

## **Government may clip wings of wilful defaulters soon**

India may stop wilful defaulters with loans exceeding Rs 50 crore from travelling overseas without prior approval as part of a crackdown on promoters looking to leave the country without meeting repayment obligations.

The recommendation has been made by a committee headed by financial services secretary Rajiv Kumar that was formed to suggest ways of preventing this from happening.

“It was recommended that Section 10 of the Indian Passport Act may be amended to provide that persons who are in wilful default of loans above a specified limit of debt may be treated as financial and economic risk in public interest,” said a government official, adding that the specified limit may be set at `50 crore. “This is still being discussed.” Section 10 deals with the impounding and revocation of passports.

In March, the central government had directed banks to seek the passport details of borrowers taking loans of Rs 50 crore and more.

Any restriction on foreign travel has to be based on reasonable justification and be tenable legally, the committee has said.

“In case of accounts above the limit prescribed and being red flagged based on objective criteria or banks’ commercial prudence, they (banks) should be enabled to inform enforcements agencies and ministry of external affairs,” said another government official.

The circumstances of the case may warrant the prevention of debtors leaving the country pending the resolution of financial irregularities by lending financial institutions, he said. However, the government does not want a blanket ban, especially in cases where frequent trips are necessitated by business reasons.

The committee had representation from RBI, the ministries of home and external affairs, the Enforcement Directorate (ED) and the Central Bureau of Investigation (CBI).

Apart from Nirav Modi, who’s said to be involved in a Rs 14,000-crore fraud at Punjab National Bank and Kingfisher Airlines founder Vijay Mallya, several promoters have left the country before being declared wilful defaulters or accused of fraud.

As part of the drive to clean up the banking system, the finance ministry had also directed PSBs to examine all NPA accounts of over `50 crore for possible fraud and accordingly report the cases to concerned investigating agencies, including CBI, ED and DRI, if any wrongdoing was detected.

According to RBI guidelines, a wilful default is deemed to have occurred if the borrower has not met repayment obligations despite having the capacity to do so. Diversion of funds for purposes other than those stated is also considered grounds for being declared a wilful defaulter.

*(Economic Times)*