



RAJEEV CHANDRASEKHAR
MEMBER OF PARLIAMENT
RAJYA SABHA

Member of Standing Committee on Defence
Member of Consultative Committee on Defence
Member of Central Advisory Committee for the National Cadet Corps
Co-Chairman, Vigilance & Monitoring Committee, Bangalore Urban District
Vice Chairman, National Military Memorial Management Trust, Bangalore

Ran Sur Rajan

28 April, 2016

Sub.: Petition Received from a Citizen regarding Alleged Karnataka Bank, RBI and SDIL fraud

I have received a petition from Mr. Rachit Garg, a citizen of Bangalore, via email, which is enclosed herewith.

As you will note, certain allegations have been made against Karnataka Bank in this petition. You may wish to get these examined by the concerned officials, since it is alleged that 1200 families have become victims as a consequence of this.

I request you to kindly issue the necessary directions for examination of this case at the earliest and keep my office informed about the action taken in this regard.

Sincerely,

Rajeev Chandrasekhar

RAJEEV CHANDRASEKHAR

Mr. Raghuram G. Rajan
Governor
Reserve Bank of India
Central Office Building
Mumbai 400 001

Encl.: Copy of petition received from Mr. Rachit Garg via email

Copy to: Ms. Anjaly Chib Duggal, Secretary (FS), Department of Financial Services, Ministry of Finance

PETITION RECEIVED FROM MR. RACHIT GARG VIA EMAIL

From: Rachit Garg [REDACTED]
Date: Apr 21, 2016 2:59:11 PM
Subject: Karnataka Bank, RBI and SDIL fraud with 1200 homebuyers
To: Rajeev Chandrasekhar (rajeev.c@nic.in)

Dear Sir,

As per the twitter interaction i am listing out some facts of the Karnataka Bank , Sovereign Developers and Infrastructure limited (SDIL) and Reserve Bank of India fraud because of which 1200 families even after depositing full amount in Karnataka Bank as per the terms of the agreement have no clarity on the ownership of their flats.

Explanatory Note

SDIL availed the project loan of Rs 25 Cr from the Karnataka Bank, Koromangala Branch, Bangalore prior to the launch of the Unnathi Project and Rs 15 Cr was disbursed by the Koromangala Branch on 17th May, 2010. This approval of loan and upfront disbursement of Rs 15 Cr by Karnataka Bank was a sham due to the following reasons:

1. As per the RBI Guidelines (RBI/2009-10/131 DBOD.No. Dir (Hsg). BC.31/08.12.001/2009-10, August 27, 2009 <https://rbi.org.in/scripts/NotificationUser.aspx?ld=5233&Mode=0>) issued to the Scheduled Commercial Banks issued on the directions of the Bombay High Court on August 27, 2009 Karnataka Bank should have insisted on disclosure of their charge on the plot, in the brochure, pamphlets etc., which was published by the SDIL in various Newspaper dailies or in the Broachers' inviting public at large to purchase flats and properties. But none of the newspapers advertisement published before or after the sanction of this loan have any such disclosures attached to it and still Karnataka Bank disbursed Rs 15 Cr upfront to the SDIL which is in direct contravention to the RBI guidelines.

(If required Copies of booking letter, brochures and Newspaper advertisements can be provided later to prove that nowhere such disclosures were made.)

2. Further as per the aforementioned circular this condition of the disclosure should have been the part of the terms and conditions on which the loan was sanctioned by the Karnataka Bank but when I got the copy of this sanction letter and read its terms and conditions, I identified that nowhere these guidelines were listed down in it.

(If required Copy of sanction letter can be provided to prove this allegation.)

3. Again, without adhering to the RBI guidelines of mandatory disclosures of charge, on 19/02/2013 Karnataka Bank made a disbursal of Rs 2.5 Cr from the loan account and you will be surprised to find that subsequently on the same day Rs 2.5 Cr was deposited in the same loan account by the SDIL. As per the sanction letter, loan was given for the development of Unnathi project only , so how can this money be utilized to pay the loan installment and again why further loan of Rs 2.5 Cr was disbursed on 19/02/2013 when the borrower hadn't paid the first installment of Rs 2.5 Cr which became due on 17th November, 2012 only (30 months holiday period from the date of first disbursal i.e. 17/05/2010) . Moreover this loan was sanctioned as a project

loan and only for the development of the Unnathi Project but here upfront disbursement of Rs 15 Cr was done at a time where even the foundation work was not initiated in any phase of the project.

(Copy of Term Loan Account statement and Term Loan Agreement can be provided, if required.)

