

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1465
ANSWERED ON:04.03.2011
FRAUDULENT FINANCE COMPANIES
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Will the Minister of FINANCE be pleased to state:

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- (a) whether the Government is aware that many financial companies have collected huge amount of money fraudulently from the innocent people by promising high returns and absconded;
- (b) if so, the details thereof;
- (c) the number of cases filed against such companies in the country, State/UT-wise including Tamilnadu; and
- (d) the action taken/being taken by the Government to keep a check on such fraudulent financial companies?

Answer

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

(a) to (d):- Reserve Bank of India (RBI) has reported that many financial companies which have vanished after accepting the deposits from public. RBI has declared such companies as vanished companies and the list of such vanishing companies is available on RBI website www.rbi.ora.in. Whenever a company is declared as vanishing the matter is referred to Economic Offences Wing of the concerned State Government. The onus is on State Police machinery to investigate the case and take legal action as deemed appropriate including penal action as per Indian Penal Code/ Criminal Procedure Code.

In order to protect the interest of depositors, the steps taken by the Government/RBI include :

- i) Directions have been issued by RBI to NBFCs under Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998 on acceptance of deposits and has also laid down prudential norms.
- ii) RBI initiates adverse action against errant NBFCs for various defaults and contraventions of provisions of Reserve Bank of India Act, 1934, such as issuing orders prohibiting them from accepting further deposits, and alienation of assets. Action taken also involves filing winding up petitions, launching criminal proceedings against such companies and their management.
- iii) The bank also files complaints with the Economic Offences Wing of State Police Authorities to curb unauthorized acceptance of public deposits. In several cases, the Courts have appointed provisional liquidators and have also restrained NBFCs from disposing of their assets in any manner,
- iv) Market intelligence system has been strengthened for picking early warning signals about the health of particular NBFC and to trigger supervisory action.
- v) At the instance of RBI, some State Governments have enacted legislations to protect the interest of depositors` in financial establishments.
- vi) The close co-ordination through institutionalized framework of State Level Co-ordination Committee (SLCC) with the State Government and other regulatory bodies has also resulted in greater/ improved monitoring and restriction of unauthorized acceptance of deposits by NBFCs and Unincorporated Bodies