



भारतीय रिजर्व बैंक
RESERVE BANK OF INDIA

DOR.MCS.REC.No. /01-01-037/2025-26

February 12, 2026

Draft Reserve Bank of India (Urban Co-operative Banks - Responsible Business Conduct) Second Amendment Directions, 2026

Certain instructions on matters related to engagement of recovery agents by Urban Co-operative Banks (UCBs) have been issued to UCBs under the [Reserve Bank of India \(Urban Co-operative Banks – Responsible Business Conduct\) Directions, 2025](#).

The extant instructions have since been reviewed. It has also been decided to issue comprehensive instructions on conduct related matters in recovery of loans and engagement of recovery agents to all UCBs (hereinafter referred to collectively as “UCBs” and individually as an “UCB”) under the aforesaid Directions.

2. In exercise of the powers conferred by Sections 21, 35A and 56 of the Banking Regulation Act, 1949, the Reserve Bank, being satisfied that it is necessary and expedient in public interest so to do, hereby issues the Amendment Directions hereinafter specified.

3. Short Title and Commencement

(1) These Directions shall be called the Reserve Bank of India (Urban Co-operative Banks - Responsible Business Conduct) Second Amendment Directions, 2026.

(2) These Directions shall come into effect from **July 1, 2026**.

4. These Amendment Directions shall modify the [Reserve Bank of India \(Urban Co-operative Banks – Responsible Business Conduct\) Directions, 2025](#) as under:

In Chapter VIII on ‘Responsible Lending Conduct’, the paragraphs 316 to 325 shall be deleted. Further, the following section and paragraphs shall be inserted **after paragraph 325**, namely:

“J. Conduct of UCBs in Recovery of Loans and Engagement of Recovery Agents

J.1 Policy

325A. A UCB shall put in place a policy on recovery of loans, engagement of recovery agents for recovery of loan dues and taking possession of security.

The policy shall, inter alia, cover aspects related to eligibility and due diligence criteria for engagement of recovery agents, specified activities, Code of Conduct, performance evaluation standards, inspection / audit, control mechanisms to ensure compliance with statutory / regulatory requirements by recovery agents and procedures to be followed / penal actions to be taken in case of non-compliant recovery agents. The policy shall also include aspects related to recovery of loan dues in case of demise of borrower(s) or guarantor(s).

Explanation: The term 'Recovery Agents' in these Directions shall be read contextually to mean individuals and / or agencies engaged by the UCB for recovery of loan dues from its borrowers / guarantors and the representatives / employees of such agencies.

J.2 Engagement of recovery agents / UCB employees for recovery of loans

J.2.1 Due diligence

325B. A UCB employing the services of recovery agents shall put in place a due diligence process for their engagement, which shall conform to the instructions issued by the Reserve Bank in the [Reserve Bank of India \(Urban Co-operative Banks – Managing Risks in Outsourcing\) Directions, 2025](#), as amended from time to time. A UCB shall also ensure that the recovery agencies engaged by it carry out verification of the antecedents of their representatives / employees at pre-engagement level and subsequently, on an ongoing basis at a pre-defined periodicity.

J.2.2 Training

325C. A UCB shall ensure that recovery agents engaged by it have obtained the certificate from Indian Institute of Banking and Finance (IIBF) after completing the training programme for Debt Recovery Agents offered by IIBF or any other institute having a tie-up arrangement with IIBF. A UCB shall also ensure that recovery agents already engaged by it, 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.

J.2.3 Code of Conduct

325D. A UCB, based on the instructions mentioned in these Directions, shall put in place a Code of Conduct for the recovery agents and its own employees engaged in activities related to recovery of loans. Further, prior to assigning any recovery related activities on its behalf, the UCB shall obtain an undertaking from its employees / recovery agents that they agree to abide by its Code of Conduct and other policies, especially related to recovery of loan dues and taking possession of security.

J.3 Responsibilities of a UCB

J.3.1 Disclosure of information on recovery agents

325E. A UCB shall prominently display an up-to-date list of recovery agents empanelled and engaged with it on all channels through which it engages with customers, viz., branches / offices or digital platforms such as website, mobile app, etc. Such list shall include the name of the recovery agents and details of the individual(s) engaged by it, the period of engagement, etc.

