

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO-73

ANSWERED ON MONDAY, DECEMBER 4, 2023/AGRAHAYANA 13, 1945 (SAKA)

WILFUL DEFAULTERS

73. SHRIMATI APARUPA PODDAR
SHRI NATARAJAN P.R.

Will the Minister of FINANCE be pleased to state:-

- (a) the reason for allowing wilful defaulters to enter into a compromised settlement with the banks;
- (b) the number of wilful defaulters with amount (in Rs.) for last 5 years;
- (c) the amount of losses the Scheduled Commercial Banks (SCBs) have faced due to haircuts and wilful defaulters;
- (d) whether the Government intends to increase the cooling of period from 12 months and if so, the details thereof, if not, the reasons therefor;
- (e) whether the Government/Reserve Bank of India are not going for confiscated assets and wealth through this process in the same manner as loan recovery is made from the ordinary people and MSMEs; and
- (f) if so, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(DR. BHAGWAT KARAD)

(a) to (f): As per inputs received from the Reserve Bank of India (RBI), the primary regulatory objective behind allowing wilful defaulters to enter into compromise settlement is to enable multiple avenues to lenders to recover the money in default without much delay. Apart from the time value loss, inordinate delays result in asset value deterioration which hampers ultimate recoveries. Compromise settlement is recognised as a valid resolution mechanism under RBI's Prudential Framework on Resolution of Stressed Assets dated 7.6.2019. Further, the imperatives for lenders are no different when it comes to recovery from borrowers classified as wilful defaulter. Continuing such exposures on the balance sheets of the lenders without resolution due to legal proceedings locks lenders' funds in an unproductive asset, which is not a desirable position. Further, continuation of criminal proceedings underway or to be initiated against the borrowers classified as wilful defaulter ensures that perpetrators of any malafide action do not go scot-free. Further, compromise settlement is not available to borrowers as a matter of right; rather it is a discretion to be exercised by the lenders based on their commercial judgement. Also, proposals for compromise settlements in respect of debtors classified as wilful defaulter are required to be approved by lenders' Board.

Scheduled Commercial Banks (SCBs) and All India Financial Institutions report certain credit information of all borrowers having aggregate exposure of Rs. 5 crore and above to the Central Repository of Information on Large Credits (CRILC). As reported in CRILC database, as on 31.3.2023, total 2,623 unique borrowers were classified as wilful defaulters, with aggregate outstanding of Rs. 1,96,049 crore, by SCBs.

As per the RBI's Framework for Compromise Settlements and Technical Write-offs dated 8.6.2023, the cooling period for farm credit exposures is to be determined by the Board-approved policy of lenders and a floor of 12 months of cooling period has been prescribed in respect of exposures other than farm credit exposures. However, lenders may stipulate higher cooling periods in terms of their Board approved policies.

Banks initiate/ continue with action initiated against wilful defaulters under the various recovery mechanisms available, such as filing of a suit in civil courts or in Debts Recovery Tribunals, action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, filing of cases in the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016, through negotiated settlement/compromise, and through sale of non-performing assets. Further, as per the RBI's Framework for Compromise Settlements and Technical Write-offs dated 8.6.2023, compromise settlements are undertaken by lenders in respect of wilful defaulters without prejudice to the criminal proceedings underway against such debtors.
