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20 True or False

Decide, then check the answer and reason below each statement.

Question 1

The SARFAESI Act, 2002 allows banks to enforce security interest over a secured asset without approaching a court or tribunal.

TRUE

SARFAESI was designed precisely to let banks take possession of and sell secured assets without court intervention.

Question 2

Agricultural land can be sold by a bank under the SARFAESI Act if the loan against it becomes an NPA.

FALSE

Agricultural land is specifically exempt from enforcement under SARFAESI regardless of NPA status.

Question 3

A bank can invoke SARFAESI even before the loan account is classified as a Non-Performing Asset.

FALSE

NPA classification is a mandatory condition; SARFAESI cannot be used while the account is still standard.

Question 4

An award passed by a Lok Adalat carries the force of a civil court decree and is binding on the parties.

TRUE

Lok Adalat awards are final, binding, and treated on par with a civil-court decree.

Question 5

A party can appeal against a Lok Adalat award in a higher court.

FALSE

No appeal lies against a Lok Adalat award, which is what makes it a fast route for settling disputes.

Question 6

The Debt Recovery Tribunal is meant to allow faster adjudication of bank recovery suits than ordinary civil courts.

TRUE

DRTs were set up as specialised forums to speed up recovery suits filed by banks and financial institutions.

Question 7

Appeals from a Debt Recovery Tribunal order are heard by the Debt Recovery Appellate Tribunal.

TRUE

DRAT is the designated appellate authority for orders passed by a DRT.

Question 8

Under SARFAESI, a bank can only sell a secured asset and has no power to lease or assign it.

FALSE

SARFAESI gives banks the right to lease, assign, or sell the secured asset to realise dues.

Question 9

Weak loan recovery reduces a bank's ability to recycle funds to new borrowers.

TRUE

Funds stuck in overdue accounts cannot be redeployed as fresh credit, hurting both the bank and prospective borrowers.

Question 10

A Debt Recovery Agent is expected to use harassment or threats if a borrower repeatedly delays repayment.

FALSE

The DRA code requires lawful, ethical recovery that respects the borrower's dignity at all times.

Question 11

Post-sanction follow-up includes verifying that loan funds were actually used for the purpose they were sanctioned for.

TRUE

End-use verification is a standard post-sanction step that supports credit discipline and recovery.

Question 12

Banks are advised to rush straight to recovery action whenever a borrower is hit by a natural calamity.

FALSE

Banks should consider rescheduling or converting the facility instead of rushing to recovery in genuine hardship cases.

Question 13

An acknowledgement of debt, or revival letter, helps keep a loan legally alive within the limitation period.

TRUE

Obtaining timely acknowledgement prevents the bank's recovery claim from becoming time-barred.

Question 14

Under RBI's IRAC norms, poor loan recovery has no effect on a bank's Non-Performing Asset levels.

FALSE

Weak recovery directly inflates NPAs under RBI's Income Recognition and Asset Classification framework.

Question 15

A Lok Adalat can take up a matter only if a court itself refers the case, and never on a party's own request.

FALSE

A Lok Adalat takes cognisance either when a party to the dispute agrees to the forum or when a party applies for reference.

Question 16

Lok Adalats are generally suited to smaller, amicable recovery disputes rather than large contested suits.

TRUE

Their informal, fast, mutual-agreement process makes them best suited for smaller accounts.

Question 17

SARFAESI applies only to immovable property and cannot be used against movable secured assets.

FALSE

SARFAESI applies to both movable and immovable property pledged as security.

Question 18

Keeping guarantors informed throughout the loan's life is considered poor recovery practice.

FALSE

Keeping guarantors in the loop is a recommended follow-up practice that supports recovery.

Question 19

Before SARFAESI existed, enforcing security over immovable property through civil litigation was typically quick.

FALSE

Pre-2002, civil litigation to obtain a decree over immovable property was slow and could take years.

Question 20

Recovery camps with government officials are used by banks to build a favourable environment for loan recovery.

TRUE

Such camps bring together borrowers and officials to encourage voluntary and timely repayment.

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