

DEBTS RECOVERY TRIBUNALS

The Parliament enacted the law "Recovery of Debts due to Banks and Financial Institutions Act in the year 1993 to provide for the establishment of Tribunals for expeditious adjudication and recovery of debts due to banks and financial Institutions.

It is applicable to the whole of India.

RATIONALE FOR SETTING UP DRT

- a) **NPAs were mounting**, which cause worry to the managements and govt. DRTs were thought as appropriate structural device to effect expeditious recoveries for recycling of funds.
- b) The **civil courts take unduly long time to decide** civil suits including recovery of debts due towards banks and FIs.
- c) With high level of NPAs, **Indian banks would not be able to undertake global operations**, as international standards require capital adequacy, low overdues, suitable technology, highly skilled and market-oriented personnel.
- d) The **Narasimham Committee - I, on the financial sector reforms, recommended setting up of special tribunals** with special powers

JAIB/ CAIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

for adjudication and speedy recovery as critical to the successful implementation of the financial sector reforms.

DRT APPLICABILITY

- DRT is applicable in case of debt / claims outstanding amounting **to Rs. 20 lac and above**, due from any person by a bank or a financial institution or by a consortium of banks and/or financial institution during the course of any business activity, whether secured or unsecured
- These banks and financial institutions will have to file the suit before Debts Recovery Tribunal only and no other court will have the jurisdiction to entertain such recovery suit (except writ jurisdiction of High Court and Supreme Court).

DRT CONSTITUTION

- DRT is headed by the presiding officer (appointed by central govt for 4 years or maximum up to age of 65 years whichever is earlier)
- Min Qualification: as district judge
- A **Registrar and a Recovery Officer** are appointed for general administration and recovery of deserved amount respectively apart from other staff.

JAIB/ CAIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

DEBT RECOVERY APPELLATE TRIBUNAL

The Act contains a provision for establishment Appellate Tribunal, which will be headed by a chairperson (max age 70 or 4 years whichever is earlier)

Qualification:

- Is qualified to be judge of high court or
- is a member of Indian Legal Services and has a post in GRADE 1 of that services for atleast 3 years or
- has held office as PRO of a tribunal for atleast 3 years

Power of Chairperson:

- General **power of superintendence and control** over tribunals under jurisdiction
- Appraisal of work and recording the annual confidential reports
- Chairperson himself on notice to parties or upon application by any of the parties **can transfer the case from one tribunal to other tribunal.**

PROCEDURE FOLLOWED BY THE TRIBUNAL

Application: An application is made to the Tribunal having **territorial jurisdiction**, i.e., where the defendant resides, or cause of action has taken place. The application may be presented in person or by agent or legal practitioner or sent by registered post addressed to the Registrar of DRT

Prescribed Format: The application shall be presented to the Registrar in the **prescribed form** in **4 copies in book form**, which

JAIIB/ CAIIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

contains index, plaint, documents and affidavit attested by notary public given by bank officials.

Appeal Against the Order of The Registrar: An appeal against the order of the Registrar shall be made **within 15 days** to the Presiding Officer and whose decision there shall be final

Proceeding Language: The proceedings of the DRTs are conducted in English or Hindi. Application in any other language has to be accompanied by e translation there in English / Hindi.

Joining the proceedings by other Banks/ FIs: if the person whom against the debt has been filed and other Bank/ FI (having claim against the same person) wants to the file the debt against the same. Bank or FI may join the applicant bank during any stage of the proceedings but before the final order is passed, by making an application to the Tribunal.

Issue of Summons: DRT will issues summons after accepting the application **within 30 days** to all the defendants to show cause within 30 days of the service as to why the relief prayed for should not be granted.

Disposal Period: DRT is expected to dispose of the application with in 2 hearings.

Interim Order: DRT can make an interim order to restrain the defendants from disposing of any property or the assets without prior permission for the DRT.

Application for the recovery certificate: After the decree is passed by DRT, the bank / financial Institution will apply for issuance of

JAIIB/ CAIIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

JAIB/ CAIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

recovery certificate. The recovery certificate will be filed before the Recovery Officer of DRT who will take necessary steps for the recovery.

