

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA

UNSTARRED QUESTION NO. †1115

TO BE ANSWERED ON THE 26TH JULY 2021/ SRAVANA 4, 1943 (SAKA)

Loans to Fake Companies

†1115. SHRIMATI KESHARI DEVI PATEL:

Will the Minister of FINANCE be pleased to state:

- (a) whether the incidents of borrowing loans from the banks and not repaying the same by fake companies is increasing day by day in the country, if so, the details thereof;
- (b) the details of the steps taken by the Government to keep a check on the fake companies from borrowing loans;
- (c) whether the Government has developed any mechanism by which fake companies are prevented from borrowing the loans; and
- (d) if so, the details thereof?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(DR. BHAGWAT KARAD)

(a) to (d): Reserve Bank of India (RBI), *vide* Master Direction - “Know Your Customer (KYC) Direction, 2016, dated 25.2.2016 has issued directions requiring banks to follow certain customer identification procedures while opening an account of the company. As per the laid down procedure, for opening an account of a company, banks are required to obtain a certified copy each of the following documents, or the equivalent e-documents thereof:

- (i) Certificate of incorporation
- (ii) Memorandum and Articles of Association
- (iii) Permanent Account Number of the company
- (iv) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- (v) Documents, as specified for individuals in the said directions, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company’s behalf

In addition to the above, RBI has advised banks to have appropriate Board-approved policies, to carry out necessary due diligence before arriving at a credit decision and to ensure proper assessment of credit application of borrowers. It may thus be seen a well-developed mechanism is in place to prevent fake companies from borrowing from banks.

With regard to details of incidents of borrowing loans from the banks without repayment by fake companies, RBI has informed that the information in this regard, is not maintained with it.
