CONSOLIDATED FINVEST & HOLDINGS LIMITED

Policy On Treatment of Wilful Defaulters and Large Defaulters

The Reserve Bank of India (RBI) has issued "Master Directions on Treatment of Wilful Defaulters and Large Defaulters" on July 30, 2024, establishing a framework for classifying borrowers as wilful defaulters, with consequences including barring additional credit facilities and restructuring for a specified period. Board of Directors of the Company have approved said Policy at their meeting held on 11th February 2025.

Key Provisions and Mechanisms:

- **Definition of Wilful Defaulter:**

  A borrower with an outstanding amount of ₹25 lakh and above who defaults in meeting repayment obligations, despite having the capacity to pay, or engages in actions like diverting funds, disposing of assets without lender's approval, or failing to infuse equity.

  Process:

  Audit Committee of the Company to examine evidence of wilful default, issue a show-cause notice to the borrower/guarantor/promoter/director, and allow for submissions and a potential personal hearing before making a final decision. An opportunity shall be provided to borrower/ guarantor/ promoter/ director/ persons who are in charge and responsible for the management of the affairs of the entity for making a written representation to Audit Committee within 15 days of such a proposal from the Identification by the Committee.

- **Review Committee:**

  The decision of the Audit Committee is reviewed by a Board of Directors, which must issue a reasoned order, and the final decision is communicated to the defaulter.

  Penal Measures:

  Wilful defaulters may face penalties like being barred from obtaining further credit facilities or restructuring, and the lender can initiate criminal proceedings.

- **Reporting Requirements:**

  Company must report details of wilful defaulters to Credit Information Companies (CICs). Once a person is tagged as wilful defaulter, he cannot access loans from any other bank. He is ostracised from the financial system.

- **Guarantor Liability:**

  Company can proceed against guarantors without exhausting remedies against the principal debtor.

- **Preventive Measures:**

  Company must incorporate covenants preventing the induction of individuals named in the List of Wilful Defaulters (LWD) into borrower entities and take legal action to recover dues.

- **Compromise Settlements:**

  Compromise settlements with wilful defaulters are recognized only after full payment of the compromise amount, and the name of the borrower shall not be removed from the LWD until full payment is made.