RAJASTHAN FINANCIALCORPORATION
(F&R SECTION)

No. RFC/23FR/HO/ Policy-9/1658 **Dated : 28.05.07**
02-06-07

CIRCULAR
(FR No. 457)

Sub : **Time frame for initiation of legal action u/s 30/29 of SFCs Act, 1951**

Attention is invited to PG Circular No. 1166 (FR-416) dated 6.12.06, wherein time frame was prescribed for initiation of legal action u/s 30 / 29 of SFCs Act in the circumstances when loanee committed default in making payment of two or more consecutive instalments of principal sum or interest. Subsequently, a meeting of Panel Advocates was held where one of the panel advocates raised the issue that the Corporation is issuing legal notice u/s 30 repeatedly without calling back the earlier issued notice u/s 30 of the SFCs Act.

The matter was examined in consultation with Law Section. It has been decided that in the event of issuing fresh notice u/s 30 of the SFCs Act, the eariier issued legal notice has no legal sanctity in the eyes of law and that stands withdrawn automatically. However, in the circumstances when a period of six months has expired from the date of earlier legal notice issued, it is desirable that a fresh registered notice u/s 30 incorporating upto date outstanding / overdues position in the loan account(s) should be issued before initiation of any legal action under the provisions of SFCs Act.

Accordingly, in order to clarify the position, clause 4.8 (B) that reads as under has been added in Chapter No. FR-4 of "Procedures & Guidelines"

4.8 (B):

"The Branch Manager shall issue a fresh registered legal notice u/s 30 of the SFCs Act incorporating upto date outstanding / overdues position in the loan account(s) before initiation of any legal action against the loanee unit for recovery of Corporation dues under the provisions of SFCs Act, 1951 in the circumstances when a period of six months has expired from the date of earlier legal notice issued so that legal action initiated by the Corporation has no ambiguity and is legally tenable."

All concerned are advised to take a note of above and ensure strict compliance.

(B.N. Sharma)
Chairman & Managing Director

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