SK Finance Limited

Collection Policy

2022-23

SUMMARY OF POLICY

Policy Name	Collection Policy
Regulations	Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016
Review Cycle	Annually or in the event of change of any regulatory guidelines
Approver	Board of Directors of SK Finance Limited (Earlier known as Ess Kay Fincorp Limited)
Latest Approval/Review Date	November 2022
Version	1.1

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Introduction

This document lays down a transparent and clear Policy that the Company will follow in respect of Collection of Dues and Repossession of Security.

This document governs the requirements that need to be met by the Company and its designated official while collection of overdue payments. This Policy document recognizes the rights of the borrowers and will serve as a helpful tool by providing them the requisite information relating to collection and repossession.

The word “borrower” or “applicant”, whenever used in this Policy collectively refers to borrower, co-applicants and guarantors, as the context requires.

The purpose of this Collection Policy is to create a set of standardized policies and procedures for collection activities undertaken by the Company. An effective collection policy is essential to keep a strong control on the portfolio of SK Finance Limited (“Company”) 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 in an efficient manner.

Guiding Principles

This Policy is built around dignity, courtesy, fair treatment, persuasion and respect to the borrowers. This Policy clearly states that the Company will not resort to coercive measures during Collection of Dues. It lists down the fair practices with regards to Collection of Dues and Repossession of Security and thereby fostering customer confidence and long-term relationship.

This Policy also aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of property. It recognizes the need for fair and transparent procedures in repossession, valuation (if required) and realization of security. The procedures practiced by the Company for follow up, Collection of Dues and Repossession of Security will be in consonance with the law.

Scope, Objectives and Principles

The quality and performances of advances have a direct bearing on the profitability of the Company. Despite an efficient credit appraisal, disbursement and monitoring mechanism, challenges may arise due to various external factors thereby increasing the overall Non-Performing Asset (NPA) of the Company.

Scope:

- 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 restructuring, 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 minimise bounce rate of PDC/ECS).
- To ensure lower forward flow from initial bucket (from 0-30 DPD to >30 DPD and thereon).
- 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 formalise the Code of conduct
- To manage collection of penal charges based on the schedule of charges prescribed by the Company.

General Guidelines

The repayment schedule for any loan sanctioned by the Company shall be taken into account considering the repayment capacity and cash flow pattern of the borrower. The Company shall explain to the customer upfront the methodology of computation of interest and Equated Monthly Instalments (EMIs). The Company 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.

The Company's Repossession Policy aims at recovery of dues in the event of default and is not aimed at whimsical deprivation of the property. The policy recognizes fairness and transparency in repossession, valuation and realization of security. All the practices adopted by the Company for follow-up and recovery of dues and repossession of security are in consonance with the law. The Company will initiate security repossession procedures only after it has exhausted all other attempts to advise the borrower on overcoming financial hurdles. It may also be initiated in case the borrower has been intentionally avoiding contact for a reasonable period of time. It may be noted that in case of violation by the borrower of any term mentioned in the Credit Facility Agreement/ Loan Agreement, the Company will have the right to repossess the financed asset / collateral pledged, even if there has been no default, as a preventive measure.

All the designated official or persons authorized by the Company for Collection of Dues and Repossession of Security will adhere to the following guidelines:

Under normal circumstances the designated official will contact the borrowers at the place of their choice. In case no place has been specified, the representative will contact the borrower at the place of residence. In an event when the borrower is not available at the place of residence, they may be contacted at the place of their business/occupation.

The designated officials/Company staff will identify themselves and show the identify card/ official authority letter issued by the Company upon request from the borrower.

The designated officials will ensure that they do not contact the borrower before 08:00 a.m. and after 07:00 p.m. Inappropriate occasions such as bereavement in the family or any such other genuine occasion will be avoided for making calls or visiting the borrower to collect dues.

The Company will ensure that they respect the privacy of the borrowers. In order to ensure complete understanding of all the terms and conditions, all the written and verbal communication with the borrowers shall be in simple business language. The Company will ensure that all its designated officials/Company staff resort to civil manners for interaction with borrowers.

In case the borrower requests the Company not to be disturbed while being at a particular place or at a particular time, the Company will try to honour such requests diligently.

All the copies of communication sent to the borrower will be kept on record as per Preservation of Records Policy of the Company.