325F. In the event of termination of the agreement with a recovery agent for any reason, the UCB shall publicize the same to ensure that the borrowers do not continue to deal with that agent or its representatives / employees.

325G. While forwarding cases to any agent for recovery of default amount, the UCB shall inform the details of the recovery agent to the borrower through a written notice, either through a letter to his / her current address or SMS on registered mobile number or email on registered email address, as the case may be, to ensure due intimation and proper authorization. In case of change of recovery agent during an ongoing recovery process, the UCB shall immediately notify the borrower of the change.

J.3.2 Fair treatment to borrowers during recovery process

325H. A UCB shall put in place a mechanism for identification of the borrowers facing repayment related difficulties, engagement with such borrowers and providing them necessary guidance about the recourse available.

325I. A UCB shall ensure that the disclosure of borrower's information to its employees / recovery agents is limited to the extent required to enable them to

discharge their loan recovery related duties. Further, the UCB shall put in place mitigants to ensure that its employees / recovery agents do not transfer or misuse any customer information in any manner.

325J. *Where a grievance has been lodged by a borrower, the UCB shall not forward the concerned recovery case to an employee / recovery agent till it finally disposes off the grievance. However, where the UCB is convinced, with appropriate evidence, that the borrower is making frivolous / vexatious complaints to avoid recovery, it may continue with the recovery proceedings even if a grievance is pending with it.*

325K. *In cases where the subject matter of the borrower's loan dues is sub-judice, the UCB shall exercise utmost caution, as appropriate, in referring the matter to its employee / recovery agent.*

325L. *A UCB shall document the time and number of calls made by its employee / recovery agent to the borrower / guarantor for recovery of loan dues. Further, the UCB shall ensure that there is a recording of the content / text of the calls made by the employee / recovery agent to the borrower / guarantor and vice-versa. Further, the UCB shall take reasonable precautions such as intimating the borrower / guarantor that the conversation is being recorded, etc.*

325M. *A UCB shall ensure that the recovery targets or the structure of incentives in the contract with the recovery agent do not induce adoption of harsh recovery practices as explained at paragraph 325U below.*

325N. *A UCB may use written communications, telephonic reminders or visits by its a UCB's representatives to the borrower's place or residence as follow up measures for collection / recovery of loans. However, the UCB shall initiate any legal or other recovery measures including taking possession of the security only by giving due notice in writing as per applicable statutory provisions. Accordingly, the UCB shall not initiate any legal action as a first resort for collection / recovery of loan dues / possession of security.*

J.3.3 Taking possession of mortgaged / hypothecated assets

325O. *Where a UCB has incorporated a possession clause in the loan contract / agreement with a borrower and relies on such possession clause for enforcing its rights, the UCB shall ensure that the possession clause is legally valid, and*

that such possession clause is clearly brought to the notice of the borrower at the time of execution of the loan contract / agreement. Accordingly, the terms and conditions of the loan contract / agreement shall contain provisions regarding:

- (1) notice period before taking possession;*
- (2) circumstances under which the notice period can be waived;*
- (3) the procedure for taking possession of the security;*
- (4) final chance to be given to the borrower for repayment of loan before the sale / auction of the security;*
- (5) the procedure for giving the possession of the security back to the borrower; and*
- (6) the procedure for sale / auction of the security.*

325P. *The UCB shall ensure that the recovery of loans or enforcement of security interest shall be done only by following due process of law.*

J.3.4 Periodic review, monitoring and control

325Q. *A UCB shall put in place a management structure to monitor and control the activities of its recovery agents and ensure that they refrain from actions that could damage its integrity and reputation. The UCB shall ensure that the agreement with the recovery agents contains details of such provisions.*

325R. *A UCB, engaging recovery agents, shall undertake a periodic review of the mechanism to learn from experience and to effect improvement therein.*

