

FIDC

Finance Industry Development Council (A Self Regulatory Organisation for NBFCs in India)

CIN: U91990MH2004NPL146931

City-II, 5TH Floor, CST Road, Near Mercedes Show Room, Kalina, Santacruz (East), Mumbai – 400098

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Date: 30th May 2026

The Chief General Manager,
Department of Regulation (DoR),
Reserve Bank of India (RBI)
Central Office Building
Shahid Bhagat Singh Road
Mumbai-400 001

Sub: Submission on Draft Reserve Bank of India (Non-Banking Financial Companies & Housing Finance Companies- Responsible Business Conduct) Amendment Directions, 2026 dated May 20, 2026 (Draft Directions)

Respected Sir/ Madam,

We express our appreciation to RBI's initiative for strengthening recovery mechanism for loans extended by NBFCs / HFCs. We are of the view that robust rules-based collection and recovery mechanisms will lead to better support from all stakeholders and make this exercise successful.

We submit herewith following recommendations for consideration of RBI while finalizing the Draft Directions:

Paragraph	Request
11 A – Recovery agency means an entity or individual (other than NBFC's own employees) who has been engaged by an NBFC, irrespective	We request that clarification be issued whether law firms will fall under the definition of Recovery Agency. Law firms are bound by rules of respective Bar Councils and have specific laws governing their conduct. Further, while they aid in recovery, their activities may not fall under the definition of “outsourcing” arrangement. To obviate any confusion on this part – we request

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<p>of the contractual designation / nomenclature used for such engagement, under an outsourcing arrangement to assist in recovery of loan dues from a borrower in default, including taking possession of a security.</p>	<p>if Law firms can be specifically removed from the definition of recovery agency.</p>
<p>100D. The policy shall also incorporate provisions relating to compensation to the borrowers / guarantors for loss arising on account of recovery related actions of the NBFC or the recovery agencies not consistent with these Directions.....</p>	<p>While we understand the benefit of forming a policy wherein the compensation to Borrowers / guarantors for loss arising on account of recovery related actions of NBFCs / recovery agencies – we request if REs can be given operational freedom to decide whether to place these compensation mechanism in collection policy or place it along with other customer compensation mechanism such as for delay in handover of property papers etc. at a single place.</p>
<p>100F J.2.2 Training</p> <p>An NBFC shall ensure that the recovery agency engages only those agents who have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing</p>	<p><i>We submit that, for a low-ticket, short-tenure loans which operates on a limited-margin model, mandatory requirement to engage only IIBF-certified recovery agents may pose significant challenges to operational viability.</i></p> <p><i>Additionally, the availability of IIBF-certified personnel and training infrastructure remains limited, particularly in Tier 3, Tier 4, and Tier 5 cities and towns, where a considerable portion of such lending activity is concentrated. This constraint further</i></p>

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<p>the training program for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF. An NBFC shall also ensure that recovery agents already engaged by its recovery agencies, but not holding the aforesaid certificate, obtain the certificate from IIBF within a period of one year from the date of issuance of these Directions.</p>	<p><i>impacts the feasibility of complying with such requirements in these geographies.</i></p> <p><i>Hence, as an alternative, we submit that, the lenders may be permitted to engage recovery agents who have undergone comprehensive Code of Conduct (CoC) training imparted by the Company, ensuring adherence to fair practices and customer protection standards for such low-ticket, unsecured loan products.</i></p>
<p>100H. The NBFC shall update the list within seven calendar days of any modification to the list. However, in the event of termination of the agreement with a recovery agency for any reason, the NBFC shall immediately update such list.</p>	<p>We submit that considering tech advancement and tech literacy majority of customers consume updates through digital means such as website, customer portal, lender app or electronic communication channels.</p> <p>We request that an update through any of these modes should be considered as sufficient intimation to Borrower.</p>
<p>100I. While forwarding a case to any recovery agency for recovery of loan dues through in-</p>	<p>We request that Lenders routinely face borrowers who evade communications and / or visits of Lenders employees / agents. Considering limitation places on lender’s employees / agents – a</p>