The Company will seek to resolve disputes or differences regarding settlement of dues in a mutually acceptable and orderly manner. The Company will be ready to provide any assistance which the borrower may seek in this regard.

i. All communications to the customer shall be in writing, by telephone or through personal visits.
ii. The customer shall be 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 Company. SK Finance Limited shall contact people other than the Borrowers only to locate the borrower.
iii. The Company is committed to ensure that all written and verbal communication with its borrowers are in simple business language and language understandable to the borrower.
iv. SK Finance Limited shall follow only ethical practices and will not resort to unduly coercive tactics in the process for recovering NPAs.
v. Tele callers of call-centres will ensure simple business language, decorum and persuasion while making follow-up calls
vi. The Company shall provide loan account statement to its customers on request.
vii. Collections team shall disclose the loan obligations only to the customer, co-borrower or the guarantor.
viii. If the customer is not present and only minors/elderly / infirm are present at the time of the visit, the Collections Representative shall end the visit with a request that the customer call back. The executive shall not enter the house unless invited. He shall not wait for the customer in the customer's residence unless specifically asked to do so by the customer or family.
ix. The Company's 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.

x. Repossession of security is aimed at recovery of dues and not to deprive the borrower of the security. Repossession, valuation and realization of security shall be done in a fair and transparent manner within the purview of RBI's Guidelines.

xi. Customer's questions shall be answered in full. Information requested shall be provided and customer shall be given due assistance when needed. Accounts with unresolved issues are to be escalated to management.

xii. Customer or third party requests for supervisor names or requests to speak with supervisor shall also be honoured.

Giving Notice to Borrowers

The Company will use written communications, telephonic reminders and visits by the Company staff/designated official to the borrower's place of residence as follow up measures for Collection of Dues. However, it will not initiate any legal proceedings or any recovery measures, including but not limited to Repossession of Security, without giving due notice in writing. The Company shall follow all such procedures as mandated by law for Collection of Dues and Repossession of Security. The notice period will be mentioned by the Company along with the maximum time given to the borrower for the settlement of dues, failing which the Company will undertake Repossession of Security. In case, the borrower intentionally avoids contact with the Company or acknowledgement of communication received by the Company, the Company will undertake Repossession of Security immediately.

Repossession of Security

The Company will ensure that Repossession of Security will be aimed at recovery of dues and not depriving the borrower of the property. This process of Repossession of Security will involve repossession, valuation of the concerned security (if required) and finally realization of security through appropriate legal means available to the Company. The Company will ensure that all the above mentioned steps are carried out in a fair and transparent manner. The process will be initiated only after giving a due notice to the borrower as mentioned above. The Company will ensure that the process will follow all the necessary legal steps and guidelines as advised by the relevant regulatory authority. The Company will take all the necessary steps for ensuring the safety and security of the property after taking its custody under normative situations.

Sale of Property

The process of sale of property repossessed by the Company will be carried out in accordance with the law in a fair and transparent manner. The Company will have a right to recover from the borrower any due balance left, if any, after sale of property. In case an excess amount is left after recovery of all dues and meeting all the other related expenses from the sale of property, it will be duly returned to the borrower provided the Company do not have any other claim against the borrower. The Company will give a separate notice for the sale of the property. The notice given before repossession of the property shall not be construed as a notice for sale. In case of hypothecated assets (collateral), the Company will send a pre-sale notice, after repossession, giving borrower a reasonable period for payment of dues. In case no payment is paid within the said period the Company will arrange for the sale of such asset in a manner as deemed fit by the Company.

In case of property backed loans (e.g. Loan against Property), under the provisions given under SARFAESI Act, a notice will be issued to the borrower giving 30 days of time for payment. In case a sale is proposed to be made by a public auction or a tender, the Company will publish a notice in two leading newspapers, out of which one will be in a local vernacular newspaper.

Opportunity for the Borrower to take back the Security

The Company shall recourse to Repossession of Security only for the purpose of recovery of its dues as the last resort and not with the intention of depriving the borrower of the property, therefore the Company will be willing to consider the transfer of possession of the property back to the borrower after repossession within the timelines specified in the pre-sale notice, before completing the sale of the property, provided all the dues are settled completely.