Procedure Followed by Recovery Officer (Sec 19)

The recovery officer after receipt of recovery certificate will follow the following procedures:

- Attachment and sale of the movable or immovable property of the defendants.
- Arrest of the defendant and his detention in prison,
- Appointing a receiver for the management the movable or immovable properties of the defendant.

The Recovery Officer enjoys powers of attachment, sale, arrest, appointment of receivers.

Person aggrieved by an order of the recovery officer made under this Act may, within in 30 days from the date, on which a copy of the order is issued to him, prefer an appeal to the Tribunal. On receipt of an appeal, the Tribunal may, after giving an opportunity to the appellant to be heard, and after making such enquiry as it deems fit, confirm, modify or set aside the order made by the recovery officer.

Any recovery made by Recovery Officer (RO) will be treated as recovery of arrears of revenue.

JAIB/ CAIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

JAIB/ CAIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

The Presiding Officer shall keep the RO informed of any amount paid or time granted for payment subsequent to the issue of such certificate to the Recovery Officer.

Disobedience of Order of DRT: if the terms or orders not followed the tribunal may order the properties of the person be attached and may also order to detain such person in the civil prison for a term not exceeding 3 months unless in the meantime the Tribunal directs his release.

Appeal against the order of DRT can be made to DRAT within 30 days of the order. (DRAT may also entertain the case after the expiry of such period if DRAT is satisfied that there was sufficient cause for not filing it in the said period.)

For filing the appeal before DRAT defendant will have to deposit with the Appellate Tribunal 50% of the amount of decreed debt or as determined by the Tribunal. **However, the Chairperson of DRAT for reasons to be recorded in writing may waive or reduce the deposit of such amount to 25%**

DRAT shall deal with the appeal filed at the earliest and endeavor shall be made by it to dispose of the appeal with in 6 months from the date of receipt of the appeal.

The Tribunal and the appellant tribunal shall have the same powers as are vested in a civil code under the CPC.

JAIB/ CAIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

Any proceeding before the tribunal or the appellate tribunal shall be deemed to be a judicial proceeding under Indian Penal Code.

LOK ADALATS

- Lok Adalat (people's court) set up under Legal Services Authority Act, 1987
- It is **one of the components of the Alternative Dispute Resolution (ADR) system** and delivers **informal, cheap and expeditious justice** to the common people.
- The **State/ District Legal Services Authority** or the **Supreme Court/ High Court/ Taluk Legal Services Committee** may organise Lok Adalats at such intervals and places and for exercising such jurisdiction and for such areas as it thinks fit.
- Cases upto Rs. 20 lacs are referred to Lok Adalats.
- Cases above Rs. 20 lacs referred to Lok Adalat formed under DRT.
- The advantage of Lok Adalat is consented decree, no court fee, no appeal, expeditious disposal of the case.
- Accounts which have been settled by Lok Adalat should be adjusted within 1 to 3 years.
- Permanent Lok Adalats are also empowered to entertain the matter of civil & criminal in nature, provided, the value of such civil matter falls within Rs. 1 crore and the criminal dispute is compoundable in nature.
- If there is a default in complying with the orders of Lok Adalat, then the orders can be executed through ordinary Civil Court or any other appropriate forum having jurisdiction.

QUESTIONS

Q2864: If the borrower wants to appeal against the order of DRT to DRAT, he must deposit _____% of the amount of the decree of DRT which can be reduced by DRAT to _____%.

- A.) 75%,25%
- B.) 75%, zero
- C.) 50%,25%
- D.) 50%, zero

Q2879: A company is under winding up process on the order of high court, banks wants to proceed against the company in DRT:

- A.) it can be done without any permission
- B.) it can done only after permission of DRAT
- C.) it can done only after permission of high court that ordered the winding up
- D.) it cannot be done

Q2846: A bank had given loan to party with outstanding balance of Rs.10.15 lac although the sanctioned limit was Rs.9.50 lac, which has become difficult of recovery. Which of the following is correct?