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<p>person visit to the place of the borrower / guarantor, the NBFC shall notify the details of the recovery agency to the borrower / guarantor to ensure due intimation and proper authorization, at least one day prior to the first visit, by sending a message and / or email on the registered mobile number / email address. Where the registered mobile number or email address is not available with the NBFC, such a notice shall be sent to the borrower / guarantor by way of a letter to his / her current address at least three days prior to the first visit.</p>	<p>prior intimation of visit can enable unscrupulous borrowers to evade contact.</p> <p>Further, procedurally it may happen that any of employees from collection team or agency may make the visit due to need such as leave etc. – making such advance communication operationally difficult for NBFCs.</p> <p>The employees / agents carry identification card / letter of Lender and conduct themselves as per code of conduct.</p> <p>We request that this additional condition of advance intimation not be placed as it may adversely impact the collection activities.</p>
<p>100M. Where a grievance related to the loan dues or recovery thereof has been lodged by a borrower, the NBFC shall not forward the</p>	<p>We submit that while we understand the rationale behind this advice – it may be maliciously utilized by some borrowers who may place multiple complaints against collection employees / agents to avoid interacting with them.</p>

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<p>concerned recovery case to an employee / recovery agency till it finally disposes of the grievance.</p>	<p>We respectfully submit that considering the code of conduct which has been placed on the collection activities, mandatory recording of calls and supervision of collection activity – chances of any adverse experience will be low.</p> <p>We request if this requirement can be re-considered.</p>
<p>Para 100 Q</p>	<p><i>We wish to submit that, the lending model under reference primarily pertains to small-ticket size loans, typically of short tenure and small EMI obligations. Given the limited loan amounts and relatively low repayment burden on borrowers, we propose the following for your kind consideration:</i></p> <p><i>(3) It is suggested that, notice may be issued after 7 days of payment default, with a curing period of 15 days provided to the borrower.</i></p> <p><i>(4) Explanation para - It is suggested that the disabling the functionalities of the device without impacting incoming calls and internet access, be employed at 30 Days Past Due (DPD) instead of the proposed 90 DPD.</i></p> <p><i>We wish to submit that, in the case of small-ticket loans (e.g., ₹25,000) with an average EMI of approximately ₹2,500, the repayment obligation does not typically impose a significant financial burden on the borrower. In this context, a timeline of 60 days for issuance of notice followed by 90 days for corrective action appears unduly prolonged, and may lead to higher levels of delinquency as well as increased cost of collections efforts.</i></p>

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	<p><i>Further, given the relatively short average loan tenure of around 9 months, such extended timelines significantly elevate the risk of devices being transferred or sold to third parties, thereby complicating recovery efforts and potentially resulting in early NPA recognition and higher provisioning requirements.</i></p>
Para 100 R	<p><i>We wish to submit that, while all necessary measures will be undertaken to ensure timely restoration of the device to its normal state upon receipt of payments, there may be certain exceptional cases arising due to factors beyond the control of the lender. These may include dependencies on information from third-party service providers, API failures, technology-related issues, or restoration being contingent upon the customer's device having active internet connectivity. Such scenarios may, in isolated instances, lead to delays despite best efforts.</i></p> <p><i>Further, considering businesses such as consumer durable (CD) which involves small-ticket, short-tenure loans and operates on relatively thin margins, the proposed penalty of ₹250 per hour in cases of delay may render the model commercially unviable.</i></p> <p><i>In this regard, we humbly suggest to prescribe a one-time penalty of ₹250 for such exceptional cases of delayed restoration instead of per hour.</i></p>
Para 100 W (4) An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Calls / visits earlier or	<p>We draw your attention to Para 100 W (5) wherein on successive failure of Borrower / guarantor to meet designated place enables collection employee / agent to approach borrower / guarantor at his / her residence or place of business.</p> <p>We request if similar exception be also extended in Para 100 W.</p>

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later than the prescribed time period shall be done only when the borrower / guarantor has expressly given a request or authorisation to do so.

(5) An employee / recovery agent shall ordinarily contact a borrower / guarantor at the place of the borrower's / guarantor's choice. In the absence of any specific choice or if the borrower / guarantor fails to appear at the chosen place on two or more successive occasions, the employee / recovery agent may contact the borrower / guarantor at the place of his / her residence or at the place of his / her business / occupation.

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We further submit that there are specific operational realities concerning lending to and the recovery of dues from Indian debtors residing outside India such as loans for higher studies in the foreign countries - that require regulatory oversight. In this regard, a brief note is **attached at Annexure I**.

