

Business Standard

'Name & shame' defaulters by making their pictures public: Govt to banks

Lending institutions shall formulate a policy with the approval of their board of directors which clearly set out the criteria for publication of photographs of wilful defaulters

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Illustration by Binay Sinha

Tightening the noose around wilful defaulters, the government has asked banks to 'name and shame' such borrowers by publishing their photographs and other details in newspapers.

The finance ministry has written a letter to all state-run banks directing them to take board approvals for publication of photographs of such defaulters.

Sources quoting advisory of the finance ministry said, Lending institutions shall formulate a policy with the approval of their board of directors which clearly set out the criteria for publication of photographs of wilful defaulters.

The number of wilful defaulters, who did not repay loans to public sector banks (PSBs) despite the capacity to do so, rose to 9,063 at the end of December 2017.

The amount involved for PSBs is reported as Rs 1100.50 billion, Minister of State for Finance Shiv Pratap Shukla had said in a written reply in the Lok Sabha

Taking forward its fight against wilful defaulters, the government last week directed banks to seek passport details of borrowers taking loans of Rs 500 million and more. Passport details will help banks to take timely action and inform the relevant authorities to prevent fraudsters from fleeing the country.

"Next step in clean and responsible banking. Passport details must for loans above Rs 500 million. Step to ensure quick response in case of fraud," Financial Services Secretary Rajiv Kumar had said.

For all existing loans of over Rs 500 million, banks have been asked to collect passport details of borrowers within 45 days, he added.

Several big defaulters like Nirav Modi, Mehul Choksi, Vijay Mallya and Jatin Mehta have fled the country putting the recovery mechanism in quandary.

The government has tabled the Fugitive Economic Offenders Bill after Nirav Modi and his uncle Mehul Choksi allegedly defrauded state-owned Punjab National Bank (PNB) of Rs 127 billion and left the country and are refusing to cooperate with law enforcement agencies.

The proposed fugitive law aims to impound and sell assets of Nirav Modi-type escapees with a view to quickly recover dues. It also will apply to defaulters who have an outstanding of Rs 1 billion or more and have escaped from the country.

The Finance Ministry has also directed public sector banks (PSBs) to probe all NPA accounts of over Rs 500 million for possible fraud and accordingly report the cases to CBI.

Besides, the ministry had asked banks to monitor loans above Rs 2.5 billion and red flags whenever the original covenants of the loans are violated. This was spelt out as part of 6-point-reform measures announced.