



Guidelines on debt recovery

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Version

Version 1.1 was published on 29 Aug 2025 with the approval of the Board¹. This standard was developed and published by FACE. The industry is welcome to refer to and adopt it with adequate attribution to FACE.

¹ Approval through circulation to email sent on 19 Aug 2025

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Introduction

1. Effective and fair debt recovery practices, in addition to managing credit risk and liquidity, are critical for the company's reputation, defining borrower experience, and building trust with stakeholders for long-term credibility.
2. NBFCs in digital lending significantly rely on digital recoveries via their Lending Service Providers (LSPs) and recovery agents. With an emerging collection-tech industry, recovery increasingly involves AI-powered interactions and layered processes.
3. Regardless, NBFCs have fiduciary responsibility for compliance in the recovery process, including the right behaviour and communication with borrowers and data privacy and protection as per the borrower's consent.
4. These guidelines capture good practices for debt recovery. It combines relevant regulatory standards and the FACE code of conduct to provide a holistic framework for compliance.
5. Relevant for:
 - members (NBFCs, LSPs, Collection-Techs) may follow the guidelines as per their context (scale and maturity of recovery functions) and create awareness within the company and its LSPs/recovery agencies about it.
 - both internal teams and external² agents of NBFC/LSP handling the debt recovery.
6. These guidelines do not substitute or override rights under various regulations and laws, which take precedence in case of conflict. The guidelines are subject to periodic updates by the FACE Board, incorporating feedback from members and stakeholders, to ensure alignment with evolving regulations and market trends. Members will be notified of any changes in the guidelines along with timelines for adherence.

Debt recovery means efforts to collect repayment from the borrower who fails to repay on the scheduled date in line with the contractual repayment schedule.

² Outsourced

Guidelines

Governance

1. Frame and follow³ board-approved policy for debt recovery that outlines the approach to the debt recovery function through internal/external agents, covering digital/physical collection, including the use of AI-enabled recovery. This policy should include
 - hierarchy and escalation protocols across buckets (e.g: loan amount, days past due, non-contactability, borrower behaviour/past experience⁴ etc)
 - specifics for physical and digital/AI-enabled recovery as applicable.
 - due diligence, contract, disclosure, grievance and oversight of recovery functions
 - provisions for data privacy and security protocols (e.g. retention, purging, handover, destruction, reporting and mitigation for breach, log of processes where personal data is used) in contract with external agents.
 - periodic review, at least annually and in the event of any regulatory change.
 - an SOP for handling of wrong recovery instances, including compensation.
2. Allocate the borrower for debt recovery in compliance with board policy, if the borrower:
 - has not paid on the payment date (including grace days) as this will likely impact her credit history and/or cause a financial loss to the company.
 - does not respond to the overdue notices by calls, messages, emails etc.
3. Follow RBI guidelines on Outsourcing of Financial Services - Responsibilities of regulated entities in employing recovery agents and conducting due diligence on parameters such as tech infrastructure, data protection, training, quality of staff, and reputation at the time of onboarding and on an ongoing basis. The contract between NBFCs and LSPs/Recover Agents should cover this.
4. Agreements with recovery agents should clearly define the parties' responsibilities and actions for failure to perform and breach of obligations.
5. All recovery communications must be as per the script/format approved by the recovery and legal department to ensure respectful communication that is not intimidating.
6. A system to record real-time updates of connections with borrowers, including borrower complaints and redressal.
7. Top management should periodically review the debt recovery performance, as below and should present the summary to the Board or the delegated Committee during the quarterly meetings:
 - complaints related to recoveries across internal teams/external personnel/ agencies
 - criminal complaints against recovery agents.
 - code of conduct breaches by recovery agents.
 - complaints raised by borrowers about service deficiency resulting in non-payment.

³ LSP carrying recovery practice will have obligation to follow the REs's policy with respect to recovery.