We hope that submissions made above will be considered positively. We would be happy to take you / your officials through our submission in detail in person at a time of convenience.

Thanking you,

Yours sincerely,

For **FINANCE INDUSTRY DEVELOPMENT CONCIL (FIDC)**

Raman Aggarwal

C E O

Encl: Annexure I - A Request note for Recovery Practices for Education Loans to Overseas Borrowers

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Annexure I – A Request note for Recovery Practices for Education Loans to Overseas Borrowers

With a rapidly rising number of Indian citizens migrating globally for education and employment while holding active credit liabilities in India, the domestic enforcement architecture faces extreme jurisdictional limits. On behalf of member Non-Banking Financial Companies (NBFCs) and Regulated Entities (REs), we submit this representation to highlight two critical areas requiring explicit amendments or carve-outs before these Directions are finalized.

1. Outsourcing Debt Collection to Regulated Offshore Entities for Overseas Debtors

- **Case in Point:** The current draft mandates strict compliance guidelines for recovery agencies and collection agents (such as mandatory certification by domestic institutes, strict localized operational hours aligned with Indian Standard Time, and adherence to localized enforcement frameworks). These conditions are practical and enforceable only within the geographical boundaries of India. Applying these blanket requirements to offshore recoveries makes it structurally impossible for REs to legally or operationally pursue borrowers who have relocated abroad.
- **The Proposal:** We request the inclusion of a specific carve-out clause permitting REs to outsource debt collection activities to host-country regulated offshore collection entities for Indian debtors residing outside India, subject to the following conditions:
 - The offshore entity must be validly existing, and its activities shall be regulated by the financial or debt-recovery regulator of the host country.
 - The host country must possess fair practice regulations and consumer protection codes governing debt recovery that are at par with or mirror the spirit of India's Responsible Business Conduct guidelines.

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- Such offshore recovery arrangements shall be exempted from purely onshore operational conditions (e.g., domestic certification) that lack relevance in foreign jurisdictions.

Sharing of data as deemed necessary to such regulated offshore collection entities should not be deemed to be in violation of the data localisation norms or norms relating to data sharing and security. We request appropriate relaxations as required in the regulations to enable sharing of data to such regulated offshore collection entities.

2. Explicit Permission for Cross-Border Credit Reporting to Host-Country CICs

- **Case in Point:** At present, when an Indian borrower defaults on an obligation after relocating abroad, the default is reported exclusively to Indian Credit Information Companies (CICs). Because the borrower is building a new financial life abroad, a negative credit footprint in India often fails to act as an immediate deterrent or leverage point, leading to high-value capital write-offs for Indian REs.
- **The Proposal:** We urge the RBI to explicitly permit NBFCs and REs with debtors residing outside India to either directly report credit data/defaults to Credit Information Companies (credit bureaus) in the host country, or enable authorized offshore recovery agents to report such defaults to local bureaus in accordance with the host country's legal framework.

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Cause Supporting This Proposal:

- **Conservation of Foreign Exchange:** Unrecovered retail and commercial debt migrating out of the country represents a net leakage of Indian capital. Enabling cross-border credit reporting will structurally optimize and accelerate recovery rates, directly repatriating vital funds and conserving foreign exchange for the Indian economy.
- **Development of Local Credit Standing for Consumers:** A formal framework allows borrowers to maintain continuous financial discipline. For consumers who fulfil their obligations, cross-border data sharing can help them develop a clean credit record in their host country, enabling them to reap the benefits of a good credit standing (such as lower interest rates and smoother access to housing/utilities abroad).
- **Encouraging Global Financial Discipline:** Knowing that credit defaults in India can directly impact their financial credibility, visa statuses, or borrowing capacities in their current country of residence will heavily deter intentional defaults. This will instill uniform, borderless financial discipline among Indian borrowers globally.

Suggested Redrafting / Additions to the Draft Directions:

"Provided that where the debtor is residing outside India, Regulated Entities may outsource recovery activities to offshore recovery agencies regulated by the respective host-country regulators, ensuring compliance with local fair practice laws. Provided further that REs or their authorized offshore agencies are permitted to report repayment behaviour and defaults to the recognized Credit Information Companies/Bureaus of the host country, subject to applicable regulations in the host country and local data privacy laws."

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