3122. SHRI PRAJWAL REVANNA

Will the Minister of FINANCE be pleased to state:

(a) whether it has come to the notice of Ministry that the increasing unethical, unfair loan recovery practice by the ARCIL, Mumbai, a private loan recovery company, selling the mortgaged property of borrowers/guarantors less than the guidance value in total violation of the SARFAESI Act;

(b) the details of provisions in SARFAESI Act and instances where loan recovery companies found to be violating and misusing SARFAESI Act;

(c) whether the Government has conducted any inquiry and taken action against the loan recovery companies so far against the misuse of SARFAESI Act particularly ARCIL and if so the details thereof;

(d) whether it has also come to notice of the ministry that the inflated, false, fictitious claims of notices repeatedly sent by ARCIL, Bangalore unit even after recovery of outstanding loan amount from the borrowers/guarantors particularly with reference to recovery of loan from U and I system; and

(e) if so, the details thereof along with the corrective steps taken by the Government in this regard?

ANSWER

The Minister of State in the Ministry of Finance
(Dr. Bhagwat Karad)

(a): As per information received from RBI, Asset Reconstruction Company (India) Limited (ARCIL) is an asset reconstruction company (ARC) registered with Reserve Bank of India (RBI) under Securitisation and Reconstruction of Financial Asset and Enforcement of Security Interest (SARFAESI) Act, 2002. RBI has further informed that as per the existing provision of SARFAESI Act/RBI guidelines for ARCs, there is no prescription regarding any ‘guidance value’ for loan assets.

(b) & (c) RBI has informed that information regarding specific instances of violation and misuse of provisions of SARFAESI Act is not maintained with Department of Supervision in RBI. However, ARCs are required to comply with the guidelines issued by RBI from time to time. Compliance to RBI guidelines issued to ARCs and
adherence to provisions of the SARFAESI Act is examined on sample basis by RBI during the Supervisory Assessment and any non-compliance observed are taken up with concerned ARC for rectification apart from initiating supervisory/enforcement action against the concerned ARC, as deemed fit.

(d) As per inputs received from RBI, no such instance has been reported to Supervision Department of RBI against ARCIL Bangalore unit pertaining to the U and I system.

(e) As already mentioned in reply to part (c) of the question, any noncompliance observed by RBI is taken up with the respective ARC for rectification apart from initiating supervisory/enforcement action against the concerned ARC. Further, in order to address any concerns regarding misuse of powers under SARFAESI by any secured creditor (Banks/Financial Institutions/ARCs), there are adequate provisions under Section 17 and 18 of the SARFAESI Act, 2002 wherein any person including borrower aggrieved has recourse to filing of Securitisation Application (SA) in the Debts Recovery Tribunal (DRT) against action of secured creditor/financial institution under the SARFAESI Act. The decision of DRT can be challenged before the Debts Recovery Appellate Tribunal (DRAT).