

All Member Lending Institutions (MLIs)
Credit Guarantee Scheme - I (CGS I)

Circular No.222 / 2022 – 23

Madam / Dear Sir,

Increase in the threshold for Waiver of Legal Action and option for claim settlement in single instalment

Please refer to our Circular No. 215/ 2022-23 dated January 02, 2023 regarding the threshold limit of ₹5 lakh for waiver of legal action while invoking guarantee. In order to further simplify the procedure for filing claim in respect of small account, it has been decided to increase the threshold limit for waiver of legal action to ₹10,00,000/- per claim while invoking the guarantee based on the aggregate outstanding amount considered eligible for claim settlement by CGTMSE, as against the present limit of ₹5,00,000/-.

Further, as you are aware that as per existing process, the claim is settled in 2 instalments i.e 75% of eligibility amount as first instalment & balance 25% of eligibility amount as second instalment. In this connection, it has been decided to offer MLIs two options for claim settlement at the time of claim lodgment for cases where waiver of legal action is applicable. The details are as under:

Option 1: Single instalment of claim settlement with reduced extent of guarantee by 15%. Eg: in respect of extent of coverage of 75%, reduced coverage would be 60%, 80% would be 65% and likewise .

Option 2: Existing claim settlement process in two instalments i.e. 75% of eligibility amount as first instalment & balance 25% as second instalment. For legal waiver accounts, second instalment of claim -would be settled after three years from the date of settlement of 1st claim or OTS whichever is earlier.

The above modification shall be applicable in respect of those claims lodged on or after April 01, 2023. Additionally, second instalment of claim settlement in respect of accounts where legal waiver has been granted earlier would be done as per the timelines mentioned under Option 2 above.

The contents of this circular may please be brought to the notice of all your offices.

Yours faithfully,

Sd/-
(Dhiraj Kumar)
Asst General Manager