⁴ Use borrower history as well as behavioural scorecards to differentiate borrowers basis predefined categories to segment recovery process

- daily average and maximum contact made with the borrower
- root cause analysis of complaints
- incidents of data leaks, unauthorised data access
- incidents of escalation requiring human intervention for AI-enabled interaction
- Incident where the borrower defaults on the first EMI or dpd 90+, review for patterns involving multiple accounts sourced by the same LSP, especially if they pertain to a single partner or a specific geographic area, as these may indicate potential fraud.
- information shared⁵ during the collection process during exceptional circumstances, such as the death or hospitalisation of the borrower.

Debt recovery agents

6. Conduct the background verification of the agents (directly deployed or indirectly through the collection agency).
7. Provide training⁶ (covering soft skills, respectful behaviour, protection of borrower and lender information, and sensitive handling of agitated borrowers) during induction and repeat every six months to update to changes in internal policies/ regulations.
8. Provide an authorisation letter and ID card to collection agents, mentioning the NBFC name, address, and logo., .
9. Develop a Standard Operating Procedure (SOP) to advise debt recovery agents on steps to approach a borrower for recovery including internal limits for the number of calls and messages per day through calls/auto dialers and SMS/WhatsApp for non-connect.
10. Establish access controls and safeguards to prevent the misuse of borrower data and share only the relevant data about the borrower necessary for debt recovery efforts.
11. Ensure that recovery staff communicate effectively with different borrower profiles based on gender, age, and literacy. When using AI agents, ensure that agents understand AI escalation protocols.
12. Record all calls with borrowers and audit them for tone of voice and language, including mystery audits by seeding borrowers to audit the collection process.
13. In the event of a breach of SoP, seek an explanation from the recovery staff/agent and, based on an assessment of the seriousness, circumstances, and extent of the violation, take any one or more of the following actions:
 - issue a written warning against the violation and seek details of control processes to be adopted to avoid the recurrence of the breach.
 - define an appropriate penalty grid for agencies/staff (including financial penalties) based on the nature/severity of breaches.
 - blacklist the erring agents.
 - permanently terminate the recovery agency, informing the public by displaying the termination status on the website.

⁵ For example, details of insurance coverage linked to loans, if applicable, or company policy for delayed payment for hospitalisation, etc.

⁶ [Example Debt Recovery Agent Training Certificate.](#)

- report breaches to relevant regulatory authorities (e.g., the RBI) or law enforcement, where legally required or deemed appropriate, within a reasonable timeframe.

Borrower disclosure and engagement

14. Prominently display the details of recovery agencies, such as their names, contact details (website, email, phone), allocated regions⁷ (State and districts), grievance redressal officer (name, email, phone) including escalation matrix and on the website.
15. Clearly state the various repayment methods, bounce charges, and late payment fees as per the RBI Notification on Sanction Letter and KFS and explain the debt recovery practices for the borrower in the sanction letter/loan agreement, including a weblink with details of the recovery agency. Send reminders 3 days before the due date to inform of repayment details (amount due, payment process, digital payment channels⁸ to facilitate recoveries and avoid inadvertent non-payment on the due date. In case the e-NACH mandate⁹ is rejected or there are other technical issues in the repayment mode, the borrowers should be informed in advance, to be able to make payment on the due date.
16. If debt collection is relocated to an agency, send specific messages to the borrower before the agency contacts them. These messages should include the loan account details¹⁰ and the agency's name.
17. Communicate with borrowers through designated company channels for calls, SMS, and emails; prohibit the use of agents' personal phone numbers, devices, or emails for recovery purposes. Maintain a clear audit trail of all communication attempts, regardless of the channel. The recovery agent must introduce themselves¹¹ and present identification to the borrower when contacting them digitally/ telephonically/ or physically. AI agents must clearly identify themselves and disclose that the message is automated.
18. Respect the borrower's preference and convenience for debt recovery conversations, meeting times, or places of visit, and record these preferences. Contact the borrowers only between 8 a.m. and 7 p.m.
19. Zero tolerance for verbal or written threats, mishandling¹², or boorishness¹³ and only use acceptable business language, even if the borrower does not. The RBI strictly prohibits harassment, intimidation, and public shaming of borrowers in debt recovery process.
20. Do not accept inducements or gifts from the borrower; if any are offered, the agent should bring them to the attention of his/her immediate supervisor.

