

FIDC

Finance Industry Development Council

(A Representative Body of Assets and Loan Financing NBFCs)

101/103, Sunflower, 1st Floor, Rajawadi Road No.2, Ghatkopar (East), Mumbai – 400 077

Tel: 022 21029898/9820035553 • E-mail: directorgeneral@fidcindia.org.in



www.fidcindia.org.in

14th October, 2022

Dear Members,

ADVISORY ON OUTSOURCING GUIDELINES

Of late, RBI has received a number of serious complaints against the outsourcing agents for various services, particularly for recovery of dues and redressal of customer grievances. It was not long ago that the RBI Governor included a paragraph in his Statement in August 2022 on Managing Risks and Code of Conduct in Outsourcing of Financial Services. Needless to say that this was pursuant to one unfortunate incident at one of the outsourcing vendors.

RBI has been making focused inspection of the outsourcing activities and customer service at the NBFCs also, apart from banks. The observations include:

- (i) Agents were found to be contacting customers on social media and using unfair means to find contact details of customer's family/friends and calling them at other than the prescribed hours.
- (ii) The Companies were paying stepped-up incentive and offered higher commission (up to 35%) for every successful collection from delinquent borrowers.
- (iii) The complaints were misclassified as requests/enquiry on successive interactions with the customer and hence remained unresolved. There was no process for Root Cause Analysis (RCA) of complaints and escalations to top management for underlying issues.



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The suggested steps are as under:

- To improve customers' protection and services further, there is a need for updation of code of conduct to ensure that no external collection agencies working with the Company indulges in using social media or collecting details of the family / friends of the customers.
- To introduce exhaustive dos' and don'ts' for the agencies and the agents with respect to adopted principles of fair means of treating customers and in line with adoption of Fair practice code, as per RBI Guidelines.
- The Code of Conduct and "Do's and Don'ts" should be made part of the standard agency agreement. Wherever necessary, addendums may be executed with the existing outsourced agencies.
- The updated code of conduct specifically may include following key points:
 - No customer details are to be disclosed to any third party including family members by collection agencies.
 - Institute audit process wherein the company official can undertake a periodic review of the agency and their agents working for the company.
 - Identify the particular errant agent or agency in default of the code of conduct and take corrective / penal measures.
 - Adopt a practice of running customer awareness campaigns.
 - In order to effectively address the customer grievances, there should be multiple touch points and channels for communication as well as escalations.



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- To keep check on recovery agencies from any non-adherence to the Code of Conduct, introduce graded penalty clause for repetition of similar instances including termination of the agencies / agents.
- Add penalty / claw back clauses to outsourcing agreements with all the collection agencies.
- On customer complaints redressal issue, the suggestions are as follows:
 - Redesign the complaint response codes for correct classification.
 - Strengthen the evaluation methodologies to ensure that the agents classify the complaints, request, inquiry, escalations etc. appropriately.
 - Update training materials and arrange retraining of staff on various topics like Fair Practice Code, fees and charges, Bureau updation, Repayment and Soft Skills, etc. to ensure consistency across the organisation.
 - Set-up a Complaints Management Committee involving relevant stakeholders which should meet at least once a month to review Root Cause Analysis of complaints received resolutions and any other issues relating to customer complaints. The Committee should present customer complaints data to the Management in their monthly reviews highlighting key complaints, their disposal and any areas of concern during the month.

Additionally, we hope that Member NBFCs are already following RBI Guidelines on Outsourcing Activities with emphasis on:

- fixing responsibilities for compliance with the RBI Guidelines, within the company;
- awareness among the borrowers about the recovery agency and its authorised agents;



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- seek reports on adherence to code of conduct by each of the agents and corrective action taken in case of deficiency;
- review of the performance of each of the vendors at periodical intervals;
- arrange audit of the vendors with regard to their compliance with the Outsourcing agreement.

We hope the esteemed Members will follow the Advisory in letter and spirit.

Thanking you,
Yours Faithfully,

For FINANCE INDUSTRY DEVELOPMENT COUNCIL

**MAHESH THAKKAR
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