

Dark Side of Debt Recovery: You Owe Money, Not Peace of Mind or Dignity

Facing harassment from recovery agents for loan default? Know your legal rights

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The calls simply wouldn't stop—sharp, strident bursts all day long, spewing vile threats and abuse. Even before Vrinda Singh, 48, could come to terms with this verbal assault, the debt recovery agents started calling her family and Facebook friends posing as loan or police officers. As the harassment continued, Singh developed heart palpitations and suicidal tendencies. "I had to take personal loans when I inherited family debt, and this was compounded by medical emergencies," says Singh, who is currently buried under ₹56.5 lakh of debt.

Many debtors like Singh are unable to service their loans after borrowing heavily for medical emergencies, job losses, or sudden financial needs. Many have a clear intent to repay, but don't have the means to do so immediately. Worse, a large majority is unaware that, despite the huge piles of debt, they can exercise their rights as borrowers in the face of aggressive harassment by recovery agents.



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Most recovery agents, from third-party collection agencies recruited by banks and NBFCs, exploit the debtors' fear with impunity in clear violation of the RBI's Fair Practices Code. "Despite the RBI's guidelines on good recovery practices, implementation is difficult, and this is exacerbated by borrowers' ignorance on the avenues available to them to raise issues on harassment," says Ritesh Srivastava, founder & CEO of debt counselling firm, FREED.

"The RBI has drawn very clear lines on

what collection agents can and cannot do," says Harsh Vardhan Masta, head of payments at Policybazaar. This year, the central bank has also released draft guidelines, which will be implemented from 1 July and aim to enhance borrower protection. As per law, banks are required to follow due process by initiating legal action in courts and specialised tribunals. "The loan document itself outlines the course of action the bank may follow in the event of a default," says Prateek Kumar, partner at Khaitan & Co.

There is also a grievance redressal mechanism in place for harassed borrowers, wherein a complaint can be filed with the lender and escalated to the RBI Ombudsman. If the behaviour involves threats, abuse, or public shaming, an FIR can be filed with the local police, and relief can be sought in consumer court.

Remember, it's crucial to speak to the lender before missing an EMI, not after. Lenders are far more willing to help a borrower who comes forward, than one who surfaces only after the loan has gone bad. "You could have the loan restructured by either extending the loan repayment term or reducing the EMI," says Anurag Mehra, founder, Expert Panel.