⁷ For recovery agencies responsible for non-digital recovery on-ground

⁸ UPI, Netbanking, DebitCard

⁹ Representation cases

¹⁰ details for which the recovery process is initiated

¹¹ Recovery agents shall follow representation and conduct as per annexure B

¹² Mishandling includes physical contact or obstruction of movement

¹³ Boorishness encompasses aggressive, abusive, or personally intrusive language or behaviour

21. If the borrower shows abusive or threatening behaviour or signs of stress, the recovery personnel must bring it to the notice of their senior manager and document it appropriately and immediately.
22. Always answer the borrower's questions in full, including payment details, penalties, and waivers within the permitted parameters. Flag the unresolved questions with the seniors and follow up on the verbal communication with written feedback.
23. Record all attempts, contacts, conversations, and actions on the debt recovery system in a clear, concise and accurate form on the same day.
24. Take recovery payments from the borrower solely to the NBFC bank account and not to the recovery agency or any other account. Cash repayments should be discouraged but may be accepted under exceptional circumstances with same-day account credit and audit trail as per Digital Lending Directions 2025¹⁴ and allowed under cash limits.
25. Establish a mechanism to issue an instantaneous digital receipt for payments received from borrowers.

Data privacy/protection and use of AI

26. Share only minimal borrower data for collection-specific purposes with recovery agents and align with data and information security policy for security controls¹⁵, isolation of data, encryption¹⁶, data localisation, retention period, handover, certified destruction of data and reporting, response and mitigation for data breach.
27. Data scraping, especially sensitive personal data or information of borrowers, be prohibited unless consent is provided for the same.
28. Avoid "creepy AI" behaviour¹⁷ and borrower data to be used for AI / ML model training with explicit borrower consent for the purpose.
29. Monitor the AI communication with the human-in-the-loop (HITL) principle for escalations and critical decisions.
30. Regularly review the AI-enabled recovery models and processes for validation/explainability/traceability/repeatability, accuracy, bias, data privacy, exception/error handling process, back-up plans¹⁸, and potential legal liabilities.

¹⁴ In case of delinquent loans, RE may deploy physical interface to recover loans in cash, wherever necessary. In order to afford operational flexibility to RE, such transactions are exempted from the requirement of direct repayment of loan in the RE's bank account. However, any recovery by cash shall be duly reflected in full in the borrower's account on the same day and RE shall ensure that any fees, charges, etc., payable to LSPs for such recovery are paid directly by the RE and are not charged by LSP to the borrower either directly or indirectly from the recovery proceeds.

¹⁵ Eg: recovery agent should have security controls that can detect attacks by making use of firewalls, Intrusion Detection / Prevention Systems and other network infrastructure (e.g. routers, load balancers)

¹⁶ For example, borrower data on the agent's device can be encrypted.

¹⁷ Eg: inferring location or financial stress without consent

¹⁸ In the event an AI based application fails due to technical issue or an unexpected disruption

Annexure A: Relevant extract from regulations on recoveries

Reserve Bank of India (Digital Lending) Directions, 2025

- RE shall impart necessary guidance to LSP acting as a recovery agent, to discharge their duties responsibly and ensure that LSP complies with the applicable instructions¹⁹ in this regard. (para 5v)²⁰
- In case of a loan default, when a recovery agent is assigned for recovery or there is a change in the recovery agent already assigned, the particulars of such recovery agent authorised to approach the borrower for recovery shall be communicated to the borrower through email/ SMS before the recovery agent contacts the borrower for recovery. (para 8v)
- In case of delinquent loans, RE may deploy physical interface to recover loans in cash, wherever necessary. In order to afford operational flexibility to RE, such transactions are exempted from the requirement of direct repayment of loan in the RE's bank account. However, any recovery by cash shall be duly reflected in full in the borrower's account on the same day and RE shall ensure that any fees, charges, etc., payable to LSPs for such recovery are paid directly by the RE and are not charged by LSP to the borrower either directly or indirectly from the recovery proceeds. (para 9v)
- At the time of sanction of loan, the borrower may be conveyed the name of empaneled agents authorized to contact the borrower in case of loan default. However, if the loan turns delinquent and the recovery agent has been assigned to the borrower, the particulars of such recovery agent assigned must be communicated to the borrower through email/SMS **before** the recovery agent contacts the borrower for recovery ([FAQ on DLG, Q17](#))