J.4 Conduct of UCB's employees and recovery agents

325S. *The UCB's employee / recovery agent, while visiting the borrower, shall carry a copy of the recovery notice, along with his / her identity card issued by the UCB / recovery agency. The recovery agent shall also carry the authorization letter from the UCB. The recovery notice and the authorization letter shall, among other details, include the telephone / mobile number of the UCB's employee / recovery agent and the grievance redressal officer appointed by the UCB in terms of paragraph 325V below.*

325T. A UCB shall ensure that its employee / agent engaged in activities related to collection / recovery of loan dues adheres to the following:

- (1) Respect for borrower's privacy: An employee / recovery agent shall interact only with the borrower or the guarantor, and shall not approach any other relatives / contacts of the borrower.
- (2) Maintaining hours of contact: An employee / recovery agent shall contact / visit the borrower / guarantor only between 08:00 hours and 19:00 hours. Further, the borrower's request to avoid call / visit at a particular time shall be honoured in normal circumstances.
- (3) Place of contact: An employee / recovery agent shall ordinarily contact a borrower at the place of the borrower's choice and in the absence of any specific choice, at the place of his / her residence and if unavailable at his / her residence, then at the place of business / occupation.
- (4) Avoiding recovery calls / visits during inappropriate occasions: An employee / recovery agent shall avoid inappropriate occasions such as bereavement in the family or such other calamitous occasion, or marriage functions, festivals, etc. for making calls / visits to collect / recover loan dues.
- (5) Designated place for collection / recovery of microfinance loans: In case of microfinance loans, collection / recovery shall be made at a designated / central designated place decided mutually by the borrower and the UCB. However, field staff shall be allowed to make collection / recovery at the place of residence or work of the borrower if the borrower fails to appear at the designated / central designated place on two or more successive occasions.
- (6) Interaction with borrower: An employee / recovery agent shall interact with the borrower in a civil manner. Further, he / she shall maintain decency and decorum during visits to the borrower's place for collection / recovery of loan dues.
- (7) Visit to borrower's premises: Only the representative(s) authorised by the UCB shall visit the borrower's premises for activities related to collection / recovery of loan dues.

(8) Approval for written communication: Written communication, if any, sent by an employee / recovery agent to the borrower / guarantor shall have the approval of the UCB.

(9) Issue of acknowledgement / receipt: An employee / recovery agent shall promptly give proper acknowledgement / receipt on collection / recovery of loan dues from the borrower / guarantor.

325U. The UCB's employee / recovery agent shall not engage in any harsh methods towards recovery. Without limiting the general application of the foregoing, following practices shall be deemed as harsh:

- (1) Use of minatory or abusive language;
- (2) Sending inappropriate messages either on mobile or through social media;
- (3) Excessively calling the borrower / guarantor and / or calling outside the prescribed hours;
- (4) Making threatening and / or anonymous calls;
- (5) Intimidating or harassing the borrower / guarantor and / or his / her relatives, referees, friends, or co-workers in either verbal or physical manner, including acts intended to humiliate them publicly or intruding upon their privacy;
- (6) Use or threat of use of violence or other similar means to harm the borrower / guarantor or their family / assets / reputation;
- (7) Making false or misleading representations to the borrower / guarantor, especially about the extent of the debt or the consequences of non-repayment.

J.5 Complaints against UCB's employees and its recovery agents

325V. A UCB shall have a dedicated mechanism for redressal of recovery related grievances. The details of this mechanism shall be provided to the borrower by including the same under the loan agreement and while advising the details of the recovery agents as at paragraph 325G above. Further, all recovery related communications issued by the UCB must contain the name,

email address, telephone number and address of the grievance redressal officer concerned of the UCB whom the borrower / guarantor can contact.

J.6 Adherence to other regulations issued by the Reserve Bank / other authorities

325W. *In addition to the Directions mentioned herein, a UCB shall also ensure compliance with any relevant guidelines issued by the Reserve Bank on related matters and also with guidelines issued by the relevant authorities from time to time, including the guidelines issued by Telecom Regulatory Authority of India (TRAI) on aspects related to commercial communication such as the Telecom Commercial Communications Customer Preference Regulations (TCCCCPR), 2018, as amended from time to time.”*

(Veena Srivastava)

Chief General Manager