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RESERVE BANK OF INDIA

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

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

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

3. Short Title and Commencement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

J.1 Policy

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

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

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

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

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

J.2.1 Due diligence

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

J.2.2 Training

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

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

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

J.3 Responsibilities of an NBFC

J.3.1 Disclosure of information on recovery agencies

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

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

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

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

J.3.2 Fair treatment to borrowers during recovery process

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

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

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

J.3.3 Taking possession of security

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

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

(1) notice period before taking possession;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

J.3.5 Periodic review, monitoring and control

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Use of minatory or abusive language;

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

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

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

(5) Making threatening and / or anonymous calls;

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

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

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

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

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

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

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

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

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