

Government empowers PSU banks to seek lookout circulars against wilful defaulters

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An LOC is valid for a year unless its duration is specified. (Reuters)

In a bid to prevent big economic offenders like Vijay Mallya and Nirav Modi from fleeing the country, the government has empowered PSU banks to request lookout circulars (LOCs) against wilful defaulters and fraudsters, officials said on Sunday. The Home Ministry has also authorised the Serious Fraud Investigation Office (SFIO), a statutory corporate fraud investigation agency, to request LOCs if it feels the suspect may escape from India.

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The CMDs and CEOs of PSU banks can now ask the Home Ministry, Ministry of External Affairs, Customs and Income Tax Departments, Directorate of Revenue Intelligence, CBI, regional passport officers and police to issue an LOC to alert immigration check posts to stop anyone leaving India, a home ministry official said.

The SFIO and PSU banks can initiate the process if they suspect that the defaulter may leave the country to escape the law, the official said. Earlier, investigating agencies would request LOCs in cognisable offences under the IPC or other laws in case the accused evaded arrest or did not appear before court despite issuance of non-bailable warrants and other coercive measures and there was a likelihood of the accused leaving the country to escape arrest.

An LOC is valid for a year unless its duration is specified. The government's fresh move came after three high-profile escapes involving liquor baron Vijay Mallya and diamondaires Nirav Modi and Mehul Choksi rocked the country, inviting embarrassment for the government. Mallya left India on March 2, 2016 after defaulting on loan amounting to Rs 9,000 crore he had taken for his now-defunct Kingfisher Airlines.

Jewellery designer Modi and his uncle Choksi, managing director of Gitanjali Gems Ltd, fled the country in January 2018. They are accused of cheating the state-run Punjab National Bank to the tune of Rs 13,000 crore. The government had last year brought the Fugitive Economic Offenders Act, empowering the authorities to attach and confiscate the proceeds of crime and properties of economic offenders, like bank fraudsters or loan defaulters who fled the country. The law is aimed at quickly recovering losses to the exchequer or PSBs in cases of frauds.

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