

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2168  
ANSWERED ON:05.12.2014  
CHEATING BY HOUSING FINANCE COMPANIES BUILDERS  
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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government is aware that a lot of cases are coming up against housing finance companies/ builders duping investors by offering various high return schemes;
- (b) if so, the details thereof and the number of cases reported along with the action taken thereon for each of the last three years and the current year, State/ UT-wise;
- (c) whether any long term step has been taken by the Government so that such incidents don't happen in future and people don't get duped; and
- (d) if so, the details thereof?

**Answer**

Finance Minister (Shri Arun Jaitley)

(a) to(d): National Housing Bank (Wholly owned by Reserve Bank of India) is the apex Financial institution which, inter-alia, regulates and supervises the Housing Finance Companies(HFCs) through issuance of Directions and Regulatory Guidelines for the HFCs.

For acceptance of public deposits and privately placed Non-Convertible Debentures (NCDs) by specified HFCs, NHB issued Directions namely Housing Finance Companies Directions, 2010 and Housing Finance Companies Issuance of Non-Convertible Debentures on Private Placement basis (NHB) Directions, 2014, respectively.

# Housing Finance Companies (NHB) Directions, 2010, inter-alia, provides that HFCs shall not invite or accept or renew any public deposit at a rate of interest exceeding 12.5% per annum. Further, for acceptance of deposits HFCs are required to obtain minimum investment grade credit rating from specified credit rating agencies and create floating charge in favour of depositors on the assets specified in terms of Section 29B of the NHB Act.

# Housing Finance Companies issuance of Non-Convertible Debentures on Private Placement basis (NHB) Directions, 2014, inter-alia, provides security cover for privately placed NCDs of HFCs, appointment of debenture Trustee, etc.

NHB is having 24x7 grievance redressal system, Grievance Registration Information Database System (GRIDS), to provide an on-line single platform solution for the Complainants, inter-alia, to depositors of MFCs and NHB. Deposits related complaints-against HFCs, received by NHB during the last three years (July 1 to June 30) are as follows:

Categorization of Complaints	2011-12	2012-13	2013-14
Delay in repayment of deposits	20	6	3
Non-payment of interest on deposits	-	3	
Deduction of tax on deposits	1	1	-
Payment of deposits to the nominees	-	-	-
Others`	1	8	5
Total	22	15	11

# Others include misbehavior of the staff, method of calculation of interest, mode of settlement of payment, etc.

As a long term measure, based on the instances, NHB has issued instructions on 18-11-2013 advising HFCs to disburse the housing loans sanctioned to individuals with close linkages to the stages of construction of the housing project/houses and not to make upfront disbursement in cases of incomplete/under-construction/green field housing project/houses. Further, HFCs are also advised to take into account the customer suitability and appropriateness issues and also ensure that the borrowers/ customers are made fully aware of the risks and liabilities in any kind of product being introduced by them.

The Reserve Bank of India has also issued a circular on similar lines to all scheduled commercial banks on 03-09-2013.

The implementation of the provisions of the regulations are verified through a system of on-site inspection of HFCs, undertaken by

NHB at regular intervals.