

CVC alerts banks to fake CA certificates from borrowers

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Firms submit bogus papers to get loans approved



Mumbai, December 18:

The Central Vigilance Commission has asked public sector banks to put in place a system to check the rising instances of fake Chartered Accountant certificates being submitted by borrowers to get loans.

While studying banks' lending process, the Commission stumbled on instances of loans being given on the basis of bogus CA certificates. Such loans eventually turned bad.

To tackle this menace, the Commission has suggested that the banks check with the Chartered Accountants whether they have actually certified the borrowers' balance sheets and profit & loss accounts.

Further, it has recommended that the Institute of Chartered Accountants of India make available an online directory of its members to banks. This will help bankers to easily get in touch with the CAs to confirm the genuineness of the certificates presented at the pre-loan sanction stage, said a senior public sector bank official familiar with the development.

A banker said on condition of anonymity that there have been cases of borrowers submitting balance sheet and profit & loss statements which have either not been certified by the CA or signed by a non-existing CA.

“The bankers need to communicate with the chartered accountants concerned whether they have issued the certificate or not,” said S Ravi, a practising Chartered Accountant. “Letterheads can be easily forged and it would not be appropriate to blame the chartered accountants for such fake certificates. If any chartered accountant has issued a misleading certificate, bankers do have a redress mechanism with the ICAI.”

While in the case of big listed entities, all financial information is available in the public domain that bankers can cross-check with before sanctioning a loan, it is in the case of small companies that people try to misuse CAs' letterheads, said another accountant.

If actual verification of the certificates happens, this fraud could be stopped to a great extent, he added.

The Reserve Bank of India unveiled a framework for dealing with loan frauds in May, given the incidence of frauds, in general, and in loan portfolios, in particular.

Curbing fraud

Loans obtained on fake CA certificates have turned bad

ICAI has been asked to make online directory of CAs available to banks

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