

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3113
ANSWERED ON:07.08.2015
Fraudulent Loans from PSBs
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Will the Minister of FINANCE be pleased to state:

- (a) whether there has been a gradual increase in the number of fraudulent loans on the basis of fake documents from Public Sector Banks (PSBs) during the last three years;
- (b) if so, the details thereof along with the amount involved therein during said period, State-wise;
- (c) whether the Government has conducted any enquiry during the said period;
- (d) if so, the details thereof along with the number of officials found involved in such areas during the said period, bank / State-wise and the action taken by the Government thereon; and
- (e) the other corrective steps taken/being taken by the Government to regulate the process of grant of loan and to keep a check on fraudulent loan cases?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) & (b): Reserve Bank of India (RBI) has informed that Public Sector Banks(PSBs) do not report cases involving raising of loans on the basis of fake documents separately. These are reported under the head "Cheating and Forgery", which would also include other type of fraud cases. Details of "Cheating and Forgery" frauds of Rs 1 lakh and above reported by PSBs for the last three financial years is as under:-

(Rs in crore)

Sr. No. Calendar Year No. of frauds cases reported Amount involved

1. 2012-13

(April to March) 1316 5098.41

2. 2013-14

(April to March) 1352 4965.82

3. 2014-15

(April to March) 1601 11202.64

4. 2015-16

(April, 15 to June, 15) 420 1732.25

State-wise details in this regard is at Annex-I.

(c) & (d): Banks initiate/probe staff accountability and staff involvement in all the fraud cases and on completion of investigation, commensurate punishment is awarded to the delinquent employees based on the seriousness of the wrongdoings as per Bank's disciplinary rules which includes censuring, administrative warning, suspension of the employees, reduction in scales of pay, monetary penalty and recovery of losses, compulsory retirement, termination from service, dismissal with disqualification from future employment etc.

State-wise and Bank-wise details of "Cheating and Forgery" frauds of Rs. 1 lakh and above reported by PSBs where staff was involved is at Annex-II & III respectively.

(e): RBI has issued Master Circular on "Frauds – Classification and reporting" vide RBI. DBS.CFMC.BC.No.1 / 23.04.001/2015 -16 dated July 01, 2015 containing all the details/aspects relating to frauds. The same is also available on the website of RBI i.e. www.rbi.org.in. On receipt of fraud reports from banks, various aspects related to the frauds are examined and concerned banks are advised to report the case to CBI/ Police/ SFIO, examine staff accountability, complete proceedings against the erring staff expeditiously, take steps to recover the amount involved in the fraud, claim insurance wherever applicable and streamline the system as also procedures so that frauds do not recur. To compress the time taken in detection of fraud, a new framework for handling loan frauds has been put in place. The framework stipulates continuous monitoring of loan accounts, time bound action at each stage of loan's life cycle and commencement of investigation on observing early warning signal in an account. Further the framework also prohibited banks from extending bank finance to borrowers who have defaulted and also committed a fraud for five years from the date of full payment of the defrauded amount. RBI as a part of its supervisory process also takes the following measures to prevent/reduce the incidence of frauds:

- (i) Issues circulars to banks from time to time about common fraud prone areas, modus operandi circulars on various types of frauds and the measures to be taken by them.
- (ii) Issues caution advices in respect of borrowers who have defrauded the banks.
- (iii) In order to make third parties and professionals accountable, who have played a vital role verification of the property/document or facilitated the perpetration of frauds, banks have been advised to report to Indian Bank's Association (IBA). IBA in turn will prepare

caution lists of such parties for circulation among the banks.

RBI has issued circular on 'Legal Audit of Title Documents in Respect of Large Value Loan Accounts' (Circular dated June 7, 2013). RBI has advised banks to subject the title deeds and other documents in respect of all credit exposures of Rs 5 crore and above to periodic legal audit and re-verification of title deeds with relevant authorities as part of regular audit exercise till the loan stands fully repaid.

The Government has set up the Central Registry, as the nodal agency for maintaining records of registrations relating to securitization, reconstruction of financial assets and security interest created over properties on 31.03.2011 to minimize the frauds relating to multiple mortgaging of a property with different lenders.
