

According to changes made by the Ministry of Home Affairs (MHA), the CEOs of public sector banks (PSBs) can now make the request for issuance of LOCs to the ministry.



The decision has come against the backdrop of loan-default cases of Vijay Mallya, Nirav Modi and Mehul Choksi. (Image: PTI)

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As India struggles to get back high-profile loan defaulters back to the country, the government has vested banks with authorisation to keep a check on wilful defaulters by requesting the issuance of look-out circulars (LOCs) against suspects even if FIRs against are yet to be filed, news agency PTI reported.

The decision has come against the backdrop of loan-default cases of Vijay Mallya, Nirav Modi and Mehul Choksi. According to changes made by the Ministry of Home Affairs (MHA), the CEOs of public sector banks (PSBs) can now make the request for issuance of LOCs to the ministry.

The change was made after recommendations by an inter-ministerial panel under Finance Secretary Rajiv Kumar. The Finance Secretary said this step will act as a big deterrent for wilful defaulters. The step was taken by the government as part of its bank balance sheet clean-up process.

Currently, the Enforcement Directorate is asking for “fugitive” tags for Vijay Mallya and Nirav Modi and has started attaching their properties both in India and abroad. Soon after the Punjab National Bank scam coming to light, the government asked banks to start collecting passport details of borrowers taking loans more than Rs 50 crore.

However, Kumar said that just passport detail was not enough to thwart defaulters and fraudsters. That’s why PSB heads were given the authorisation to request for issuance of LOC by the concerned authority.

“Pursuant to the amendment of the MHA circular last month, the list now includes the chairman or managing director and CEO of all PSBs,” the MHA circular said.

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