Notice on Wilful defaulters – CIC to RBI

Why in news?

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The Central Information Commission has issued a show cause notice to the Reserve Bank of India recently.

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What is the background?

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- Bad loans at the country's commercial banks surged to 11.6% of all advances in 2018 from 10.2% in 2017, according to RBI.
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- RBI has repeatedly acknowledged the gravity of the problem it faces, including in ensuring more accountability from the public sector banks over which it wants greater control.
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- However, it has consistently invoked both the risk to the country's economic interest and its fiduciary relationship with lenders to avoid sharing information on the largest defaulters with RTI applicants.
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- But the Supreme Court, in its 2015 order, mandates disclosure of names of the wilful defaulters.
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- The judges had directed the central bank to comply with the provisions of the RTI Act.
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- It observed that the RBI has no legal duty to maximise the benefit of any public sector or private sector bank, and thus there is no relationship of 'trust' between them.
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- Despite this, the RBI has recently denied information on people who have taken bank loans of Rs 50 crore and above to the CIC.
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- Hence, the Central Information Commission (CIC) asked the RBI Governor to explain why a maximum penalty be not imposed on him for "dishonouring"

the verdict.
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- CIC has also accused RBI of hiding names of high-profile loan defaulters.
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What does the CIC order say?

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- The baseless and unsubstantiated argument of the RBI that the disclosure would hurt the economic interest of the country is totally misconceived.
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- Through this, the central bank privileges individual banks' interests over its obligation to ensure transparency.
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- The RBI is liable to provide information regarding inspection report and other documents to the general public.
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- RBI needed to act with transparency and not hide information that might embarrass individual banks.
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- It is duty-bound to comply with the provisions of the RTI Act and disclose the information sought by the respondents.
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- Hence, the RBI shall disclose the bad debt details of defaulters worth more than Rs 1,000 crore at the beginning, of Rs 500 crore or less at later stage within five days.
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- All these are possible since the RBI has the right to obtain information from the banks under Section 27.
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- Under this, RBI shall collect information from the banks in due course to update their voluntary disclosures from time to time as a practice under Section 4(1)(b) of RTI Act.
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- This information can only be in its discretion published in such consolidated form as RBI deems fit.
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What more has been done?

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- The commission considers the governor as deemed PIO responsible for non-disclosure and defiance of SC orders and CIC orders.
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- Thus, it directs him to show cause why maximum penalty should not be imposed on him for these reasons.
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- The CIC also sent notices to the Prime Minister's Office and the Ministry of Finance seeking information regarding another RTI application.
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- The RTI application claimed that former RBI governor made in his note to a parliamentary committee that he had handed over "a list of high profile fraud cases of non-performing assets to the PMO for a coordinated investigation."
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- Hence, the CIC asks the details of action taken on the letter on loan defaulters forwarded by the then RBI Governor.
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- However, the RBI had reasoned that any disclosure of information might jeopardise probe against defaulters while the PMO had sought refuge under technicalities to block the RTI query.
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- Though all large unpaid loans are by-products of mala fide borrowing, the onus is on the RBI and the government to initiate steps retaining public trust.
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- The RBI has started it through setting up a digital Public Credit Registry (PCR) to capture details of all borrowers, including wilful defaulters and also the pending legal suits in order to check financial delinquencies.
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- Thus it is the duty of the banking regulator to meet the CIC’s November 16 deadline for furnishing the information sought about those owing Rs. 1,000 crore or more, to start with.
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Source: The Hindu, Economic Times

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