



Banking News

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NEWS BULLETIN from ALL INDIA BANK EMPLOYEES' ASSOCIATION

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Rs 58,792 crore bank loans wilfully defaulted: AIBEA

Chennai, July 20

IANSlive™



C.H. VENKATACHALAM, GEN SECRETARY AIBEA

The total quantum of loans wilfully defaulted by borrowers is Rs 58,792 crore, the **All India Bank Employees' Association (AIBEA)** said on Tuesday.

In a statement, the major union in the banking sector said out of the total loans wilfully defaulted, a whopping Rs.47,351 crore are accounted by

government owned banks-nationalised, State Bank of India (SBI) and its five associate banks.

The union said the total quantum of bad loans of the government owned banks stands at Rs 539,995 crore as on March 31, 2016.

"But the government and the RBI (Reserve Bank of India) are not taking tough measures to recover the bad loans. Even their (defaulters') names are not being published," said AIBEA General Secretary C.H. Venkatachalam.

"Loans are given from public money. Hence people should know who the loan defaulters are. When poor borrowers are harassed, corporate defaulters are given all concessions. The number of wilful defaulters is also on the increase," AIBEA said.

The AIBEA has uploaded the names of wilful defaulters bank wise.

15% of India's 5,600 wilful defaulters are from Gujarat

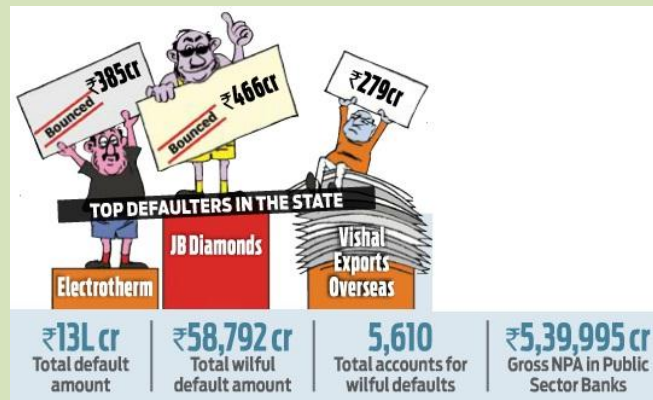
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They owe estimated 8,500 cr to banks, out of 58,000 crore owed by all wilful defaulters.

Diamond merchants, a former IAS officer, engineering companies, a class 4 employee union of Vadodara city and a national level co-operative body feature in the list of over 5,600 wilful bank defaulters, according to a report. Gujarati businessmen or businessmen based out of Gujarat constitute close to 15% of the total accounts.

The latest list was released on Wednesday by All India Bank Employees' Association (AIBEA), the apex body of bank employees.

Some of the major defaulters include Mukesh Bhandari-owned Electrotherm India, Surat-based JB Diamonds, Neesa Group companies owned by former IAS officer, Sanjay Gupta and Sai Info Systems India Ltd, founded by the now absconding Sunil Kakkad.



Briefing media persons here, **Janak Raval, general secretary of Mahagujarat Bank Employees Association (MGBEA)** said these defaulters are capable of paying loans but have not paid. “Many banks have made various efforts to get back the money but not a single Rupee has been recovered,” he said.

“So far only a civil case is filed against the defaulters. We have sought permission to file criminal cases against them. Also we have sought a ban on defaulters contesting elections to the legislatures. However, the suggestion was turned down by the Election Commission of India,” he added.

MGBEA said under the guise of Asset Reconstruction Companies (ARCs), bad loans are hived off to ARCs who sell the same accounts to original defaulters at a fraction of the amount of their default.

Raval said a reason for the high defaults is that top executives of various banks are on the boards of large corporates, who guide companies on how to default, without getting penalised.

Who are wilful defaulters?

A defaulter is someone who is unable to service his debt due to circumstances beyond his control. After an account is classified as a non-performing asset (NPA), the bank initiates a recovery process by serving a notice to the client.

