

Suryoday Small Finance Bank Settlement/Compromise Policy

Compromise/ settlement refers to a negotiated settlement where a borrower offers to pay and the Bank agrees to accept in full and final settlement of its dues an amount less than the total amount due to them under the relative loan contract. This settlement invariably involves a certain sacrifice by way of write off and/or waiver of a portion of its dues on a one-time basis.

All settlement / compromise decisions shall be approved by the designated approval authorities of the Bank.

The Policy recognizes that it is not possible to lay down precise guidelines which can be followed uniformly in case of all compromise offers as each offer is unique in the context of circumstances necessitating its consideration as a recovery option.

The Policy, however, lays down the following principles which are to be kept in view while considering compromise offers:

- Bank shall take up a compromise settlement / OTS proposal for consideration, irrespective of the present stage and status of the recovery proceedings.
- Any compromise shall be a negotiated settlement under which Suryoday shall endeavour to recover its dues to the maximum extent possible, with minimum sacrifice. However, it is recognised that amicable settlements are possible only in a win-win situation and sacrifice is a part of settlement.
- The latest status of the activity of the borrowing entity which seeks a compromise shall be taken into reckoning during the course of negotiation.
- As far as possible, an initial down-payment shall be taken from the borrower as evidence of his intention to pursue the compromise settlement with the Bank.
- In case the borrower has other group companies dealing with the Bank, influence of these companies or the parent company shall be used for a better settlement and/or for getting additional security, pending realization of the entire amount of compromise.
- It shall be the endeavour of Suryoday to get the entire compromise amount within 30 days from the date of settlement. In cases where the borrower is unable to pay the entire lump sum, Bank shall recover at least 25% of the settlement amount upfront. The balance 75% shall be recovered in instalments within a period of one year payment.
- At the time of One Time Settlement negotiation when OTS amount is proposed to be paid in instalments seriousness and preparedness of the borrower to honour OTS commitments shall be looked into.
- In the case of suit filed account if need be and if practical, the terms and conditions of settlement shall be finalized and consent decree from the court shall be obtained.
- OTS amount normally decided considering the realisable value, due consideration shall be given to various factors like forced sale value, early realization of money, sale ability of the property, type, effort and cost involved & yield in the account.
- Normally no Compromise Settlement shall be made with wilful defaulters. However, it is recognized that, sometimes business prudence requires compromise settlement in the case of wilful defaulters also, which shall be considered on a case-to-case basis.
- In case of non-receipt of the committed compromise amount as per the terms of the settlement, the recovery proceedings already initiated before the settlement shall be continued forthwith.

- The Authority who had approved the compromise settlement earlier shall consider the modification in the terms of the settlement. However, in case of settlement/compromise, approved by the Board, Chief Credit Officer (CCrO) shall be the permitting authority for such modifications.
- In the case of sacrifice of undebited Interest the same shall be calculated at Banks prevailing Base Rate (Simple) or the contracted rate/interest claim in the plaint/decreed rate (simple) whichever is less.
- In case of compromise settlements if the settlement amount is more than Rs. 10 lakh and more than one year is given for payment of the same or the balance thereof, the Net Present Value of OTS amount shall be calculated taking the prevailing 90 days treasury bill rate as the discounting factor for tangible assets.
- In compromise settlements/write off cases the amount of sacrifice will be determined with reference to balance/dues as on the 'settlement date' which shall be indicated in the compromise settlement/write off proposals.
- In case of compromise settlements for the propose of discretionary powers, the amount of settlement shall be equal to the net principal balance or 75% of the Forced sale value of the immovable property securities whichever is less. Any relaxation in this regard shall be subject to approval by the next Higher Authority up to to the level of CEO.
- For settlement/ compromise of unsecured loans (mostly retail in nature), the Bank shall consider portfolio approach for sale of such loans for recovery with approval of the Credit Committee of the Board.
- Wherever OTS amount is funded by other Banks/Financial Institutions/NBFCs/ARC or any other entities/individuals, Suryoday may assign the debt/ securities in their favour. In such cases, the guidelines framed for sale of financial assets will not apply.