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Crackdown on black money puts safe boxes in banks under spotlight

By [Vikram Doctor](#), ET Bureau | Nov 26, 2016, 06:44 AM IST

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NEW DELHI: Listen carefully and you might hear a creaky, squeaky noise. It is the sound of safe deposit boxes in security vaults across India being opened and emptied as their panicky renters anticipate an impending government crackdown as part of the war on [black money](#).

No such notice has been delivered officially, nor does anyone in the government seem to have said anything about lockers. But it would be a logical move. Many have pointed out that black money can't be tackled only through notes, since tax evaders convert it into [gold](#), jewellery and other assets, many of which can be easily stored in a safe deposit box.

So perhaps just as a precaution, or perhaps because they were opening the lockers anyway to get stashes of old Rs 1,000 and Rs 500 notes to exchange, renters are quietly transferring their contents home – and hoping this activity goes undetected by both the authorities and the more criminal elements. There are stories of an upsurge in flights to India as Non-Resident Indians suddenly recall safe deposit boxes they left behind and which they will have to come in person to access.

This has happened before. In August 1964, for example, the Times of India (ToI) reported a run on lockers in Delhi “by people wanting to remove jewellery and other valuables, following reports of searches of houses and lockers in Bombay. Additional staff had to be deputed to cope with the rush.”

Safe deposit companies cashing in on fears

But just a few weeks later, ToI noted that [banks](#) were reporting that safe deposit activity was going on as usual, with just a 10% fall in utilisation.

This is the paradox of safe deposit lockers. They are meant to provide renters with peace of mind about their valuables. Safe deposit services, whether run by banks or private operators, go to great lengths to stress the high security of their premises, the cutting-edge measures against criminals, the scrupulous procedures followed to allow access.

Yet simply gathering these valuables in one place makes them a magnet for those wanting to get their hands on them – including taxmen. Steel doors, reinforced concrete walls and security cameras may block burglars, but what can guard against the government? And if the answer is to take the valuables home, how safe is that either? How safe is anything, really?

The promises

Safe deposit companies tend to duck this question. On the one hand, scaring people is their basic marketing tactic. Ads and articles about safe deposit vaults paint a scary picture of the world. “If Bombay were to be overrun by an insurrectionary mob and the safe deposit were to fall into their hands, they would be unable to pierce its armour... if the building above were gutted by fire and collapsed it might bury but still could not damage the Safe Deposit,” wrote ToI in an article from 1910 about India's first customdesigned facility, set up the year before by Forbes, Forbes & Campbell, one of the oldest registered firms in India (now owned by Shapoorji Pallonji).

Security companies also emphasise their stringent procedures to grant access. They emphasise how renters have complete control over their keys and how extra locks can be placed. But they never deal with what happens if taxmen come calling, and the alarm that greets RBI attempts to regulate lockers is a sign of how sensitive this issue is.

This is a dilemma that goes back to the roots of banking, in which safe deposits played a large part. In ancient times temples were seen as places where people could deposit their valuables, perhaps counting on divine protection. But when invasions took place, temples were often the first to be looted.

Prominent merchants, who occupied positions of trust in the community, and jewellers, who had secure vaults anyway, started taking



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people's valuables for a fee, and gave them receipts. At some point people realised they didn't need to physically remove valuables to sell them – they could just transfer the receipts, and in this way banknotes were born.

The evolution

The vaults themselves remained much the same – thick walls, strong doors and ceilings vaulted for support, hence their name. But inside they were usually often just piles of valuables, at most kept in large trunks. Apart from the chance of things getting lost in the mess, there was also the very real danger that vault employees could casually walk away with stuff.

The answer was devised in the 1860s, thanks to the invention of new, lightweight yet secure locks, like those manufactured by Yale (patented in 1843-57). According to an excellent history written by Christopher Barrow of Metropolitan Safe Custody, one of the largest UK operators, the first company to offer locked boxes within vaults, the Safe Deposit Company in New York, which started in 1865, may have had locks from the newly established Yale Lock Company.

It wasn't just the rich who responded to this. Regular people opened lockers to put family mementoes, important documents, photographs, objects of art, medals, as well as odder materials, like false teeth and human ashes. (A particularly Indian angle on this has been the urns with ashes apparently from Gandhi's cremation that have turned up in safe deposit lockers over the years.)

Safe deposit companies acquired a civic reputation, a necessity for cities of a certain size and [wealth](#). The Forbes facility may have been India's first, but in the 1930s others opened, particularly due to the efforts of Purshotamdas Thakurdas, a leading businessman of that time. On December 30, 1937, Tol carried a three-page feature on 'his opening of Surat's new vault, which had Italian marble staircases, seemingly designed for public display as well as private deposits. Earlier that same year, the Madras Safe Deposit Vaults had opened with Thakurdas as chairman. In another long Tol article, one of the leading architects in Madras, LM Chitale, talked about the safety features he had built in. Chitale also mentioned one other innovation – the vault was specially air-conditioned, a novelty then in India. Vaults had to be made comfortable enough for people to use them. They now had a social function as well as people spent time in them looking at family documents and women wore (and later put back) their jewellery.

Behind the vaults

It was almost a ritual for children to be taken in at some point, to be shown family heirlooms: a great grandmother's necklace, a grandfather's gold watch or jewelled cufflinks, many of them emblematic of a world gone by. In the [Harry Potter](#) books, a key moment is when Harry is taken to his family vault in Gringotts, the goblin-run bank, to be restored to his heritage.

The very blankness of the exterior of safe deposit boxes hints at the secrets they contain, and makes them a favoured backdrop for films like *The Bourne Identity*, *The Bank Job*, *Inside Man* and *Casino*.

Artificial ventilation also helped with one problem that operators didn't want to admit – the chance that customers could get locked in. This happened in 1994 to Mrs Pushpa Devi Singhania in Calcutta, after she went to her locker in [Uco Bank](#). Scarily, she was locked in on a Saturday while Monday was a holiday too for Janmashtami. So she ended up spending 70 hours inside, while her family frantically went around the city looking for her. Luckily, she survived.

Another unanticipated social problem took place after 1947, when Partition meant that many fled leaving unopened lockers behind. In the 1950s, the Indian and Pakistani governments tried and failed to set up meetings to sort this out. Pre-Partition lockers still turn up; in 2007, SBI found a gun placed in a locker by a British officer 83 years ago.

Having to deal with problems like this is one reason why banks, which are most associated with safe lockers, have rarely been keen on the business. It is seen as a drain on expensive [real estate](#), a security headache and a source of problems ranging from what people might store to claims for theft. It also rarely generates good revenue since customers value the service, yet resent having to pay high fees. Banks have tried to make use of the fact that there is usually a waiting list for lockers by insisting customers make large [fixed deposits](#) with them, or pay for other services, but this is generally frowned upon. They also put limits on the number of times customers can visit their lockers for free; after around 12 visits per year a fee is often charged.

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