

FIDC

Finance Industry Development Council

(A body incorporated as a Self Regulatory Organisation for Registered NBFCs)

ANNEXURE - IV

Recovery Mechanisms

1. SARFAESI ACT

Banks and Financial institutions have been notified under the Act, giving them the ability to move against defaulting borrowers and secure their assets. Subsequently, specified housing finance companies (HFCs), have also been notified under the Act. AFCs are the only segment of the financial sector that have not been notified under the Act.

It is submitted that in order that the interests of investors be protected, AFCs may also be brought within the purview of the SARFAESI Act.

As per the Act, RBI can do this by way of a notification.

2. DEBT RECOVERY TRIBUNALS (DRTs) :

We request you to grant access to AFCs to DRTs. We also request you to increase the number of DRTs if the existing set-up is found inadequate. This would fulfil a long felt need of the AFCs and lead to speedier realisation of their dues.

Recent pronouncements of various courts have come down heavily on the rights of the banks and finance companies to repossess the assets in case of default. Courts have suggested the SARFAESI route to which NBFCs have no access. The restriction on NBFC's right of repossession would only encourage defaults, which will seriously affect the financial discipline in country.