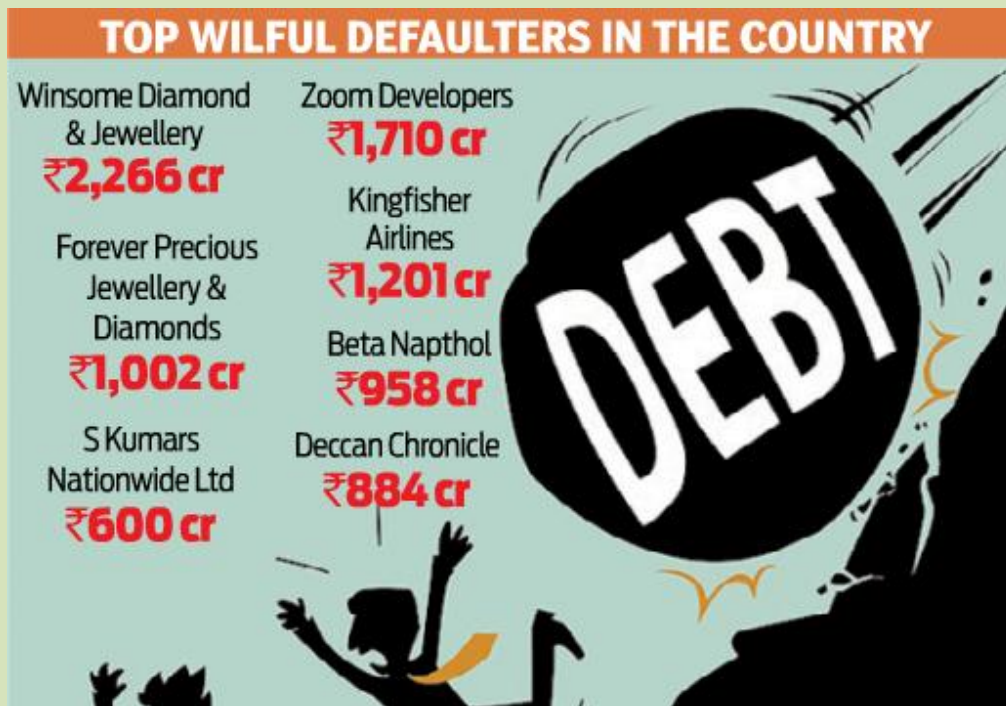
The client is then declared a defaulter and the bank initiates proceedings under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (also known as the Sarfaesi Act), 2002, to recover dues.

On the other hand, a wilful defaulter is someone who does not display intentions of

repaying dues in spite of having the ability to do so. Bankers say that such clients may have cash or physical assets through which he/she can raise money to repay the dues, but does not. Kingfisher boss Vijay Mallya is one well-known wilful defaulter.

In both cases, dues are not repaid to lender, which usually are banks.

Bankruptcy is another commonly used term. It is a stage where the defaulter does not have enough resources to pay to creditors. Once bankruptcy is declared, money raised from inadequate resources is distributed to the creditors proportionately.



Judge concerned over sale of SBI education loan

S. VIJAY KUMAR, THE HINDU 22 7 16

Disapproves of harassment of students while being lenient to corporate borrowers

Convicting the then manager of the State Bank of Bikaner and Jaipur's Rajaji Salai Branch here for advancing a huge loan accepting forged papers, the judge of the Special Court for CBI Cases here on Thursday expressed concern over the yardsticks adopted by nationalised banks in dealing with different types of loan defaulters.

The XI Additional Special Judge for CBI cases K Venkatasamy disapproved of the harassment allegedly meted while recovering education loans from students while being lenient in recovery of loans advanced to corporate borrowers.

Referring to the recent decision of the State Bank of India (SBI) to sell a large number of its 'bad' education loans to the Reliance Asset Reconstruction Company for a consideration of just 45 per cent of the

principal, the judge said **had the bank offered to the student defaulters the option of repaying 45 per cent of the dues for closure of loan accounts, instances of students committing suicides could have been avoided.**

Mr. Venkatasamy was delivering the judgment in a loan scam involving the State Bank of Bikaner and Jaipur, Rajaji Salai Branch here. Holding the then bank manager Bhushan Kumar guilty, he sentenced the accused to four years imprisonment and imposed a penalty of Rs 1 crore. The case was investigated by the CBI's Economic Offences Wing.

The prosecution case is that Kumar sanctioned loans to Shridi Sai Polymers Private Limited represented by its proprietor A.S. Suresh (since deceased), his wife D. Sangeetha and others knowing well that the documents they produced were forged. The beneficiaries defaulted repayment of the loan resulting in a loss of Rs. 2.46 crore to the bank.

