

## Understanding cases at the Debt Recovery Tribunal

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## Background: The Debt Recovery Tribunals

The Debt Recovery Tribunal (DRT) enforces

- Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act, 1993. Banks approach the DRT.
- Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) Act, 2002.
- Borrowers, guarantors, and other any other person aggrieved by any action of the bank approach the DRT under the SARFAESI.
- 33 DRTs across India.
- 5 Debt Recovery Appellate Tribunals. These have appellate jurisdiction on all matters concerning the recovery of debts

## Procedure at a DRT

- Headed by a Presiding Officer (PO), who acts as a judge
- Registry staff responsible for accepting applications and filing of cases. Headed by a Registrar.
- Registrar functions as a Judicial Officer till the case is transferred to a Presiding Officer for final hearing
- Recovery Officers execute the decree

## NPAs of SCBs recovered through various channels

Operation and Performance of Commercial Banks, November 2013, Table IV.17, Reserve Bank of India.

	No. cases referred	Amount involved (Rs.blm)	Amount recovered (Rs.blm)	Recovered % of involved
Lok Adalats	840,691	66	4	6.1
DRTs	13,408	310	44	14
SARFAESI	190,537	681	185	27.1

Recovery could be of a case of a previous year

## Efficiency of the DRT

Proportion of cases disposed in 2010 at the Ernakulam DRT, Unny (2011)

- Original applications: 62%.
- Securitisation applications: 39%
- Appeals: 27%

## Problems of DRTs

### Raghuram Rajan Report (2009)

- Insufficient number of DRTs and presiding officers.
- Lack of judicial training for recovery officers (they are officers appointed by the GOI for assisting the presiding officers).
- Inconsistent procedures followed by different DRTs
- Significant delay in proceedings (the recommended time is six months, whereas proceedings actually last for two years or more).

## Pendency at DRTs

- 43,000 cases involving Rs.1.43 lakh crore pending with 33 DRTs across the country. Source: Financial Express, August 13, 2013.

## The project

- Understand the actual causes of delay
- Collect data from case files in Delhi
  - Involved going through actual order sheets, petitions
- This has given us information on 21 cases
- 471 orders over 21 cases: Minimum 4, Maximum 106, Mean 21.5, Median: 19.



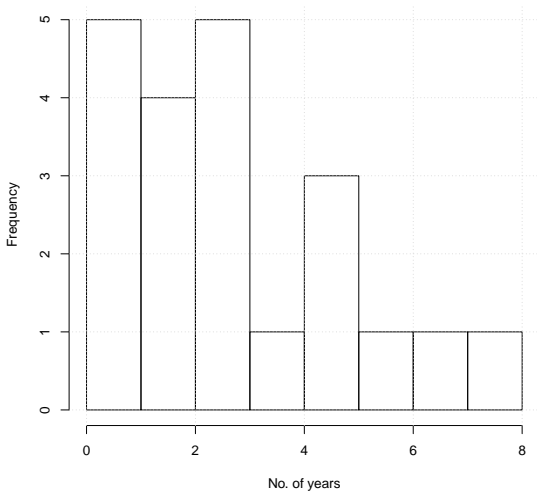
## Types of cases

- 4 cases against SARFAESI decisions
- 2 cases about restraining from selling property, taking possession
- 7 cases about Grant recovery certificate
- 7 cases about recovery of money
- 1 case about Claim stands fully satisfied through compromise

## Broad decisions

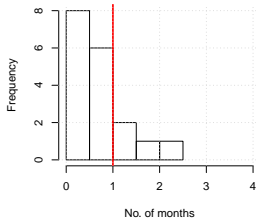
	Number	Proportion
Allowed	1	0.05
Closed	3	0.14
Dismissed	11	0.52
Disposed	4	0.19
Others	2	0.10

## Total number of years between start and end of a case

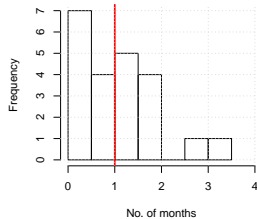


# Total number of months between

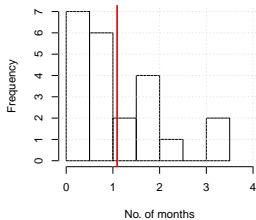
### Filing – First order



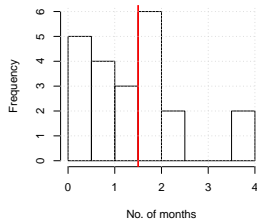
### First order – Second order



### Second order – Third order



### Third order – Fourth order



## Trial failures

The proceeding before the judge could not take place i.e. the court was prevented from conducting its business.

- 59% trial failures
- Type of trial failure
  - Adjournment: 79%
  - 13% adjournments by the applicants lawyers. This is greater than the 0.2% by the respondents lawyers.
- Top reason for trial failure:
  - Time to file documents: 15%
  - RO on leave/unavailable: 10%

## Some other reasons of trial failure

- Pre-Holi celebrations
- Applicants lawyer stuck in traffic
- Court receiver did not submit the report
- Bar association requested holiday to celebrate elections, sometimes not giving a reason, or sought leave, or abstained from work
- Accounts are confused

## Time taken and trial failure

Number of orders	% trials
106	72
37	73
31	47
27	52
6	17
4	33

- Time taken for a case is driven largely by the number of trial failures.

## Why trial failure?

- Lack of clarity on procedural law
- Adjournments can be asked for all sorts of reasons



## Other problems

- Resources
- Staffing

## The way forward

- Collecting a larger data-set
- Understanding the loopholes in the procedural laws