

LOK SABHA

UNSTARRED QUESTION NO-3394

ANSWERED ON 09.12.2019 /Agrahayana 18, 1941 (Saka)

Illegal Bank Transactions

3394. SHRI A. GANESHAMURTHI:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government has received any complaints from any individuals or any associations against any cooperative banks in the country for cheating the depositors by illegal transactions of money from their accounts without the knowledge of depositors/account holders;
- (b) if so, the details thereof; and
- (c) the action taken by the Government on these complaints and to protect the depositors?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (c): The Government has from time to time received representations about alleged irregularities in Cooperative Banks which were forwarded to the Reserve Bank of India (RBI), as the banking functions of Cooperative Banks are regulated by them.

RBI has informed that they have received a number of complaints/representations from depositors through various channels in respect of the Urban Co-operative Banks (UCBs) under All Inclusive Direction (AID) due to their precarious financial condition. Most of these representations/complaints pertain to the restrictions on withdrawal of money from their accounts.

RBI has informed that the following action has been taken to protect the interest of depositors:

(i) To enable such UCBs to improve their position by concentrating on recovery of NPAs /bad loans, All-inclusive Directions are imposed under section 35A read with section 56 of the BR Act, 1949.

(ii) These Directions, inter alia, restrict payment of deposits beyond a threshold limit to prevent the possibility of preferential payment of deposits and prevent reckless lending in the interregnum etc. The banks are also required to take prior approval of RBI before making any payments/expenditures that have not been allowed under these Directions, thus protecting the pool of deposits of the depositors from wasteful expenditures.

(iii) Further, the depositors can also withdraw on hardship grounds (medical expenses and non-medical expenses like educational expenses of self or children, marriage expenses of self, other relatives and for livelihood) an amount upto Rs.1 lakh. The power to sanction such hardship withdrawals has been delegated to the Administrator of the bank for speedier resolution of such cases.

(iv) At the same time, the UCBs are advised to take measures for revival such as recovery of NPAs, augmentation of capital or merger with a strong UCB. In case the revival measures do not work within a reasonable time, license of such bank is cancelled.