Master Direction – Reserve Bank of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023

- In the matter of recovery of loans, an NBFC shall not resort to undue harassment viz., persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. As complaints from customers also include rude behaviour from the staff of the companies, NBFCs shall ensure that the staff are adequately trained to deal with the customers in an appropriate manner. (para 45.7.3).
- NBFCs shall ensure that the DSA/DMA/Recovery Agents are properly trained to handle their responsibilities with care and sensitivity, particularly aspects such as soliciting customers, hours of calling, privacy of customer information and conveying the correct terms and conditions of the products on offer, etc. (para 5.7.1)
- NBFCs shall put in place a board approved Code of conduct for DSA/DMA/ Recovery Agents and obtain their undertaking to abide by the code. In addition, Recovery Agents shall adhere to extant instructions on Fair Practices Code for NBFCs as also their own

¹⁹ [Circular DOR.ORG.REC.65/21.04.158/2022-23 on 'Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents' dated August 12, 2022](#), and other relevant instructions as issued from time to time.

²⁰ These guidelines supports these requirements of RBI by outlining specific expectations.

code for collection of dues and repossession of security. It is essential that the Recovery Agents refrain from action that could damage the integrity and reputation of the NBFC and that they observe strict customer confidentiality. (para 5.7.2)

- The NBFC and their agents shall not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/or anonymous calls persistently calling the borrower and/or calling the borrower before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans or making false and misleading representations. Any violation in this regard will be viewed seriously. (para 5.7.3)
- KFS to contain the information on the clause of the Loan agreement relating to the engagement of recovery agents and details of the LSP acting as the recovery agent and authorised to approach the borrower. (Annex XXVII).

FACE Code of Conduct for Digital Lending

- Institute a standard operating procedure for customers approaching for support financial hardship, including new mutually acceptable payment arrangements based on objectively analysing customers' financial circumstances, repayment capacity and past behaviour.
- Guide customers to connect with free and independent debt counselling services, where appropriate.
- Train agents to empathically deal with such customers.
- Repeatedly notify about the consequences of overdue repayment, including penal charges, legal proceedings, reporting to the credit bureau and involvement of a recovery agency/agents.
- Strive for an amicable resolution and propose measures and methods of payment that will allow the repayment of outstanding liabilities in the least inconvenient manner for the customer.
- Inform the customer if the company assigns a recovery agency for the collection.
- Institute a clear SOP on recoveries for agents including and third-party agents, covering sequential steps for recovery, a point of contact to which customers can reach out for discussion, ethical standards, and escalation matrix.
- Always maintain decorum and civility in customer communication, regardless of channel mode. Do not abuse, threaten or harass customers. Recovery agents must avoid heavy-arm recovery tactics such as harassment over social media, in physical spaces, reaching out to customers' contacts, threatening the abuse of sensitive private information among others.
- Ensure that recovery agents (in-house or outsourced) do not resort to intimidation or harassment of any kind, either verbal or physical, against any person in their debt collection efforts, including acts intended to humiliate publicly or intrude upon the privacy of the debtors' family members, referees and friends, sending inappropriate messages either on mobile or through social media, making threatening and/or anonymous calls, persistently calling the customer and/or calling the customer before 8:00 a.m. and after 7:00 p.m. for recovery of overdue loans, making false and misleading representations, etc

- Supervise the activities of recovery agents/employees and their adherence to debt collection practices as per RBI's Fair Practices Code, Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs and Notification on Outsourcing of Financial Services - Responsibilities of regulated entities employing Recovery Agents and take appropriate action for violations.
- Investigate reported cases of infringement of customers' rights because of debt collection activities and have a policy in place to spell out action taken in the event of such complaints being found to be true.
- Do not share personal information with recovery agents; ensure payment is deposited directly to a lender's bank account.
- Use optimum technology solutions like dialers and automated digital nudges.

