



BRIEF ABOUT SARFAESI ACT, 2002

THINGS YOU NEED TO KNOW ABOUT THE ACT

1 **Applicability and Scope:**
The SARFAESI Act applies to secured creditors, primarily banks and financial institutions, when dealing with non-performing assets.

2 **Enforcement of Security Interest:**
Secured creditors can take enforcement action without the intervention of the court or tribunal.

3 **Notice to Borrower:**
Before taking any enforcement action, the secured creditor must issue a 60-day notice to the borrower, demanding payment of the outstanding dues.

4 **Possession of Secured Assets:**
If the borrower fails to repay within the notice period, the secured creditor can take possession of the secured assets.

5 **Sale of Secured Assets:**
After taking possession, the secured creditor can sell the assets, either by itself or through a qualified professional.



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6 Right to Appeal:
Borrowers have the right to appeal against the action taken by the secured creditor before the Debt Recovery Tribunal (DRT).

7 Central Registry
The SARFAESI Act established the Central Registry to maintain records of transactions related to securitization and reconstruction of financial assets.

8 Prohibition of Wilful Defaulters:
The Act prohibits wilful defaulters from participating in the management or holding substantial interest in the borrower entity.

9 Protection of Officers:
No civil or criminal proceedings can be initiated against the secured creditor's authorized officer or any person acting on their behalf for actions taken in good faith under the Act.

10 Priority of Claims:
Proceeds from the sale of assets are distributed as per the priority of claims specified in the Act.



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Penalties and Offences:

The Act outlines penalties and consequences for obstructing or non-compliance with the provisions of the Act.

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Non-Applicability:

The SARFAESI Act does not apply to agricultural land.

The purview of SARFAESI Act's is viewed as a key step in strengthening the country's financial institutions because it is a crucial law for the growth of the national economy.



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