

Why don't PSBs invoke personal guarantees? SC questions govt on bad loans

Plea in SC claimed around Rs 1,900 crore are lost every day due to PSBs not invoking personal guarantees of big corporate loan defaulters.

Press Trust of India | New Delhi July 22, 2020 Last Updated at 00:59 IST



The plea, filed by one Saurabh Jain, has sought “to initiate disciplinary proceedings against PSU Banks which have not invoked the personal guarantees of promoters, directors, or managerial personnel in accordance with the circular..”.

The Supreme Court has asked the Finance Ministry to respond to a representation seeking disciplinary action against public sector banks (PSBs) for not invoking personal guarantees of promoters and directors of firms defaulting in repayment of huge loans.

The plea claimed around Rs 1,900 crore are lost every day due to PSBs not invoking personal guarantees of big corporate loan defaulters.

In an order on Monday, a Bench comprising Justices R F Nariman and Navin Sinha took note of the submissions of senior advocate Manan Kumar Mishra and asked him to approach the Ministry of Finance within two weeks with the representation on the issue and the government will have to reply in four weeks thereafter.

“We are of the view that at page ...of the Writ Petition it has been made clear that the Ministry of Finance itself has, by a Circular, directed personal guarantees issued by promoters/managerial personnel to be invoked.

“According to the petitioners, despite this Circular, Public Sector Undertakings continue not to invoke such guarantees resulting in huge loss not only to the public exchequer but also to the common man,” the top court said in its order.

The plea, filed by one Saurabh Jain, has sought “to initiate disciplinary proceedings against PSU Banks which have not invoked the personal guarantees of promoters, directors, or managerial personnel in accordance with the circular...”.

Mishra, during the hearing, has submitted that the statistics show there was a loss of approximately Rs 1.85 trillion in a financial year to the PSBs while they shy away from invoking personal guarantees of the biggest corporate defaulters.