

Investors in Franklin Templeton, PMC Bank, DHFL are in the lurch with no access to their hard-earned money and little to no hope for their future

The shadow of gloom has not left 40-year-old Rushali Gaikwad's back since 2017. Gaikwad, a former employee at a renowned motor company in Mumbai, suffered a brain haemorrhage in the year 2017, that left her paralysed waist down.

Consequently, she had to quit her job and in the next year, transferred all her savings to her account in Punjab and Maharashtra Cooperative (PMC) Bank. Just then the bank was put under RBI restrictions in September of 2019. To add to her ordeal, she was then faced with a double whammy with no access to her savings on one hand and on the other loan recovery agents knocking on her door for the repayment of her home loan.

“Life had already taken away so much, whatever little was left, was taken away by PMC Bank”, said a harried Rushali. “I was an independent woman supporting myself and my mother with my own hard-earned money and look where I am now. DHFL agents are harassing me every other day even after the government's announcement of deferring of paying dues for the next 3 months and PMC won't even give me my savings. The struggle has now come down to basic daily requirements.” Rushali has had to stop her physiotherapy treatment and borrow money from friends and family for survival. Before the nationwide lockdown, she would travel to the RBI headquarters from her residence in Dombivali every month seeking redressal.

The recent failures of financial services institutions in the country sent shock waves down the financial system. The sudden failure of PMC Bank owing to mismanagement and collusion and the failure of DHFL and its consequent placement with the RBI administrator under the IBC (Insolvency and Bankruptcy Code)

left depositors anguished. The most recent addition to this is the winding up of 6 categories of debt fund schemes by investment firm Franklin Templeton Mutual Funds.

These events have deepened the shades of grey in the country's company management, auditing and regulation operations for financial institutions. As management and promoters try to avoid being in the eye of scrutiny, who bear the brunt of these failures are the investors and depositors of the financial institutions. Lakhs of depositors became victims of these failures with no access to their hard-earned money and little to no hope for their future.

Dire conditions

While no specific resolution plan has been chalked out for PMC Bank in the last 7 months, DHFL also sits under the imposed moratorium since October of 2019. The only response given to the investors of Franklin Templeton MF is that their issues will be resolved 'at the earliest'.

"In the last seven months, we have knocked on every possible door from the CM, the Finance Minister, the former CM of Maharashtra to the RBI and courts. We have even sent a letter to Prime Minister Modi", said Chander Purswani, President, PMC Depositors Forum, who represents countless depositors who are struggling to get their money back. The depositors also include senior citizens in large numbers, who have the whole or most of their life savings in these accounts, around 25 depositors have lost their lives owing to the crisis till now.

Double whammy

30-year-old Jai Banerjee from Dahisar, working in the administration department of an educational institution, had put his savings in a fixed deposit with DHFL and had also taken a home loan from them. While he was refused the provision of breaking his fixed deposit, he is also having to pay the monthly instalments for his home loan at a 10 per cent interest rate.

“They’re neither letting me break my FD nor giving me the provision of settling the home loan using the principal amount of the FD. Now, I’m not even receiving any salary due to the lockdown and when I’m in dire need of my savings, I can’t even use them.” It is getting difficult for Banerjee to make ends meet, with having to pay the hefty interest on the loan along with paying the household bills.

The 45-year-old architect and a father of two, Arun Bhisht from Thane, is faced with an identical double whammy, with both his FD and home loan being with DHFL. “They’re following up for the EMI almost every day on call and when I ask them when will they release my hard-earned money, there is absolute silence”, said Bhisht.

Loss of trust

With the unprecedented announcement of winding up of 6 categories of mutual funds (debt schemes) by Franklin Templeton Mutual Funds on 24th of April, 2020, many individual investors have lost trust in mutual fund investments. Investors expressed concerns of being faced with worrying uncertainty as their funds are now indefinitely frozen.

“The funds were marketed to us as safer and better than equity funds and even traditional fixed deposits. The company showed us how the funds had the best ratings given by agencies like Crisil. After this breach of trust, I have decided to never invest in mutual funds of any kind in the future” said 47-year-old Rakesh Jain from Pune.

Jain had invested around 20 lakhs worth of life savings in the ultra-short-term funds which can be withdrawn any time, for his daughter's higher education. "She just gave her 12th-grade board examination and my funds are suddenly frozen. I have not been able to sleep a single night since the announcement", he said.

Various depositors who had kept their savings in such short-term high yield schemes are having sleepless nights. Some had huge life plans banked on these schemes from plans of buying their own house to plans of getting married.

"We have been cheated, the promise of timely liquidity given by FT vanished overnight. We made a mistake by believing the MF managers, the rating agencies and the compelling 'Mutual Funds sahi hai' campaign." said an investor from Hyderabad who did not wish to be named.

Justice, not charity

"At 75, when life is nearing its end, when one relies on the savings gathered from years of hard labour, I am not allowed access to money from my own bank account. What can this be called if not the law of the jungle? I am asking for my own money, not for charity or pity", expressed Ajay Shah, his voice filled with angst. Shah, a retired electrical engineer from Dadar, had his and his wife's savings accounts in PMC Bank for the last 20 years.

"The supreme court says it can't direct the RBI on such a matter, the RBI can't resolve a cooperative bank's failure for 7 months, while Yes Bank gets a lightning-fast resolution and the management flourishes on our money, there is no justice for the middle class in this country", he said. Shah worked with a private manufacturing firm for 35 years, and is not a pensioner, he has two married daughters.

This is one of the many such cases of depositors who have been adversely affected by the increasing failures of banking and non-banking financial institutions in the country. Since the lockdown has made public shows of protest difficult for these victims. They have been knocking virtual doors, using Twitter and WhatsApp groups as a means of organised protest.

For every tweet by the Prime Minister, the Finance minister and major RBI officials, there are several replies by the depositors of these institutions who are losing patience and hope with each passing day.

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COMMENTS

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