EMI's according to Promise to Pay(PTP), this action on your no.1, no.2 and no.3 is resulting in financial loss to the company and also reflecting badly in company's portfolio. Therefore, we ask to you regularise your payments.**

We therefore call upon you, no.1, no2 and no.3 to pay to us the aforesaid sum of Rs. **<Pending Principle Amount>** along with Rs.



**UFSL**

*We Support Your Goals*

**<Penal Interest>** towards the payment of monthly installments, interest, bounce charges, legal charges, other contractual charges and delay payment charges within 5 (Five) days from dispatch of this notice, failing which we shall be constrained to initiate appropriate action, both **civil and criminal**, for recovery thereof at your costs and consequences which may please be noted.

This notice is being issued to you no.1 along with no.2 and no.3 without prejudice to our other rights and remedies available to us under the said agreement and other **legal proceedings** that may either have been or likely to be initiated for recovery of our legitimate dues solely at your risk as to cost and consequences.

Kindly Ignore the said notice if the due payments are already been made and a valid receipt is available with you for your records.

Thanking you,

Legal Executive

**For Usha Financial Services Ltd.**

**Note: A copy of this notice is kept in our office for Further Action**

**Annexure - II**  
**Second Reminder Notice/ Dunning Letter**

**LEGAL REMINDER-CUM-DEMAND NOTICE**

<Date>

To,

**<Borrower's Name>**  
**Under Sole Proprietorship of**  
**<Co Borrower 1>**  
<Address Line 1>  
<Address Line 2>  
<Address Line 3>  
**<Co Borrower 2/ Guarantor>**  
<Address Line 1>  
<Address Line 2>  
<Address Line 3>

**Borrower**

**Co-Borrower**

**Co-Borrower/ Guarantor**

**Ref: First Legal Reminder-Cum-Demand Notice dated <First  
Reminder Notice Date>**

**Sub. : 1. Loan Account no. <Loan Account No.>**

**2. Outstanding dues. Rs. <Overdue Amount> (Rupees  
<Overdue Amount> Only**

Dear Sir/Madam,

With reference to First Legal Reminder-Cum-Demand Notice dated <First Notice Date>, We refer to the captioned Loan agreement under which you No.1 in the capacity of a Borrower, No.2 and No. 3 in the capacity of Co-Borrower have availed from us financial facilities, and in discharge of the financial liabilities arisen in connection therewith, you undertook to repay the same in monthly installments.

As per terms and conditions of the subject mentioned loan agreement the co-borrower and guarantor shall be jointly and severally liable with the Borrower under the said credit Facility/ ies and his/her/their obligations in relation to the said credit Facility/ ies shall be concurrent with that of the Borrower and accordingly, co-Borrower shall guarantee and regularly and punctually pay to us

all installments as well as other dues payable under the said credit Facility/ ies himself/ herself/ themselves in the event of default by the Borrower.

We regret to note that you no.1 along with no.2 and no.3 have failed to honor your commitment/s towards repayment of (●) monthly installment for the month **<Default Month>**, each amounting to Rs. **< Single EMI Amount>** on their respective due dates. Dishonour of the said installments has attracted bounce charges, delay payment charges and other contractual as liable to be paid to us, in the event of default under the subject mentioned loan agreement.

Despite repeated requests, telecalls and personal visits you no.1, no.2 and no.3 have defaulted and failed to repay the (●) monthly installment amounting to a total of Rs. **<Pending Principle Amount>**. This action on the part of you has made us to believe that you have availed the said financial facility with the sole intention of cheating us and putting us in to a wrongful loss.

