

Policy Guidelines for reconsidering/re-validating the One Time Settlement (OTS) offer given in past to all those borrowers, who have accepted the offer but failed to make the payment and close the account

BACKGROUND: Most of these cases are under legal action for recovery, but are taking considerable time in recovery of the outstanding loan amount. In order to avoid prolonged legal process and expenses, a policy is proposed for the cases covered under the scope mentioned below.

SCOPE: The policy to be applicable only to all those cases/borrowers who have accepted OTS offer prior to announcement of EDC Loan Compromise Settlement Guidelines (ELCSG) (prior to 23.11.2015), under following two categories.

- (i) Those who has in past, accepted One Time Settlement (OTS), offer but have failed to make payments as per OTS offer, after accepting the same and OTS offer subsequently withdrawn.
- (ii) Those who has made partial or total payment towards OTS as per OTS offer, **but with delayed period** than stipulated in the OTS offer. **And** the borrowers are presently in a weak financial position or where main borrower/some of the partners/directors have expired and borrower or remaining Partners/Directors, their legal heirs are not forthcoming/expressing inability to pay interest payment due on delayed period as stipulated in OTS offer and/or balance settlement amount. All such OTS offers are not withdrawn, and accounts are not closed.

POLICY

(A) For the loan where the disbursement of loan was above Rs.10.00 lakhs

- (i) If OTS offer stands made to the borrower in past, but the borrower failed to make payment as per terms of OTS offer which subsequently withdrawn, such cases can be considered or re-validated provided the borrower/ promoters or their legal heirs make a written request, and amount to be recovered shall be **entire settlement amount** with accrued interest till date based on highest interest rate stipulated in the relevant OTS Scheme/offer of OTS for delayed period.

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- (ii) If OTS offer stands made to the borrower in past, but the borrower's/their legal heirs who had made substantial settlement payment in past on the OTS availed (other than receipt by way of sale of attached assets) but could not pay the entire settlement amount because of death of main Borrower/Some of the Partners, Director or on account of weak financial position, during the validity of OTS offer, and the Corporation has not withdrawn OTS offer for such cases, Corporation can waive 25% of interest accrued based on highest interest rate stipulated in the OTS for delayed period, by reconsidering/re-validating of the past OTS offer, provided the entire balance settlement amount is paid.
- (iii) Expenses, if any shall be separately paid in (i) & (ii).

(B) For the loan where the disbursement upto Rs.10.00 lakhs

- (i) Incase 50% of settlement amount or more is paid, the 50% of the accrued interest on the balance amount, on delayed period to be waived off, provided entire settlement amount plus 50% of accrued interest on delayed period is paid.
- (ii) Incase borrower/s is expired in the interim period, the entire accrued interest to be waived off for the delayed period provided, 100% of the settlement amount is paid or being paid.
- (iii) Expenses if any shall have to be paid separately in (i) and (ii) done.

Applicability of Proposed Policy: The policy shall be applicable to those OTS offer made prior of announcement of ELCGS (i.e. prior to 23.11.2015).

Procedure to be followed:

- (i) A written request from borrower/legal heirs shall be obtained giving reasons for not making payment towards settlement amount.
- (ii) A detailed information of the borrower and/or their legal heirs with Income Tax returns of last three years, their Profit & Loss Account and Balance Sheet of last three years of their business activities, the

present net-worth of the borrowers/promoters, shall be obtained.
This shall be more particular to the loan above Rs.10.00 lakhs.

- (iii) A sworn in affidavit from the borrower/promoters on their net-worth, giving details of personal assets shall be obtained.
- (iv) Status of present legal cases, if any shall be obtained from legal department.
- (v) Any Government directions issued on the OTS Scheme and comments of CAG etc. to be taken into consideration, and Government approval on any deviation shall be taken.
- (vi) The re-validated settlement shall be discussed with the borrower if it is accepted, it shall be placed before the Competent Authority.
- (vii) The earlier OTS offer shall be re-worked in accordance with this policy and proposal shall be placed before the Competent Authority for its approval.
- (viii) The borrower shall make the settlement amount within 60 days from date of offer, but maximum delay allowed shall be 90 days but shall carry an interest of 15.5% for 30 days (first 60 days no interest shall be charged).
- (ix) The advance payment made against OTS offer. (Original) or any other payment made after OTS proposal is to be taken into consideration for present settlement
- (x) Any deviation, shall be recorded in the proposal for consideration of Competent Authority.
- (xi) Case to case basis shall be referred to Government for its approval, and shall be applicable to loan amount above Rs.10.00 lakhs.
- (xii) A consolidated statement, shall be placed before the EDC Board, for loan below Rs.10.00 lakhs for information.
- (xiii) No refund shall be made in case the amount received from auction or any other circumstances is more than amount worked out as final settlement by re-validating or reconsidering the OTS given in past.

Competent Authority:

- 1) For loan amount above Rs.10.00 lakhs: the proposal shall be approved by Committee of following Directors.
 - (i) Chairman
 - (ii) Vice- Chairman
 - (iii) Director
 - (iv) Director
 - (v) Managing Director
- 2) For loan amount below Rs.10.00 lakhs: Chairman and Managing Director shall be Approving Authority based on the Recommendation of the Executive Committee consisting of MD, CGM and all GM's.