Since Suresh committed suicide during the course of investigation, the charges against him abated. Sangeetha was sentenced to three years imprisonment and imposed a fine of Rs. 30 lakh. Three other accused in the case were convicted and sentenced to various terms.

Referring to newspaper reports on how a student committed suicide in Madurai after loan recovery agents of Reliance Asset Reconstruction Company pressured his family to repay education loan, the **judge said nationalised banks were trying to facilitate the corporate sector** even while implementing welfare schemes for the poor.

Mr. Venkatasamy said education loans were imperative for poor students to pursue higher education amidst escalating costs.

Instead of adopting a humanitarian approach while dealing with repayment of education loans, the SBI had chosen to sell the 'bad' loans to Reliance Asset Reconstruction Company that would make a profit of 55 per cent of the loan component.

While applicants of ordinary loans were made run from pillar to post, nationalised banks were offering huge loans and other facilities to corporate borrowers even without adequate documents.

When such borrowers failed to repay, the loan accounts were simply brought under the non-performing asset category and no firm action taken to recover the money, the judge said.

Appreciation for CM

The judge had a word of appreciation for the Tamil Nadu Chief Minister for making an announcement that the government would bear the entire cost of education of 17 poor students who wanted to pursue courses in engineering and medicine.

Parliament panel proposes revamp of Debt Recovery Bill, RBI audit of ARCs

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Move to speed up resolution of 70,000 pending debt cases

NEW DELHI, JULY 21:

To ensure speedy redress of the 70,000 debt recovery cases pending across the country, a Joint Committee of Parliament has suggested major changes to the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Bill, which was introduced in May.

The Committee report, which is expected to be tabled in the Lok Sabha on Friday, proposes amendments ranging from definitions to several terms such as 'company', 'financial lease', and 'secured creditor' besides deletion of a "redundant" clause on penalties on Asset Reconstruction Companies (ARCs) if they fail to comply with the RBI's directions. According to those in the know of the development, it is virtually a new Bill now.

The Bill seeks to amend a set of laws, including the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI), the Recovery of Debts due to Banks and Financial Institutions Act, 1993, the Indian Stamp Act, 1899 and the Depositories Act, 1996.

Persons familiar with the development told *BusinessLine* that the Committee has proposed the insertion of a new section to empower the Reserve Bank of India to audit and inspect ARCs from time to time. "We are of the view that the RBI or any other agency such as the Comptroller and Auditor-General of India, as entrusted by the RBI, should hold special forensic audit of the ARCs so that the issue of wilful defaults can be put to an end," a Committee member said.

The Committee has changed the definition of an ARC to a "company incorporated under the Companies Act, 2013 and registered with RBI" for the purpose of asset reconstruction and securitisation. This was done after the RBI complained that the current definition is ambiguous.

The Committee has suggested changes to Section 3(3)(f) of the SARFAESI Act to enable the sponsor of an ARC to hold up to 100 per cent stake in the ARC and permit non-institutional investors to invest in securitisation receipts. The panel noted that the amendment made to the Stamp Duty Act, exempting a bank or financial institution from paying stamp duty, should be used only for acquisition of financial asset or asset reconstruction to ensure that it is not misused.

It also noted that the conversion of debt into shares of any borrower company by the secured creditors shall not affect the rights of the secured creditors to recover the balance amount of debt.

Right to Strike can be achieved only by going strikes and repeated strikes – Com Prabhat Kar, doyen leader and former General Secretary of AIBEA

AIBEA This day – 22nd JULY :

1939

Date of birth of Com. P R Throat, leader of Gujarat Bank Workers Union and All India BOB Emp. Co-ord. Committee

WHAT WE SAY

**People's money for people's welfare,
National savings for national development and
Not for private corporate loot**

ALL INDIA BANK STRIKE ON 29TH JULY, 2016

**BY 10 LACS EMPLOYEES & OFFICERS OF PUBLIC SECTOR BANKS,
OLD PRIVATE BANKS, FOREIGN BANKS, REGIONAL RURAL BANKS
AND CO-OPERATIVE BANKS**



AIBEA – AIBOA



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