**Please note that under the credit information companies (Regulation) Act, we are required to share your credit history to the Credit Information Bureau of India (CIBIL) Ltd, an initiative of the Government of India and Reserve Bank of India and this may impact your ability to avail credit facilities from any financial institution in future.**

**It has come to the Notice of our credit Team, that you no.1, no.2 and no.3 are not making payment of your monthly EMI's according to Promise to Pay(PTP), this action on your no.1, no.2 and no.3 is resulting in financial loss to the company and also reflecting badly in company's portfolio. Therefore, we ask to you regularise your payments.**



**UFSL**

*We Support Your Goals*

We therefore call upon you, no.1, no.2 and no.3 to pay to us the aforesaid sum of Rs. **<Pending Principle Amount>** along with Rs. **<Penal Interest>** towards the payment of monthly installments, interest, bounce charges, legal charges, other contractual charges and delay payment charges within 5 (Five) days from dispatch of this notice, failing which we shall be constrained to initiate appropriate action, both **civil and criminal**, for recovery thereof at your costs and consequences which may please be noted.

This notice is being issued to you no.1 along with no.2 and no.3 without prejudice to our other rights and remedies available to us under the said agreement and other **legal proceedings** that may either have been or likely to be initiated for recovery of our legitimate dues solely at your risk as to cost and consequences.

Kindly Ignore the said notice if the due payments are already been made and a valid receipt is available with you for your records.

Thanking you,

Legal Executive

**For Usha Financial Services Ltd.**

**Note: A copy of this notice is kept in our office for Further Action**

**Annexure - III**  
**Final Reminder Notice/ Dunning Letter**

**LEGAL REMINDER-CUM-DEMAND NOTICE**

<Date>

To,

<Borrower's Name>	<b>Borrower</b>
<b>Under Sole Proprietorship of</b>	
<Co Borrower 1>	<b>Co-Borrower</b>
<Address Line 1>	
<Address Line 2>	
<Address Line 3>	
<Co Borrower 2/ Guarantor>	<b>Co-Borrower/ Guarantor</b>
<Address Line 1>	
<Address Line 2>	
<Address Line 3>	

**Ref:           Second Legal Reminder-Cum-Demand Notice dated <Second  
Reminder Notice Date>**

**Sub. : 1. Loan Account no.           <Loan Account No.>**  
**2. Outstanding dues.        Rs. <Overdue Amount> (Rupees  
  <Overdue Amount> Only)**

Dear Sir/Madam,

With reference to Second Legal Reminder-Cum-Demand Notice dated <Second Notice Date>, We refer to the captioned Loan agreement under which you No.1 in the capacity of a Borrower, No.2 and No. 3 in the capacity of Co-Borrower have availed from us financial facilities, and in discharge of the financial liabilities arisen in connection therewith, you undertook to repay the same in monthly installments.

As per terms and conditions of the subject mentioned loan agreement the co-borrower and guarantor shall be jointly and severally liable with the Borrower under the said credit Facility/ ies and his/her/their obligations in relation to the said credit Facility/ ies shall be concurrent with that of the Borrower and accordingly, co-Borrower shall guarantee and regularly and punctually pay to us

all installments as well as other dues payable under the said credit Facility/ ies himself/ herself/ themselves in the event of default by the Borrower.

We regret to note that you no.1 along with no.2 and no.3 have failed to honor your commitment/s towards repayment of (●) monthly installment for the month **<Default Month>**, each amounting to Rs. **< Single EMI Amount>** on their respective due dates. Dishonour of the said installments has attracted bounce charges, delay payment charges and other contractual as liable to be paid to us, in the event of default under the subject mentioned loan agreement.

Despite repeated requests, telecalls and personal visits you no.1, no.2 and no.3 have defaulted and failed to repay the (●) monthly installment amounting to a total of Rs. **<Pending Principle Amount>**. This action on the part of you has made us to believe that you have availed the said financial facility with the sole intention of cheating us and putting us in to a wrongful loss.

**Please note that under the credit information companies (Regulation) Act, we are required to share your credit history to the Credit Information Bureau of India (CIBIL) Ltd, an initiative of the Government of India and Reserve Bank of India and this may impact your ability to avail credit facilities from any financial institution in future.**

**It has come to the Notice of our credit Team, that you no.1, no.2 and no.3 are not making payment of your monthly EMI's according to Promise to Pay(PTP), this action on your no.1, no.2 and no.3 is resulting in financial loss to the company and also reflecting badly in company's portfolio. Therefore, we ask to you regularise your payments.**

We therefore call upon you, no.1, no2 and no.3 to pay to us the aforesaid sum of Rs. **<Pending Principle Amount>** along with Rs. **<Penal Interest>** towards the payment of monthly installments, interest, bounce charges, legal charges, other contractual charges and delay payment charges within 5 (Five) days from dispatch of this notice, failing which we shall be constrained to initiate appropriate action, both **civil and criminal**, for recovery thereof at your costs and consequences which may please be noted.