4. As per the terms of Sanction of this loan, all the money that SDIL was supposed to collect from the home buyer should have been routed through Karnataka Bank Accounts (Term Loan Account No 0947001600320701, Escrow for Phase 1 : 0942000100164001, Escrow for Phase 2 and 3 : 0942000100170001 and Booking advance account no : 1262000100037201 and other Current account of SDIL with KBL: 0947001000675301, 1132000100060001) and based on these terms of the agreement between KBL and SDIL , about 190 Cr was deposited in the various accounts of SDIL with the Karnataka Bank as mentioned above . Now if this big amount of Rs 190 Cr was deposited by the homebuyers in Karnataka Bank account then under what circumstances had SDIL succeeded in withdrawing full 190 Cr from these accounts and thereby defaulting the loan of Principal Amount of Rs 17.5 Cr.
5. As per the terms of Sanction letter SDIL was supposed to obtain the NOC before handing over the flat to the prospective buyer and NOC will be issued after recovery of 30.00% from the sale proceeds of the flat but here Karnataka Bank, in its letter to you, has admitted that about 600 NOC's were issued in favor of various financial institutions that agreed to provide loans to the prospective buyers without recovering 30% of the sale proceeds and this further establishes the fact that from beginning officials of Karnataka Bank were in hand in glove with the SDIL whose aim was just to cheat the buyers.
6. Further in the builder buyer agreement at page 6 it is clearly mentioned that

"WHEREAS on the terms stated above, the seller and builder have offered to sell the Schedule 'E' Property herein free from all encumbrances and the Purchaser/s accepted the said offer and agreed to purchase Schedule 'E' Property free from all encumbrance for consideration mentioned in Annexure-II hereto. "

Now Karnataka Bank as stated above have accepted the fact that they issued about 600 NOC's and it is highly unbelievable on my part to assume that Karnataka Bank was completely ignorant of the said clause in the agreement to sell and that too in not one or two buyers agreement but in all of the customers. Further Karnataka Bank, themselves, have provided loan to few individual homebuyers (Govind Hegde-A2-41, Diana Francis-B4-93, Jalaja Ramanunni -D5-103 and Anoop K K -D5-63) by taking this agreement to sell as collateral.

7. Reserve Bank of India in its circular to all commercial Banks have clearly laid down the procedure under which if the borrower defaults any loan beyond the sum of Rs 25 lakhs, he/she along with the guarantors of the said loan should be declared as the Willful Defaulter in order to caution other banks and financial institutions so as to ensure that further bank finance is not made available to such borrowers and have also recommended to register the criminal case under the provisions of Sections 403 and 415 of the Indian Penal Code (IPC), 1860. But to my surprise in this particular case the said borrower defaulted the Loan in 2013 only and till date no such action as mentioned above has been initiated by the Karnataka Bank on these grounds.

8. Further as per the Loan Sanction letter SDIL was supposed to submit Audited financial Report, Sales Tax Assessment report for every financial year with Karnataka Bank but KBL never ensured such compliances and its branch managers were freely disbursing the money to the builder (SDIL).
9. It is pertinent to note that as per Section 4 of the Karnataka Ownership Flat Act,1973 it is mandate for every builder to register the agreement of sale but in the instant case the Banks and financial institutions in contravention of this statutory provision had advanced loan on an unregistered agreement of sale. Hence the said act of the Banks and Financial Institutions and M/s Karnataka Bank Ltd., is again an illegal act.
10. Further as per RBI guidelines on fraud reporting https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=9062#CT15

"(b) Therefore, as a general rule, the following cases should invariably be referred to the State Police:

- i. *Cases of fraud involving an amount of ` 1 lakh and above, committed by outsiders on their own and/or with the connivance of bank staff/officers.*
- ii. *Cases of fraud committed by bank employees, when it involves bank funds exceeding ` 10,000/-.*

(c) Fraud cases involving amounts of ` 100 lakh and above should also be reported to the Director, Serious Fraud Investigation Office (SFIO), Ministry of Company Affairs, Government of India. Second Floor, Paryavaran Bhavan, CGO Complex, Lodhi Road, New Delhi 110 003. Details of the fraud are to be reported to SFIO in FMR-1 Format."

But in the instant case M/s KBL had accepted before the Reserve Bank of India that there were lapses on the part of its Koramanagala Branch but has not filed any police complaint or case with the SFIO, again blatantly violating the RBI guidelines.

11. Now on March 30,2016 , M/s Karnataka Bank without issuing the NOC to homebuyers even after collecting full money from each one of us ransfered the loan to Phoenix ARC just to wash off their hands .

We have filed multiple complaints with the Reserve Bank of India , Department of Banking Supervision , Bangalore Regional office as well as Central office on these blatant violations of RBI guidelines by M/s Karnataka Bank but officers in RBI instead of helping the homebuyers for no fault of theirs are trying to cover up the lapses on the part of M/s Karnataka Bank Ltd.

This is just one of the case where 1200 families have become victim of the Dual financing of Housing Loan Scam endorsed by the RBI .

So, please help us in getting the justice from the Reserve Bank of India.

Thanks and Regards,

Rachit

