20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **A Debt Recovery Agent (DRA) acts as an agent of the bank under the Indian Contract Act, 1872.**
   This agency relationship is the legal foundation for every right and duty a recovery agent holds.

2. **The rights and duties of a DRA are governed by the Indian Contract Act along with RBI and IBA guidelines.**
   When the contract is silent, RBI and IBA rules step in to fill gaps in the agency relationship.

3. **A DRA has four core rights: remuneration, retainer, compensation and indemnity.**
   These four rights define what a recovery agent can claim from the appointing bank.

4. **There is no automatic right to remuneration for a DRA; it depends on the agency agreement.**
   Remuneration must be expressly or impliedly provided for in the agency agreement to be payable.

5. **If the agency contract is silent on fees, a DRA may be paid as per customary industry practice.**
   Absent a fee clause, customary practice in the recovery trade determines payment.

6 **Section 217 of the Indian Contract Act gives an agent the right of retainer.**

Section 217 lets an agent set off dues before handing over collected money to the principal.

7 **The right of retainer lets a DRA retain money due to the principal to cover agency expenses and remuneration before remitting the balance.**

This right covers agency expenses and earned remuneration, not past unrelated dues.

8 **A DRA has the right to be compensated for injury caused by the principal's neglect or want of skill.**

This right applies where the principal's own negligence or lack of skill causes loss to the agent.

9 **Section 222 of the Indian Contract Act obliges the principal to indemnify the agent for lawful acts done within authority.**

Indemnity under Section 222 protects the agent for lawful acts done within the scope of authority.

10 **A DRA is not entitled to indemnity for any criminal or wrongful act.**

This exception is a common exam trap because indemnity never covers unlawful conduct.

11 **A DRA must follow the principal's instructions as long as they are clear, lawful and unambiguous.**

An agent cannot be compelled to perform an unlawful or void instruction from the principal.

12 **Where instructions are silent, a DRA must follow trade customs and RBI/IBA guidelines on recovery.**
Trade customs and regulatory guidance fill gaps left by an incomplete agency agreement.

13 **Under Section 212 of the Indian Contract Act, a DRA must exercise the care and skill of a person in a similar business.**
Section 212 sets the standard of skill and diligence expected of a recovery agent.

14 **A DRA must promptly communicate any difficulty in understanding the principal's instructions rather than acting on personal judgement.**
Seeking clarification protects both the agent and the principal from avoidable mistakes.

15 **A DRA must render proper accounts and keep the principal's money separate from personal funds.**
Keeping accounts current and funds segregated protects the principal's money from misuse.

16 **Section 218 of the Indian Contract Act requires a DRA to remit all sums received on the principal's behalf.**
Section 218 ensures collected dues periodically reach the bank rather than being held back.

17 **A DRA cannot delegate its authority to a sub-agent unless permitted by the principal or trade practice.**
Sub-delegation without authority would break the trust the principal placed in the named agent.

18 **The duty not to delegate rests on the legal maxim delegatus non potest delegare.**
The maxim means an agent's own delegated authority cannot be passed on to someone else.

19 **A DRA owes a duty of confidentiality that mirrors the bank's own obligation of customer secrecy.**
Because agents handle sensitive borrower data, they inherit the bank's secrecy obligations.

20 **The rights and duties of a DRA can be modified through a specific agreement between the bank and the agent.**
Contractual freedom lets banks and agents customise these default legal rights and duties.