







REHABILITATION RECOVERY





CHAPTER 24 Part 2 Module C ABM By Ashish Jain

NON-COOPERATIVE BORROWERS


 A Non-Cooperative Borrower is one who intentionally does not work with the lender despite having the ability to pay. This includes:


-  **Defaulting** on payments despite having funds.
-  **Refusing** to share financial details required by the lender.
-  **Blocking lender access** to financed assets or collateral.
-  **Obstructing the sale** of mortgaged properties.
-  **Preventing** legitimate recovery efforts by banks.

Criteria for Classification & Reporting to CRILC

 Criteria	 Details
 Cut-Off Limit	Borrowers with ₹5 crores or more exposure (fund-based + non-fund-based).
 Who is Included?	<ul style="list-style-type: none"> - Companies: The company, its promoters & directors (except independent/Govt. nominated directors). - Business Enterprises: Owners or managers responsible for business operations.

Transparent Classification Mechanism

 Banks **must not** classify a borrower as non-cooperative **based on a single instance.**

 **A Senior Committee** (Executive Director + two General Managers/ DGMs) must make the decision.

Steps to Declare a Borrower Non-Cooperative

1 Committee Decision: If classified as non-cooperative, a **Show Cause Notice** is issued.


2 Opportunity to Respond: Borrowers (including promoters/directors) can submit an explanation.


3 Personal Hearing Option: A hearing may be granted if necessary.


4 Final Order: The borrower is recorded as **non-cooperative** with valid reasons.

5 Review by Higher Committee: A **Review Committee** (Chairman/CEO + 2 Independent Directors) confirms the decision.

Reporting to CRILC

 Banks **must report** non-cooperative borrowers **within 21 days** from the end of the quarter.

 **Half-yearly reviews** to assess if the borrower has returned to **credit discipline**.




 **If improved**, the borrower's name can be removed **with valid justification**.

Higher Risk & Provisioning for Fresh Loans






 **New Loans to Non-Cooperative Borrowers** → Considered **high risk**






 **Higher Provisioning Requirement** (same as substandard assets) for:

-  New loans sanctioned to **non-cooperative borrowers**.
-  Any company where these borrowers are **directors**.
-  Any firm where these borrowers **manage operations**.

Summary Table

 Term	 Meaning	 Example
 Non-Cooperative Borrower	A borrower who refuses to engage with lenders despite ability to pay.	A businessman who blocks the bank's efforts to recover loans.
 Cut-Off Limit	Borrowers with exposure of ₹5 crore or more.	A company with ₹7 crore in loans failing to share financial details.

 Classification Mechanism	Decision taken by a senior committee, followed by review.	A firm blocking sale of its mortgaged factory being declared non-cooperative.
 Reporting to CRILC	Details must be reported within 21 days.	A bank updating CRILC on a non-cooperative defaulter in Q1.
 Risk & Higher Provisioning	New loans sanctioned to such borrowers will have higher risk provisioning.	A company run by a non-cooperative borrower receiving a fresh loan under stricter norms.

OPTIONS AVAILABLE TO BANKS FOR STRESSED ASSETS

Not all credit defaults result in a **total loss** for banks. Banks may recover their dues **fully, partially, or not at all**. The key to maximizing recovery is **timely action and the right strategy** considering **economic conditions, legal frameworks, and social aspects**.

Steps Banks Follow for Stressed Assets



(a) Rectification

- **Regularization:** Persuading the borrower to **clear dues** and stay **regular** with repayments.

- **Exit from the Account:** If stress symptoms appear **early**, the borrower may **shift** to another bank with a different credit appetite.
- **Consortium/ Multiple Banking:** Other banks may **take over** the stressed exposure.
- **Tactics for Exit:**
 - Withdrawing concessions & benefits.
 - Enforcing all covenants strictly.
 - Reducing limits & denying overdrafts.

🌸 (b) Restructuring

■ If **default is not wilful**, and the business has **viability**, banks may **restructure** loans.

 Restructuring Methods	 Description
Moratorium Period	Extending the grace period before repayments start.
Extended Repayment	Longer time to repay in smaller amounts.
Lower Interest Rates	Reduced pricing to ease the borrower's burden.
<u>Fresh Funding</u>	<u>Additional working capital to revive business.</u>
Conversion to Long-Term Loans	Changing short-term obligations into medium/long-term loans.


🔒 (c) Recovery Measures


■ If **rectification & restructuring fail**, banks **initiate legal recovery**:

 Legal Forum	 Description
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Civil Courts	For cases where the due amount is < ₹20 lakh . A final decree must be executed within 12 years .
Debt Recovery Tribunals (DRTs)	Special courts for cases ₹20 lakh & above , ensuring faster resolution.
CERSAI (Central Registry of Securitisation Asset Reconstruction & Security Interest of India)	Registry of secured assets , ensuring priority of registered creditors.
Insolvency & Bankruptcy Code (IBC, 2016)	Ensures structured insolvency resolution process .



(d) **Compromise Settlements**

 If legal action is **too lengthy or ineffective**, banks may **negotiate settlements**.









 The **Present Value (PV) of compromise** should be **higher than PV of realizable security value**.

(e) **Write-Offs**

 When all recovery efforts fail, banks may **write off the bad debt**.

 Type	 Description
Technical Write-Off	Cleansing of NPAs from balance sheet without impacting P&L .
Actual Write-Off	Charge-off against Profit & Loss Account , leading to financial loss.
Recovery Rights Retained	Even after write-off, banks retain the right to recover dues.

 **Summary Table**

 Option	 Meaning	 Example
 Rectification	Persuading borrower to regularize account.	Bank warns a delayed EMI payer to clear dues.
 Restructuring	Modifying terms to make repayment easier.	Loan repayment extended from 5 to 10 years.
 Legal Recovery	Legal actions to recover dues.	Filing a case in DRT for ₹25 lakh default.
 Compromise	Settling dues for a negotiated amount .	Bank agrees to take ₹70 lakh instead of ₹90 lakh.
 Write-Off	Removing uncollectible debt from books.	Bank writes off an irrecoverable loan after all efforts fail .