- A.) the suit has to be filed in a civil court
- B.) the bank can decide regarding in which court, the suit is to be filed

- C.) bank can file this case in DRT only which has the jurisdiction
- D.) bank can file this case in high court directly

Q2859: An interim order passed by DRT debarring the defendant from dealing with his property can be in the form of:

- A.) injunction order
- B.) stay order
- C.) attachment order
- D.) any of the above

Q2854: An order was passed by a civil court, after enactment of RDDB Act 1993 but before the establishment of DRT, having jurisdiction for that particular area:

- A.) order passed by civil court was not in its jurisdiction
- B.) order passed by civil court was in jurisdiction of DRT
- C.) order passed by civil court was in its jurisdiction
- D.) none of the above

Q2865: The maximum period during which the DRT is expected to dispose of the application is:

- A.) 90 days
- B.) 180 days
- C.) 1 year
- D.) to be decided by DRT

Q2850: The presiding officer of DRT or chairperson of DRAT (which statement is correct)

- A.) can resign by giving one month notice
- B.) they can be removed by order of state govt/central govt
- C.) they can be removed on ground of proved mis behavior or incapacity after enquiry
- D.) all the above

Q2849: which of the following statement is not regarding the chairperson of DRAT:

- A.) he should be qualified to be high court judge
- B.) he is appointed for 5 years
- C.) he can hold office until he attains the age of 62 years

D.) Both B and C

Q2875: A person aggrieved by the order of the recovery officer can appeal to ___ within ___:

- A.) no appeal lies against order of the recovery officer
- B.) presiding officer,30 days
- C.) chairperson,30 days
- D.) presiding officer,15 days

Q2851: The execution of decree passed by which of the following court, can be entertained by DRAT:

- A.) DRT
- B.) Civil court
- C.) Foreign court
- D.) all the above

Q2844: which of the following is covered by the term debt under RDDB Act 1993:

- A.) money overdrawn by the customer without any overdraft facility
- B.) payment made by the bank by mistake
- C.) any liability including interest
- D.) all the above

Q2842: The loans covered under RDDB Act 1993 should have a minimum recoverable amount of:

- A.) Rs.10 cr
- B.) Rs.1 cr

- C.) Rs.10 lac
- D.) Rs. 20 lac

Q2861: If an order is passed by a DRT covering the properties relating to other DRTs also, the DRT will send copy of that order to (which is not correct):

- A.) the defendant
- B.) the bank
- C.) all the other tribunals
- D.) The DRT having jurisdiction over other DRTs to pass on the copy of the order to respective DRT for action

JAIIB/ CAIIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

JAIIB/ CAIIB/ Bank Promotion/ Certification Course Videos & Questions Visit
<https://iibf.info>

Q2870: If a situation warrants that the defendant has to be arrested for recovery of a loan, which one is wrong (under DRT Act)

- A.) he can be arrested as per order of presiding officer of DRT only
- B.) he can be arrested as per order of recovery officer
- C.) there is minimal fair proof of the willful failure of the defendant to pay in spite of sufficient means
- D.) none of the above

Q2857: when an application is received by DRT from a bank, it issues summons to the defendant requiring him to

show cause within a period of ____as to why the relief prayed by the bank should not be granted:

- A.) 15 days
- B.) 30 days
- C.) 45 days
- D.) 60 days

Q2785: If the borrower wants to appeal to DRAT against DRT decree for the possession of the security by the bank, he can do so by depositing:

- A.) 75% of the amount due which can be reduced to 25% by DRAT
- B.) 50% of the amount due which can be reduced to NIL by DRAT
- C.) 50% of the amount due that can be reduced to 25% by DRAT

D.) no amount is required to be deposited

Q2841: RDDB Act 1993 is not applicable for which of the following:

- A.) public sector banks and RRBs
- B.) private banks and foreign banks
- C.) cooperative banks
- D.) financial institution and consortium of banks

Q2878: If a case is pending in DRT and bank wants to initiate action under SARFEASI Act:

- A.) it can do so with permission of high court
- B.) it can do so if the DRT specifically decides about that
- C.) it can do so i.e simultaneously action under DRT Act and sarfeasi act is possible
- D.) it cannot be done as at one point of time only one legal remedy can be purchased

Q2784: If the borrower wants to appeal DRAT Against the decree of DRT for possession of the security by the bank ,he can do so within

- A.) one week
- B.) 30 days
- C.) 45 days
- D.) 60 days

B

A person/entity aggrieved by orders of the DRT can appeal against its orders to Debt Recovery Appellate Tribunal (DRAT). The appeal must be made within 30 days of receiving the orders from DRT.

