

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3402
ANSWERED ON:15.12.2006
LOAN TO FAKE COMPANIES
Rajbhar Shri Chandra Dev Prasad

Will the Minister of FINANCE be pleased to state:

- (a) whether several renowned companies take loans from banks under fake names and do not repay the loans-in-time;
- (b) if so, the number of cases came to the notice of the Government during the last one year and the current year;
- (c) the action taken against such companies: and
- (d) the steps being taken by the Government to check it?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (d) : No such specific instance has been brought to the notice of the Government in the last one year. However, as and when any such instance is reported, the same is referred to the concerned bank and or Reserve Bank of India (RBI) for taking appropriate action. Government RBI have prescribed Know Your Customer (KYC) norms and taken several measures to prevent the occurrence of frauds in Banks. Banks have been advised from time to time to strengthen the vigilance set up and introduce preventive and prohibitive measures. The Fraud Monitoring Cell of RBI receives reports on all frauds involving Rs. 1 lac and above detected at Commercial Banks and Financial Institutions. The names of borrowers in frauds of Rs. 5 lac and above are circulated among all banks advising them to carry out in depth inquiries before granting any credit facilities to them. Modus operandi of frauds are also circulated amongst banks to alert them against perpetration of such frauds. In all the cases of frauds, banks are advised to file complaints with Police / CBI, make efforts to recover the amount involved, examine staff accountability, review systems and procedures in order to prevent recurrence of similar frauds and get all cases of frauds of Rs. One crore and above reviewed by the Special Committee of the Board. RBI has been advising Banks / FIs from time to time about the common fraud prone areas and the measures to be taken by them to prevent / reduce the incidence of frauds.