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NeSL Tightens Record of Default Issuance Process Under Amended IBBI Regulations

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In a significant development for creditors operating within India's financial ecosystem, National e-Servicing Limited (NeSL), a designated Information Utility (IU) under the Insolvency and Bankruptcy Board of India (IBBI) framework, has issued a detailed circular outlining enhanced procedures for the issuance of Records of Default (RoD). The notification, Circular No.: NeSL/FC/2025/0182 dated March 7, 2025, implements amended regulations from the IBBI (Information Utilities) Regulations, 2017, specifically Regulations 21 and 21A, which came into effect on October 1, 2024, and December 1, 2024, respectively. These amendments establish a more rigorous authentication and verification process designed to ensure accuracy and fairness in default reporting while protecting the rights of both creditors and debtors.

The circular emphasizes that NeSL will only issue RoDs in Form D after completing a multi-step authentication process. This process begins with notifying debtors of their default status via email and seeking their confirmation. If debtors fail to respond, NeSL must send at least three reminders, each allowing seven days for acknowledgment. Following this notification period, NeSL records the authentication status of the default information before proceeding.

Creditors, particularly banks and financial institutions, are required to submit comprehensive documentation to support their default claims. This includes proof of debt, the latest acknowledgment of debt by the debtor, and concrete evidence of default. NeSL will verify these documents carefully before issuing any RoD.

The notification also addresses dispute resolution mechanisms. Debtors who dispute either the entire or a portion of the claimed default amount must provide detailed reasons for their dispute and upload supporting evidence. NeSL will then verify this information before making a final determination on the RoD issuance.

In practice, this means creditors must now follow a more structured approach when seeking RoDs. They must first submit Form C with default information to NeSL and ensure all required documentation is in order before requesting the RoD. This additional layer of verification aims to reduce errors in default reporting and prevent potential abuses of the system.

The implementation of these amended regulations represents a balanced approach to default reporting in India's financial sector. While creditors now face additional procedural requirements, these measures ultimately strengthen the integrity of the default reporting system. By ensuring that default information is thoroughly verified and authenticated, NeSL helps maintain fair practices in lending relationships while protecting debtors from potentially erroneous or fraudulent claims.

For debtors, these enhanced procedures provide an opportunity to address discrepancies before formal default records are created, potentially preventing unnecessary damage to their credit profiles. The structured process ensures that debtors have a clear pathway to challenge inaccurate claims, promoting a more equitable financial environment.

As India's financial landscape continues to evolve, these regulatory enhancements demonstrate the commitment of authorities to creating a transparent and fair lending ecosystem. Regulation 21 on "Authentication of default" and Regulation 21A on "Verification of information before issuance of record of default" of IBBI (Information Utilities) Regulations, 2017, as amended with effect from 1st Oct 2024 and 1st Dec 2024 is central to balancing the interests of all stakeholders while upholding the principles of accuracy and fairness in financial reporting.

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