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SBP ISSUES FAIR DEBT COLLECTION GUIDELINES TO BANKS & DFIs
FOR ADDRESSING CUSTOMERS / BORROWERS GRIEVANCES

With a view to addressing the grievances of customers/borrowers, the State Bank of Pakistan has formulated and issued Fair Debt Collection Guidelines to set minimum standards to be observed by banks & DFIs for the recovery of their debt. These guidelines are applicable to various types of consumer financing facilities including Credit Cards, Housing Loans, Auto and Personal Loans etc.

In a circular issued to Presidents/Chief Executives of all Banks/DFIs, the State Bank said that if any bank/DFI has already developed its debt collection code of conduct, the same shall appropriately be modified in line with these guidelines.

The State Bank has asked the Banks/DFIs to adhere to the following minimum guidelines in their debt collection efforts:-

- Before proceeding for debt collection/recovery from their customers / borrowers, the bank/DFI shall ensure to provide him/her all information relating to payments fallen due. A minimum of 14 days notice will be served to the customer / borrower through letter/SMS advising him/her to make overdue payment, before a visit to his/her residence / business place is undertaken in a lawful manner to negotiate recovery of the outstanding amounts. Advance notice will be required to be served to the customer when bank/DFI staff picks up the payment and if it is done on customer's request then it should be properly recorded.
- Banks/ DFIs in their collection/recovery efforts shall ensure that (a) the customers / borrowers are not contacted at an inconvenient time (b) proper disclosure of identity, name of the bank and the purpose of call is provided (c) only lawful and acceptable business language and professional attitude is adopted in establishing such contact.
- Banks/ DFIs shall also ensure that (a) collection calls are properly recorded (b) customers / borrowers are contacted at the given address/phone numbers and in case they cannot be contacted, at alternate address/phone number obtained through collection efforts (c) "Visit Reports" shall be kept on record in the form of hard copy or on electronic collection systems for at least six months (d) collection staff shall not harass their family members. However, necessary information could be obtained from family/friends/third party of the borrower if he/she is not in contact for 30 days after the first missed payment.
- Banks/DFIs shall give 14 days written notice before repossessing the leased vehicle on breach of an agreement / default on repayment by

the customers / borrowers, banks/DFIs and the recovery agencies employed by the bank/DFI are advised to allow the customer/borrower to take possession of their valuables/goods out of the vehicle.

- Banks / DFIs have been advised to ensure that (a) their collection/recovery staff do not transfer or misuse any personal data of customers / borrowers without their prior approval (b) any information of customer/borrower provided to the collecting staff are properly documented.
- The banks/DFIs shall ensure that the collection/recovery agencies employed by them must be enrolled with Pakistan Banks' Association (PBA) once the arrangements in this regard are in place. In this regard, PBA is being advised to develop a criteria keeping in view the "Guidelines on Outsourcing Arrangements" issued by State Bank of Pakistan.

In order to effectively control the functions of collection/recovery and the human resources engaged in this process, banks/DFIs would ensure the following:

- Frame a code of lawful conduct for recovery staff.
- Introduce a well defined mechanism for addressing complaints against the collection/recovery staff.
- Undertake a periodical review of their recovery procedures / mechanism for improvement in line with law, market practice/development.
- Engage suitably qualified staff in collection/recovery and provide them necessary training.
- Regularly monitor the activities of collection/recovery staff / agencies.

These guidelines shall be in addition to, and not in derogation of the relevant laws / regulations.

The State Bank of Pakistan during the course of inspection will check compliance of above guidelines. Strict action shall be taken against the bank/DFI for non-compliance of above guidelines, the circular added.
