

The Chairmen
Regional Rural Banks

Dear Sir,

Frauds in the area of housing, consumer and retail finance

Cases of frauds have been reported to us by banks in the housing, consumer and retail finance portfolios perpetrated by unscrupulous borrowers by submitting fake/forged/stolen documents. The most common modus operandi adopted was availing of credit facilities by submitting forged/fake documents in respect of properties offered to banks as securities. Other types of modus operandi, which came to notice were as follows :

- i) In many cases, the same property was offered as security to different banks by submitting fake title deeds.
- ii) In some cases, the properties, which were mortgaged to the banks, were found to be non-existent.
- iii) Loans were granted to persons without verifying their antecedents/details. As a result, subsequently they were found to be non-existent.
- iv) The documents submitted for availing the loans such as the deeds, income tax returns, salary certificates etc. were found to be fake/fictitious.
- v) The chartered accountants who had purportedly issued/verified the documents were found to be non-existent themselves.
- vi) In a number of fraud cases, the builders/developers had defrauded the banks by pocketing the housing loans which they managed to obtain in the names of fictitious persons by submitting forged documents.
- vii) In certain cases, builders/developers in connivance with the employees of Public Sector Undertakings had arranged housing loans from banks by submitting fake/forged/manipulated salary certificates. Such loans were subsequently misappropriated.
- viii) Vehicle/consumer loans were obtained by submitting fake/forged invoices/quotations and were misappropriated without creating charge on the security.

2. As a preventive measure, the branch/field level functionaries have to be vigilant in this regard. You may, therefore, review the existing systems and controls and plug the lacunae therein to prevent occurrence of such frauds. You are also advised to carry out field level inspections at branches having exposures in these areas. The Board of Directors may be kept apprised, on a periodical basis, of the irregularities revealed and the likely loss on this account.

3. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully,

(Varughese John)
Chief General Manager

Endt.RPCD.RRB /03.05.33/2003-04 of date.

Copy forwarded for information and necessary action to :

- i) All Sponsor Banks
- ii) All Regional Offices of RPCD.
- iii) NABARD, IDD/DOS, Mumbai 400 051.
- iv) As per the Mailing List.

(A.K.Bhandari)
Deputy General Manager