

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:790

ANSWERED ON:25.02.2011

HOUSING LOAN SCAM QUESTION

Ahir Shri Hansraj Gangaram;Azad Shri Kirti (Jha);Bapurao Shri Khatgaonkar Patil Bhaskarrao;Botcha Lakshmi Smt. Jhansi;Gaikwad Shri Eknath Mahadeo;Ray Shri Rudramadhab ;Yaskhi Shri Madhu Goud

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has noticed housing loan scam in certain banks and other financial institutions including L1C housing finance company;
- (b) if so, the details thereof and the reasons therefor alongwith the amount involved therein, bank-wise and institution-wise;
- (c) the action taken against the erring officials/persons; and
- (d) the other remedial measures taken/being taken by the Government to recover such housing loan and to keep a check on such scams ?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) & (b): In a bribery case, the Central Bureau of Investigation (CBI) had arrested the Chief Executive Officer, LIC Housing Finance Ltd. (LIC HFL); Secretary (Investment), LIC; General Manager, Bank of India; Director, (Chartered Accountant), Central Bank of India; DGM, Punjab National Bank; Chairman & Managing Director and two other officials of a Mumbai based private financial services company on November 24, 2010. The CBI had alleged that senior officials of various Banks and financial institutions namely, Bank of India, Central Bank of India, Punjab National Bank, LIC and LIC HFL were receiving illegal gratifications for facilitating large scale corporate loans and other facilities.

LIC has informed that project cases were examined thoroughly and that all systems and procedure are found to be in place. No irregularity in sanction of loan was observed and documentation has been done as per norms and security value is adequate. There is no home loan scam at LIC Housing Finance Ltd.

(c) The disciplinary authority of LIC had placed Shri R.R. Nair, CEO, LIC HFL under suspension w.e.f. 25.11.2010 pending investigation by CBI.

(d) The RBI had undertaken quick scrutiny in some banks to examine if the reasons for corruption could be attributed to systemic issues i.e. risk to the system independent of the bribery case and if absence of proper internal controls had provided opportunities for bribery. Accordingly, scrutinies of borrowal accounts of the groups which were under the CBI scanner were undertaken at Punjab National Bank (PNB), Central Bank of India (Central Bank) and Bank of India (BOI). The outcome of the preliminary scrutiny did not reveal any systemic risk and lacuna in the loan sanctioning system and the relative internal control system of serious nature requiring immediate specific supervisory or regulatory interventions.