

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2794
ANSWERED ON:26.11.2010
LOANS FACILITY TO DEFAULTERS
Maadam Shri Vikrambhai Arjanbhai

Will the Minister of FINANCE be pleased to state:

- (a) whether a large number of borrowers from banks are still enjoying loan facilities even after defrauding banks;
- (b) if so, the details thereof and the reasons therefor;
- (c) whether RBI has recently asked lenders to take coordinated action against such borrowers; and
- (d) if so, the details thereof and the steps taken/being taken by the banks on the instructions of RBI?

Answer

The Minister of State in the Ministry of Finance (SHRI NAMO NARAIN MEENA)

(a) to (d): In terms of Reserve Bank of India (RBI) Master Circular on Wilful Defaulters dated July 1, 2010, banks have been advised that

(i) No additional facilities should be granted by any bank to the listed wilful defaulters. In addition, the entrepreneurs / promoters of companies where banks have identified siphoning / diversion of funds, misrepresentation, falsification of accounts and fraudulent transactions should be debarred from institutional finance from the scheduled commercial banks, Development Financial Institutions, Government owned NBFs, investment institutions etc. for floating new ventures for a period of 5 years from the date the name of the wilful defaulter is published in the list of wilful defaulters by the RBI.

(ii) The legal process, wherever warranted, against the borrowers / guarantors and foreclosure of recovery of dues should be initiated expeditiously.

(iii) Wherever possible, the banks should adopt a proactive approach for a change of management of the wilfully defaulting borrower unit.

It would be imperative on the part of the banks and FIs to put in place a transparent mechanism for the entire process so that the penal provisions are not misused and the scope of such discretionary powers are kept to the barest minimum. It should also be ensured that a solitary or isolated instance is not made the basis for imposing the penal action.