

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-113
ANSWERED ON-14.09.2020

Frauds by NBFCs

113. SHRI THOMAS CHAZHIKADAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether it has come to the notice of the Government that certain Non-Banking Financial Companies (NBFCs) have committed fraud/diversion of the funds of depositors in the country;
- (b) if so, the detailed names of such NBFCs and the total amount involved in each such NBFCs;
- (c) whether it has come to the notice of the Government that hundreds of depositors of Popular Finance, an NBFC with headquarters in Kerala, are reported to be cheated and their deposits have been diverted and if so, the details thereof; and
- (d) the details of the steps taken by the Government to protect the interest of the depositors of Popular Finance?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) to (c): As per input received from the Reserve Bank of India (RBI), two NBFCs, *viz.*, Sahara Finance and Popular Finance, had committed fraud / diversion of the funds of depositors in the country.

(d): RBI has also informed that based on RBI's and Government of Kerala's Commercial Taxes Department's complaints, Economic Offences Wing had registered a case against M/s Pathanamthitta Popular Finance and Popular Traders firms and the Chairperson and Managing Director of the group, proceedings in which were instituted in the court of Chief Judicial Magistrate, Pathanamthitta.

As per RBI's input, the said NBFC had acted as a conduit to pass on funds mobilised from the public by related party Limited Liability Partnership firms to related party partnership firms. Such actions of the NBFC were considered to be against public interest and in violation of the terms and conditions subject to which the Certificate of Registration was issued by RBI under section 45-IA of RBI Act, 1934, and therefore notice for showing cause why the registration of the NBFC may not be cancelled was issued to the NBFC on 26.8.2020.

RBI has also informed that with a view to create awareness among the public, it has issued a press release providing a list of NBFCs registered with RBI, Thiruvananthapuram and a website link to the list of all NBFCs registered with RBI in India, on 1.9.2020.