In case the Company is satisfied with the reasons for the borrowers' inability to clear the loan instalments as per the decided schedule, which resulted in the Repossession of Security, the Company may be willing to return the property to the borrower after receiving instalments in arrears. However, this will be at the sole discretion of the Company and would be subject to the Company being convinced with the arrangements the borrower have made for repayment of future instalments in a timely manner. If the borrower defaults again for making timely repayments, the Company may not hand over the possession to the borrower. In case the pending amounts have been paid to the Company as per the repayment agreement made between the Company and the borrower, the Company will ensure that the possession of any seized asset will be returned to the borrower within a reasonable period from the date of permission from a competent authority, such as a court, in which recovery proceedings have been filed by the Company.

Engagement of Recovery Agents

- The Company may use the services of recovery agents for Collection of dues and Repossession of Security.

- The Company shall follow guidelines pertaining to Outsourcing of Financial Services issued by RBI for appointing a recovery agency for Collection of Dues and/or Repossession of Security.

- The Company shall ensure that its collection & recovery agents follow a code of conduct which will govern their dealings with the borrowers.

- On-boarding and ongoing due diligence shall be mandatorily conducted. No agreements with collection agents shall be renewed without conducting an annual performance review of such agents.

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

Collection Do's and Don'ts

DO'S	DON'TS
✓ Do dress in formal clothes and carry the company identity card during work hours positively. ✓ Do be punctual and available at Centre Meetings and in the Branch Office. ✓ Visit and analyse the customer situation. ✓ Do talk in a pleasant, polite and nonaggressive manner at all times. ✓ Answers should be factual and to the point. ✓ Collection interactions should be based on fair conduct and persuasion ✓ Present all the information required by the customer in an appropriate manner ✓ Do answer borrower's query to the satisfaction of the borrower ✓ Keep records of interactions with the customer ✓ Do provide a valid receipt for each loan instalment payment received (partial or full) and record the payment in the borrower's loan passbook/loan card immediately after the transaction and educate customers to keep all the receipts for all future references. ✓ Visit the Customer on Promise to Pay dates given by them on working days only. ✓ Maintain a reasonable distance from the customer ✓ Contact customer at appropriate hrs. Timings: After Sunrise to Before Sunset.	× Do not get personal, tough or aggressive or abusive × Do not use coercion of any sort to make recovery of payments. × Do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly. × Do not humiliate borrowers in public places by discussing their loan over dues with third parties/neighbours or intrude upon the privacy of the debtors' family members, referees and friends. × Do not threaten that assets will be seized × Do not pressurize the members & make unrealistic demands × Do not claim that the personal documents collected earlier will form part of collateral × Do not force the customers to make payments by not giving them an alternative option × Do not humiliate the customer, lose temper, get angry or irritated irrespective of the situation × Tone should not be harsh or loud × Do not give false promises to customers like promising higher loans in case of part payments, providing jobs to family members etc. × Do not seize customer assets or any personal documents e.g. Voter ID, ration card etc.

✓ Do keep borrower information confidential and use it only for permissible purposes defined. ✓ Always talk to female borrowers in presence of family members	✗ Do not share customer's information with other member borrowers/customers ✗ Do not call borrowers at inappropriate times such as bereavements, illness, social occasions such as marriages, births, etc. ✗ Do not send inappropriate messages either on mobile or through social media or make threatening and/ or anonymous calls persistently to Customers ✗ Do not make calls to the borrowers before 8:00 a.m. and after 7:00 p.m. ✗ Do not visit or call borrowers After Sunset to Before Sunrise positively ✗ Do not discriminate on the basis of caste and religion ✗ Do not go for collections in a group of more than 2 staff members at a time ✗ Do not visit the customers on weekly or public holidays. ✗ Do not misbehave with female borrowers and respect their privacy.

Policy Severable

This policy read with RBI Master Direction constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this policy being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this policy and shall be of no force and effect, and this policy shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Policy.

Amendment

Any change in the policy shall be approved by the Board of Directors of the Company. Any amendment in the regulatory guidelines shall prevail and necessary amendment shall be carried out at a subsequent date in the policy. The Board of Directors of the Company shall have the right to withdraw and / or amend any part of this policy or the entire policy, at any time, as it deems fit, or from time to time, subject to applicable law in force.