Policy on Treatment of Loans in the Event of Borrower's Death

1. Objective

This policy outlines the procedure to be followed in the unfortunate event of the death of a Principal Borrower before the completion of loan tenure. It ensures uniform handling of such cases in compliance with internal processes, regulatory requirements, and customer sensitivity.

2. Scope

This policy is applicable to all loan accounts under BACL, across all products, where the Principal Borrower expires prior to loan maturity.

3. Guiding Principles

- Ensure empathy and sensitivity in dealing with the deceased borrower's family.
- Protect the financial and legal interests of BACL.
- Ensure compliance with applicable legal and regulatory requirements.
- Maintain transparency in communication with co-borrowers and legal heirs.

4. Scenarios and Procedures

A. Principal Borrower Deceased – No Co-Borrower

In the absence of a co-borrower, the loan cannot be continued and must be terminated through one of the following options:

1. **Foreclosure by Legal Heirs**
    - The legal heirs may choose to foreclose the outstanding loan by repaying the pending amount in full. This option allows the family to retain the vehicle without repossession.
    - To process foreclosure, BACL shall require submission of following documents:
        - Death Certificate of the borrower
        - KYC documents of legal heirs
        - Declaration of source of funds (for foreclosure payment)

2. **Voluntary Surrender of Vehicle**

    - The legal heirs may opt to surrender the vehicle to BACL instead of foreclosing the loan. This option enables them to avoid further financial liability.
    - The process will require submission of following documents:

        - Death Certificate of borrower
        - Surrender Letter signed by legal heirs
        - KYC documents of the person surrendering the vehicle

3. **Recovery / Repossession of Vehicle**

    - If neither foreclosure nor voluntary surrender is exercised, BACL shall initiate repossession of the financed vehicle to safeguard its financial interest.
    - The repossession will be carried out as per BACL's established repossession policy and in compliance with applicable laws. After repossession, the case will be referred to the **Legal Department** for further action.

4. **Loan continuation** –

- If the legal heirs wish to continue the loan and are willing to pay the EMIs; The existing loan account will be closed, and a **fresh loan account will be created** in the name of the legal heir, subject to eligibility of legal heir

B. Principal Borrower Deceased – Co-Borrower Present

In the presence of a co-borrower, the following options shall apply:

1. **Loan Continuation with Co-Borrower**

    - The co-borrower may consent to continue with repayment of the loan for the remaining tenure. This option ensures that EMIs continue seamlessly without disrupting the loan account.
    - BACL shall obtain written consent from the co-borrower, and all future repayments will be collected directly from them.
    - If co -borrower changes the bank account and insist on the transfer of possession and ownership of vehicle, can be done subject to loan eligibility criteria

2. **Foreclosure by Legal Heirs**

- The co-borrower and/or legal heirs may decide to foreclose the loan by paying off the outstanding dues in one lump sum. This option enables early closure of the account and clear settlement.
- For this, BACL shall require the following documents:
  - Death Certificate of the borrower
  - KYC documents of legal heirs
  - Declaration of source of funds (for foreclosure payment)

3. **Voluntary Surrender of Vehicle**

- In case the co-borrower or legal heirs are unable to continue repayment or foreclose the loan, they may opt to voluntarily surrender the financed vehicle to BACL.
- This option requires submission of the following documents:
  - Death Certificate
  - Surrender Letter from co-borrower/legal heirs
  - KYC of the person surrendering the vehicle

4. **Recovery / Repossession of Vehicle**

- If no cooperation is received from the co-borrower or legal heirs for foreclosure or surrender, BACL shall initiate repossession of the vehicle. This step protects the company from potential credit losses.
- The repossession process shall follow BACL's existing guidelines and regulatory requirements. The case will subsequently be handed over to the **Legal Department** for further action.

5. Roles & Responsibilities

- **Collections Team**: To initiate contact with co-borrower/legal heirs, explain options, and collect necessary documents.
- **Operations Team**: To verify submitted documents and process foreclosure/surrender/recovery as per laid down procedures.
- **Legal Team**: To handle repossession cases and provide legal guidance in disputes or inheritance complexities.

6. Documentation & Record Keeping

- All documents submitted (death certificate, KYC, surrender letters, declarations) must be verified and stored in the loan file as per BACL's record retention policy.
- A case log should be maintained for audit and regulatory purposes.

7. Exceptions

Any deviations or exceptional cases must be managed by the DMS team

8. Effective Date & Review

- This policy shall be effective from 1st November 2025
- It shall be reviewed annually or earlier if required by regulatory or operational changes.