Q2847: The authority to establishment DRT or DRAT lies with:

- A.) state Govt concerned
- B.) central Govt
- C.) supreme court
- D.) High court of respective states

B

DRT or DRAT can be set up by central govt as per provisions of RDDB Act 1993

Q2843: Debt recovery tribunal and debt recovery applicable tribunals are headed by(which one is correct):

- A.) presiding officers
- B.) Chairpersons
- C.) DRT by presiding officer and DRAT by chairman
- D.) DRT by chairperson and DRAT by presiding officer

C
Debt recovery tribunal and Debt recovery appellate tribunals are headed by DRT by presiding officer and DRAT by chairman

Q2840: RDDB Act 1993 came into operation w.e.f _____ and its applicable:

- A.) 24.6.1993 through out india except j&k
- B.) 22.12.1993 through out india including J&K
- C.) 23.9.1993 through out india except J&K
- D.) 26.8.1993 through out india including J&K

A
The act came into operation w.e.f 24.6.93 through out india except J&K

Q2782: If the borrower wants to approach DRT against the possession of the security by the bank, he can do so within:

- A.) one week
- B.) one month
- C.) 45 days
- D.) 60 days

C

If the borrower wants to approach DRT against the possession of the security by the bank, he can do so within 45 days

Q2873: To recover the due amount from the borrower, the recovery officer of DRT has powers, similar to ____:

- A.) Tax recovery officer as per section 226 of income tax act
- B.) passing of Garnishee orders under civil procedure code
- C.) seizure of goods under criminal procedure code
- D.) Both A and B

D

The recovery officer has similar powers as mentioned at (a) and (B)

Q2860: If a bank wants that the properties of the defendant should be attached (which one is not correct):

- A.) the bank has to specify the property
- B.) the bank has to provide proof of ownership of the property by the defendant
- C.) the bank has to provide the estimated value of the property
- D.) Both B and C

D

Bank has to specify the property and advise the estimated value of the property

Q2866: The maximum period during which the DRAT is expected to dispose of the appeal is:

- A.) 3 months
- B.) 6 months
- C.) 1 year
- D.) to be decided by DRT

B
The maximum period during which the DRAT is expected to dispose of the appeal is 6 months from date of receipt of appeal

Q2871: If a party wants to have a review of the recovery certificate issued by the DRT on the ground that error is apparent,he can make as application to____ within____:

- A.) presiding officer,60 days
- B.) presiding officer,30 days
- C.) recovery officer,60 days
- D.) Recovery officer,45 days

A
such review application can be made by any party within 60 days to the presiding officer of DRT,Recovery officer has no authority to have any such review

Q2783: If the borrower wants to approach DRT against the possession of the security by the bank, he can do so by depositing:

- A.) 75% of the amount due
- B.) 50% of the amount due
- C.) 50% of the amount due that can be reduced to 25% by DRT
- D.) no amount is required to be deposited

D
If the borrower wants to approach DRT against the possession of the security by the bank, he can do so without depositing any amount as per amendment to original section 17(2) of SARFEASI Act on direction of supreme court

Q2858: which of the following type of order can be passed by DRT as an interim order against the defendant:

- A.) debar him from transferring of any property
- B.) debar him from aliening of any property
- C.) debar him from dealing with or disposing of any property
- D.) all the above

D
DRT can pass interim order debarring the defendant from transferring, aliening or otherwise dealing with or disposing of any property

Q2877: when RDDB Act and companies Act are in contradiction to each other:

- A.) the company court will take a decision
- B.) the high court will take a decision
- C.) the RDDB Act will prevail over the companies Act
- D.) the companies Act will prevail over the RDDB Act

C

when RDDB Act and companies act are in contradiction to each other, the RDDB Act will prevail over the companies act

Q2856: Bank-A has filed a suit in DRT on XYZ. bank-B also has to file the suit:

