

# **"POLICY FOR COMPROMISE SETTLEMENT OF LOSS ACCOUNTS OF HARYANA FINANCIAL CORPORATION, 2011"**

## **SHORT TITLE AND COMMENCEMENT**

This policy will be called "The Policy for Compromise settlement of Loss Accounts of Haryana Financial Corporation, 2011". This policy shall come into force with immediate effect.

## **CATEGORIES OF ACCOUNTS TO WHICH THIS POLICY APPLY.**

1. This policy will cover all the accounts/borrowers of HFC which have become loss assets upto 31.3.2010 irrespective of the date of sanction of loan.
2. The settlement scheme shall be non-discriminatory and therefore the amount not to be linked with the personal properties (not mortgaged) of the borrowers/guarantors available/attached by the collectors.
3. This policy will also cover doubtful Loan A/cs where no immovable property has been mortgaged as per the then prevailing policy and mortgaged property has been disposed off and movable assets i.e. machinery/stocks have also been disposed off by the borrower/not available for disposal, will also be covered under this policy.
4. This policy will not cover cases where the Corporation had approved settlement under any of the ongoing scheme or previous settlement schemes of the Corporation and settlement has not been cancelled till 30.06.2013.
5. This policy would also cover cases pertaining to Lease Finance, bridge loans, Working Capital Term Loans/ Working Capital Loans and Soft Loan Cases.

**This Policy, however, will not apply in respect of cases already settled and no old case would be reopened.**

## **ELIGIBILITY**

a) All loan accounts which have been categorized as 'Loss Account' up to 31.3.2010 thereby meaning that the securities pledged to the Corporation both Primary as well as Collateral have been disposed of and Agreement to Sell stands executed or 100% of sale amount stands received by the Corporation in the process of its recovery by the Corporation, are eligible under the Scheme.

b) Doubtful Loan A/cs where no immovable property has been mortgaged as per the then prevailing policy or mortgaged property has been disposed off and movable

assets i.e. machinery/stocks have also been disposed off by the borrower/not available for disposal.

## **SETTLEMENT FORMULA – AMOUNT & CUT OFF DATE**

For loss cases, to arrive at the recoverable amount, the account will be recasted by appropriating the amount realized by way of sale of mortgaged assets by the Corporation or sale by promoters/ guarantors/ mortgagers with the permission of the Corporation or by order of any court, will be appropriated on the date of sale first against the actual misc. expenses and then against principal amount and balance, if any, will be adjusted against the outstanding interest. However, the normal recoveries will be adjusted first against the actual misc. expenses and then against outstanding interest and thereafter, the balance amount will be adjusted against the outstanding principal amount as per the existing practice.

The minimum amount that should be recovered under the policy in respect of loans classified as loss upto March 31, 2010 would be principal (after recasting of Sale Proceeds) plus misc. expenses upto the date of adjustment of loan account under settlement.

If, after recasting the loan account by appropriating the amount realized by way of sale of mortgaged assets by the Corporation first towards misc. expenses then principal and balance towards interest becomes negative, the borrower shall not be entitled for any refund and the account shall be taken as settled. No down payment will be taken in those cases where the account stands adjusted by adopting this formula.

In the cases of Soft Loan/Soft Seed Capital, such accounts may be settled by charging services charges as applicable by recasting the ledgers while arriving at the settlement amount.

## **GENERAL TERMS OF PAYMENT**

i) The application under this scheme shall be made to the Corporation along with non-refundable down payment of 10% of the Principal and misc. expenses outstanding as per memorandum loan ledger (after recasting) by Demand Draft/Cash as down payment. However, if, after recasting the loan account by appropriating the amount realized by way of sale of mortgaged assets by the Corporation first towards misc. expenses then principal and balance towards interest becomes negative, the borrower shall not be entitled for any refund and the account shall be taken as settled. No down payment will be taken in those cases where the account stands adjusted by adopting this formula.

ii) The settlement amount can be paid by the borrower within 60 days without interest from the date of issue of approval letter of the settlement in terms of this policy or alternatively:

- a) Within one month from the date of issue of approval letter of the settlement, the borrower shall make payment equal to 25% of the settlement amount less 10% down payment amount already deposited along with the application.
- b) The balance 75% amount shall be paid within one year from the date of issue of approval letter of settlement by the Corporation in 11 equal monthly installments together with interest @13% p.a. from the date of approval of settlement up to the date of final payment. The interest accrued on the settlement amount shall be paid with the last installment at simple rate of interest.

iii) The borrower will also give an affidavit to the effect that he will not dispute the settlement amount in any Court of Law and will also withdraw the Court Cases filed by him against the Corporation, if any or obtain consent decree from the court(s)/ DRT/BIFR.

### **SANCTIONING AUTHORITY**

The Sub Committees constituted by the Board of the Corporation for approving the settlement shall be the competent authority to take decision on the Compromise Settlement of Accounts as per the provisions of this policy.

### **EFFECT OF THIS POLICY ON CRIMINAL LIABILITIES**

The settlement under this policy shall be without prejudice to any criminal liability against the borrowers/guarantors that may arise due to any competent enquiry/investigation.

### **DEVIATION ONLY BY BOARD**

The Board of Directors shall be competent authority to grant any relaxation in this policy on case to case basis or to amend this policy in general.

### **INTERPRETATION OF THE PROVISIONS OF POLICY**

If any question arises relating to the interpretation of any of the provision of this policy, it shall be referred to the Board of the Corporation for decision and the decision of the Board of the Corporation shall be final.

- In the event, any of the these conditions are not fructified, the benefit of this scheme will be forfeited and the money received under this scheme shall be considered as if the same was received in the normal course of recovery under the account.
- The Corporation shall have a final right to accept or reject any settlement proposal made under this policy without assigning any reason.

**LAST DATE FOR RECEIPT OF APPLICATIONS FROM BORROWERS WOULD BE AT THE CLOSE OF BUSINESS ON 31.03.2017**