

Filing of suits to recover dues from Wilful Defaulters

May 2, 2001

DBOD No. BP.BC.115 /21.03.038/2000-01

All Scheduled Commercial Banks (excluding RRBs) and
Notified All India Financial Institutions

Dear Sir,

Filing of suits to recover dues from Wilful Defaulters

Please refer to our Circular DBOD. No. BP. BC. 69/21.03.038/99 dated July 12, 1999 advising banks to review at different levels the cases of loss assets, which are outstanding for more than two years, and legal action has not been initiated.

2. In terms of our Circular DBOD No. BC. DL (W) 12/20.16.002(1)/98-99 dated February 20, 1999, all scheduled commercial banks and notified AFIs have been advised to report to RBI cases of wilful defaults of Rs. 25 lakh and above on a quarterly basis to enable RBI to disseminate this information to banks and FIs.

3. A review of the information on wilful defaults submitted to us revealed that there are quite a few cases where the amount outstanding is substantial but the banks and FIs have not initiated any legal action. As you are aware, cases of wilful defaults have an element of fraud and cheating and, therefore, should be viewed differently. It has, therefore, been decided that banks and FIs should examine all cases of wilful defaults of Rs.1.00 crore and above and file suits in such cases, if not already done. Banks and FIs should also examine whether in such cases of wilful defaults, there are instances of cheating / fraud by the defaulting borrowers and if so, they should also file criminal cases against those borrowers. In other cases involving amounts below Rs.1.00 crore, banks and FIs should take appropriate action, including legal action, against the defaulting borrowers.

4. Please acknowledge receipt.

Yours faithfully,

Sd/-

(M. R. Srinivasan)

Chief General Manager-in-Charge