- A.) bank-A has filed a suit in DRT on XYZ, bank-B also has to file the suit
- B.) Bank-B has to file a fresh suit
- C.) bank-a will have the priority in recovery if bank-B files a fresh suit
- D.) Bank-B can join the bank-A at any stage of the suit before the final order is passed

D

U/s 19 (20 of RDDB Act 1993, if a has filed a suit in DRT and other bank also has to file the suit, the other bank can join the earlier bank at any stage of the suit before the final order is passed

Q2852: if there is request for transfer of application from one DRT to another DRT:

- A.) it can be transferred by the DRT already handling the application
- B.) it can be got transferred by the DRT which has been asked to entertain the case after transfer

C.) it can be transferred by any DRAT

D.) it can be transferred by the DRAT having jurisdiction over both the DRTs

D

If there is request for transfer of application from one DRT to another DRT, it can be transferred by the DRAT having jurisdiction over both the DRTs it can be transferred even on its own motion by giving notice to the parties

Q2872: If in an appeal, the amount of recovery is amended by the chairman of DRAT, what happens to the recovery certificate already issued by DRT?

A.) it may be withdrawn by recovery officer

B.) it may be amended by recovery officer

C.) it may be withdrawn or amended by the presiding officer

D.) any of the above

C

The recovery certificate already issued may be withdrawn or amended by the presiding officer

Q2853: If a DRT is setup, which of the following courts cannot exercise the jurisdiction for case of Rs. 20 lac and above:

A.) District courts

B.) high court

C.) supreme court

D.) all the above

D

High court and supreme court can exercise the jurisdiction under Articles 226 and 227 of the constitution of India only. DRT has the jurisdiction for loan recovery issues

Q2848: which of the following statement is not correct regarding the presiding officer of DRT:

- A.) he should be qualified to be Distt judge
- B.) he is appointed for 3 years
- C.) he can hold office until he attains the age of 65 years
- D.) none of the above

B

the presiding officer is appointed for 5 years he can hold office until he attains the age of 65 years, whichever is earlier

Q2874: Bank-A received an attachment order from recovery officer of DRT on the current account of the defendant:

- A.) the bank has to make the payment similar to the payment of an attachment order
- B.) the bank shall make the payment after having confirmation from DRT presiding officer
- C.) the bank shall make payment with consent of the defendant
- D.) the bank shall ignore such order

A

The bank has to make the payment similar to the payment of an attachment order

Q2845: which of the following types of amounts do not form part of the term debt under RDDB Act 1993:

- A.) fraud committed by an employee
- B.) any liability payable under a mortgage or money payable under a decree or civil court
- C.) any liability for which there is no security
- D.) none of the above

A

As per supreme court judgement in bank vs vijay ramniklal the amount recoverable from employee under a fraud is not a debt

Q2862: The appeal against an order of the DRT can be made by any of the party to _____

- A.) High court
- B.) DRAT
- C.) supreme court
- D.) any of the above

B

The appeal against an order of the DRT can be made by any party to DRAT only, having the jurisdiction over the DRT concerned. But no appeal lies if the order was made with consent of the parties

Q2863: the period for making appeal against order of DRT to DRAT is:

- A.) within 30 days from of order
- B.) within 30 days from receipt of order
- C.) within 30 days from of order
- D.) within 45 days from receipt of order

D
The appeal against the judgment of DRT can be made within 45 days only to DRAT(Debt Recovery Appellate Tribunal).

Q2855: Bank-A wants to file a suit in a DRT.The suit can be filed within the local limits of which of the following DRT(which one is not correct):

- A.) where the defendant resides or carries on the business
- B.) where any of the defendants resides or carries on the business
- C.) where the cause of action has arisen
- D.) it is at the discretion of the bank

D
The statement given at (a),(b) and (c) is correct and not (d)

Q2869: For recovery of the debt,the recovery officer of DRT can(which not correct)

- A.) attach the moveable assets
 - B.) sell the movable assets
 - C.) can attach or sell the immovable property
 - D.) can appoint receiver for management of property of the defendant
- C
- Recovery officer can attach or sell the immovable property