

The RBI has directed lenders to provide customers with written details of the recovery agents assigned to their cases, ensure that agents are not given sales-style targets that may push them toward harsh recovery practices, and refrain from engaging recovery agents in cases where the customer has already lodged a grievance with the bank.

The **Reserve Bank of India (RBI)** vide its **Press Release: 2025-2026/2099** dated **February 12, 2026**, has issued draft amendment directions on the Conduct of Regulated Entities (REs) in Recovery of Loans and Engagement of Recovery Agents. The draft seeks to strengthen governance, transparency, and customer protection in loan recovery practices adopted by banks.

Under the draft directions, banks must put in place a comprehensive policy covering: (i) Recovery of loans; (ii) Engagement of recovery agents; and (iii) Taking possession of security. This policy must be structured, documented, and aligned with RBI's regulatory expectations.

Key updates:

1. As far as eligibility and due diligence of recovery agents are concerned, the draft inculcates the criteria for selection and engagement, due diligence requirements prior to empanelment, verification of antecedents of recovery agents and their employees, and ongoing verification at defined periodic intervals.
2. As far as scope of activities and code of conduct is concerned, the draft mandates a clearly defined permitted activities of recovery agents, a formal Code of Conduct for recovery agents and their employees, as well as the behavioural and ethical standards to prevent harassment or misconduct.
3. As far as performance monitoring and control mechanisms are concerned, the draft has called for a performance evaluation standard for recovery agents, inspection and audit mechanisms, and internal control systems to ensure compliance with statutory and regulatory requirements.
4. As regards non-compliance and penal measures, the draft has streamlined the procedures to be followed in case of violations, penal actions against non-compliant recovery agents, and suspension or termination protocols.
5. Further, as far as recovery in case of death of 'Borrower or Guarantor' is concerned, to ensure fair and respectful treatment of legal heirs and stakeholders, the draft directions specifically address procedures for: (a) Recovery of dues upon the death of borrowers or guarantors; (b) Appropriate and sensitive handling of such cases; and (c) Compliance with legal and regulatory provisions.
6. The draft regulations also proposed that banks engaging recovery agents must establish a robust due diligence process in line with RBI instructions, and ensure

recovery agencies verify antecedents of their representatives and employees involved in recovery.

7. The draft regulations also mandated that the banks are required to establish mechanisms to identify borrowers facing repayment difficulties, engage proactively with such borrowers, and provide guidance on available resolution or recourse options. This reflects a shift toward customer-centric and resolution-oriented recovery practices.

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