GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

RAJYA SABHA

UNSTARRED QUESTION NO. 1864

ANSWERED ON TUESDAY, AUGUST 2, 2022/ SRAVANA 11, 1944 (SAKA)

FRAUD BY HOUSING FINANCE CORPORATION LIMITED

1864. SHRI JOHN BRITTAS:

Will the Minister of ***Finance*** be pleased to state:

(a) whether it is a fact that a prominent Housing Finance Corporation Limited has defrauded banks with massive fund diversion;

(b) if so, the details of the fraud committed by that Corporation and the losses suffered by various banks; and

(c) the steps taken to avert such frauds in future?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) and (b): National Housing Bank (NHB) has reported that account of Diwan Housing Finance Corporation Limited (DHFL) has been declared as fraud. NHB had extended refinance assistance to DHFL against their individual housing loan portfolio. DHFL defaulted in its repayment commitments and pursuant to default, the accounts of DHFL were classified as NPA in the books of NHB. Other banks have also reported that accounts of DHFL have been declared by them as fraud and necessary reporting has been given to Reserve Bank of India.

(c): NHB has strengthened the Credit Monitoring through both off-site & on-site mechanism viz. credit inspection, periodic returns, identification of early warning signals (EWS) etc. The frequency of credit inspection has been increased along with the sample size. Further, NHB has put in place a Fraud Prevention and Management Policy and a Fraud Monitoring and Examination Committee (FMEC) for classification, monitoring and analysis of fraudulent activities/suspected fraudulent activities. The Bank has recently also put in place a Board level "Special Committee of the Board on Frauds" for monitoring and review cases of frauds involving amount of Rs. 1 Crore and above.

RBI has issued Master Direction- Non-Banking Financial Company-Housing Finance Company (Reserve Bank) Directions, 2021. As per Master Direction- Non-Banking Financial Company-Housing Finance Company (Reserve Bank) Directions, 2021, RBI has made applicable Master Direction – Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 to all HFCs. As per para 3 of Chapter VI of the same, all applicable NBFCs were required to conduct an annual review of the frauds and place a note before the Board of Directors for information. This has been done by RBI to prevent the affairs of any HFC from being conducted in a manner detrimental to the interest of investors and depositors or in any manner or prejudicial to the interest of such HFC.

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