Annexure B: Professional conduct

Key Factors	Do's	Don'ts
Appearance	<ul style="list-style-type: none"> Well-groomed, clean & tidy, and professional attire. 	<p>No Shorts or casual attire. Why not: Casual wear detracts from a professional image</p>
Belongings	<ul style="list-style-type: none"> Identity card²¹ Authorisation letter for recovery Details of digital payment Receipt book if the company allows cash recovery Recovery policy <p>Why: To provide transparency, ensure compliance, and facilitate legitimate transactions.</p>	<ul style="list-style-type: none"> No tailgating²² to enter the recovery centre <p>Why not: This can lead to security breaches and unauthorised access to sensitive areas.</p>
Timing	<ul style="list-style-type: none"> 8:00 hrs to 19:00 hrs Field visits must be logged <p>Why: To adhere to regulatory guidelines and respect the borrower's personal time.</p>	<p>No contact beyond these hours.</p> <ul style="list-style-type: none"> Why not: Contact outside these hours is explicitly prohibited by regulations and is considered undue harassment.
Interaction	<ul style="list-style-type: none"> Introduce the borrower with an identity and show the identity card and authorisation letter if visiting or speaking over a video call. Use an appropriate salutation like Miss/Mr/Sir/Madam Maintain a polite tone, maintaining Decency and decorum <p>Why: To establish credibility, show respect, and ensure a professional interaction.</p>	<ul style="list-style-type: none"> Do not get aggressive or abusive Do not shout or scream Do not get personal Do not contact borrower's references, social media contacts, or neighbours unless authorised under law <p>Why not: Aggressive or personal behaviour is a breach of conduct, can lead to complaints, legal action, and damage the company's reputation and borrower trust.</p>
Proximity	<ul style="list-style-type: none"> Maintain a professional distance from the borrower, in virtual and in-person communication. 	<ul style="list-style-type: none"> No physical contact No obstruction to movement. No use of muscle power No photographs without consent.

²¹ ID Cards are issued by the tele-calling/field recovery agency deployed for recovery services.

²² Only authorised recovery agents carrying a valid ID card should be entering the telecalling or field agency.

Key Factors	Do's	Don'ts
	<p>Why: To ensure safety, respect personal space, and maintain a professional demeanour.</p>	<p>Why not: Physical contact, obstruction, or use of muscle power constitutes harassment, is illegal, and can lead to severe legal penalties and damage to reputation.</p>
Information and Confidentiality	<ul style="list-style-type: none"> ▪ Present only the borrower information required in an orderly fashion. ▪ Maintain the records of the interaction ▪ Maintain confidentiality, privacy and security of borrower data. <p>Why: To ensure data privacy, compliance with regulations, and maintain trust.</p>	<ul style="list-style-type: none"> ▪ Unauthorised info written/verbal cannot be revealed to any Borrower/competitor/or any other person without proper authorisation. ▪ No information on Borrower to be shared with other Borrowers <p>Why not: Sharing unauthorised or confidential information is a breach of privacy, violates regulations, and can lead to severe legal and reputational consequences.</p>
Ethics	<ul style="list-style-type: none"> ▪ Stay fair and ethical ▪ Pursue with empathy and decent behaviour <p>Why: To uphold moral principles, ensure fair treatment, and foster a respectful recovery process.</p>	<p>Do not make promises without Company approval on matters outside his/ her purview or any ad hoc settlement</p> <p>Why not: Unauthorised promises can lead to misrepresentation, disputes, and legal issues.</p>



Fintech Association for Consumer Empowerment (FACE) is an RBI-recognised Self-regulatory Organisation in the FinTech sector (SRO-FT). FinTech companies of all kinds come together at FACE to build an industry that enables borrower-centric financial services that are safe, suitable, and transparent, delivering positive impacts on society and the economy.