

GRC BULLETIN

SEPTEMBER - 2024, VOLUME: I

RBI

Master direction on treatment of wilful defaulters
and large defaulters

[Click Here to Read Full Bulletin](#)



CORPORATE LAWS

Authority

Reserve Bank of India

Circular Date

July 30, 2024

Circular Number

RBI/DoR/2024-25/122
DoR.FIN.REC.No.31/20
.16.003/2024-25

Effective Date

July 30, 2024

RBI – MASTER DIRECTION ON TREATMENT OF WILFUL DEFAULTERS AND LARGE DEFAULTERS

Applicability:

Applicable to all Commercial Banks including Small Finance Banks, Local Area Banks and Regional Rural Banks and excluding Payments Banks, all Primary (Urban) Co-operative Banks/ State Co-operative Banks/ Central Co-operative Banks, all India Financial Institutions (Exim Bank, NABARD, NHB, SIDBI and NaBFID), all Non-Banking Financial Companies including Housing Finance Companies, all Asset Reconstruction Companies and all Credit Information Companies.

The Reserve Bank of India (RBI) has issued the “Reserve Bank of India (Treatment of Wilful Defaulters and Large Defaulters) Directions, 2024.” This directive establishes a regulatory framework for classifying borrowers as wilful defaulters, aiming to maintain the financial system’s integrity. Initially released for public feedback in September 2023, the final directions ensure a transparent and fair classification process and disseminate credit information to prevent further institutional finance to wilful defaulters.

Key points

- Develop a board-approved internal policies for identifying wilful defaulters.
- Form committees to handle the process and issue show-cause notices within 21 days.
- Disclose materials to concerned parties and provide detailed proposals and reasoned orders.
- Allow written representation and personal hearing before final classification.
- Regularly review NPAs of ₹25 lakh and above to identify potential wilful defaults.
- Ensure non-whole-time directors are not classified without conclusive evidence of their consent or awareness.
- Train employees and conduct awareness programs on the directives.
- Conduct regular audits and ensure timely reporting to RBI and other authorities.
- Exercise caution in lending to entities classified as wilful defaulters.



CORPORATE LAWS

Authority

Reserve Bank of India

Circular Date

July 30, 2024

Circular Number

RBI/DoR/2024-25/122
DoR.FIN.REC.No.31/20
.16.003/2024-25

Effective Date

July 30, 2024

- Assess and continue criminal proceedings as necessary.
- Develop a non-discriminatory policy for publishing defaulters' photographs.
- Restrict credit facilities to wilful defaulters and associated entities.
- Include clauses to prevent the induction of individuals listed in the LWD.
- Initiate legal action for foreclosure/recovery of dues.
- Ensure a fair and transparent process for classifying wilful defaulters.
- Check adherence to classification instructions and review cases.
- Proceed against guarantors without exhausting remedies against the principal debtor.
- Report large defaulters to CICs monthly and ensure accurate reporting.
- Remove accounts from the list only after full payment of the compromise amount.
- Conduct thorough investigations before transferring defaulted loans.
- Remove borrowers from the list post-implementation of resolution plans under IBC.
- Verify directors or guarantors during credit appraisal and monitor fund use.
- Report negligent auditors and engage auditors to prevent fund diversion.
- Ensure accountability and report negligent third parties to IBA.

Source: [Click Here for more details](#)

Head Quarters:

Vasudha, 2nd Floor, No. 2, 38th Main Rd,
Rose Garden, JP Nagar Phase 6, J. P. Nagar,
Bengaluru, Karnataka 560078

Ph: 080 41673023

Email: info@ricago.com

Website: www.ricago.com

Subscribe to the Newsletter:

Subscribe