This notice is being issued to you no.1 along with no.2 and no.3 without prejudice to our other rights and remedies available to us under the said agreement and other **legal proceedings** that may either have been or likely to be initiated for recovery of our legitimate dues solely at your risk as to cost and consequences. Kindly Ignore the said notice if the due payments are already been made and a valid receipt is available with you for your records.

Thanking you,

Legal Executive  
**For Usha Financial Services Ltd.**

**Note: A copy of this notice is kept in our office for Further Action**



2. All of you had approached and requested UFSL for grant of credit/ financial Facility. In connection with and for obtaining the said credit/ Finance facility, all of you have offered to execute the requisite documents and have represented that in case the said credit/ Financial Facility were granted, all of you would repay the same in monthly Installments.
3. On the basis of your referred requests and representations, UFSL had, under reference of Loan Account No. <Loan A/c No.> advanced to you Rs. <Loan Amount> upon terms and conditions mentioned in the agreement (herein after referred to as the Facility Document) executed by and between us.
4. All of you have executed the requisite documents including facility agreement containing mutually agreed terms and conditions of the said credit/ Financial Facility.
5. It may not be out of place to mention that all the terms and conditions of the said Credit/Financial Facility were duly agreed and explained to you all in vernacular language.
6. It was only after fully agreed upon and with understanding and appreciating the terms and conditions of the credit/ Financial Facility you all had executed the documents.
7. You all had started committing defaults in repayments of amount payable towards the equated monthly installments. You all were reminded of your contractual obligations. However, despite the same you all failed to discharge your contractual obligations
8. Consequent upon the defaults committed by you all, your loan account has been classified as Non-Performing Asset (NPA) by UFSL, In accordance with Reserve Bank of India guidelines.
9. As per the accounts available to us, an amount of Rs. <Total Overdue> is due and payable by you as on <Date of Notice>.
10. UFSL has been following up with you all for amicable settlement of your account. However, we regret to note that, despite several follow ups for amicable settlement of dues, your account remains in arrears till date.
11. Now since, you all have failed and neglected to pay your debt which has been classified as NPA despite several follow ups made for settlement, we have no option but are constrained to serve you this notice and call upon you to pay the amount of Rs. <Total Overdue> is due and payable by you as on <Date of Notice>

12. As per the terms and conditions of the subject mentioned loan agreement the Co-Borrower and Guarantor shall be jointly and severally liable with the Borrower under the said Credit Facility/ies and his/her/their obligations in relation to the said Credit Facility/ies shall be concurrent with that of the Borrower in all respects as if he/she/they/himself/herself/themselves was/were the Borrower and accordingly, Co-Borrower's shall guarantee and regularly and punctually pay to us all installments as well as other dues payable under the said Credit Facility/ies himself/herself/themselves in the event of default by the Borrower
13. Please note that upon your failure to make payment of the above amount along with interest till date of actual payment, we shall be free to initiate legal proceedings whether civil or criminal against you in the court of appropriate jurisdiction against you, the noticee, no.1 and no.2 which you may please note.
14. You are hereby informed that this Demand notice is without prejudice to and shall not be construed as waiver of any rights or remedies which we may have, including with limitation, the right to make further demands in respect to the sum owing to us.
15. Should you have had any representation made in response to this notice, please mark the same to Usha Financial Services Ltd. Plot No. 73, First Floor, Patparganj Industrial Area, East Delhi, Delhi-110092, Phone No. +01204320775, only to enable us to respond in time.
16. Please note that we shall not be responding to any of your representation made in response to this notice, if the same is addressed to any other person or place.

Thanking You

USHA FINANCIAL SERVICES LTD.

AUTHORIZED SIGNATORY

**Note: A copy of this notice is kept in our office for Further Action**