

**GOVERNMENT OF INDIA  
FINANCE AND COMPANY AFFAIRS  
LOK SABHA**

UNSTARRED QUESTION NO:774

ANSWERED ON:21.02.2003

ONE TIME SETTLEMENT OF LOANS OF BANKS

AMBATI BRAHMANAIAH;JAGMEET SINGH BRAR

**Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:**

- (a) whether Government and the Reserve Bank of India has reviewed the present One Time Settlement Scheme for bad loans;
- (b) if so, the details thereof;
- (c) whether the Government have agreed to raise the amount to be settled under the scheme for bad loans;
- (d) if so, the details thereof and other conditions attached to this change in policy; and
- (e) the details of measures being taken to give banks total flexibility in settling such debts?

**Answer**

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBAADSUL):

(a) to (d) The Reserve Bank of India (RBI) had issued guidelines on compromise settlements of non-performing assets (NPAs) upto Rs.5 crores, by public sector banks, in July, 2000. This scheme was in operation upto 30th June, 2001. The Government had recently brought in a new legislation viz. 'The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002'. With the enactment of the said Act, it was felt that one more opportunity may be given to the borrowers to come forward for settlement of their outstanding dues. Therefore, RBI have issued a fresh one-time settlement scheme on 29th January, 2003 for compromise settlement of chronic NPAs upto Rs. 10 crore. The cut-off date for such NPA accounts is 31st March, 2000. The last date for receipt of applications is 30th April, 2003 and processing of such applications is required to be completed by 31st October, 2003. These guidelines will not cover cases of willful default, fraud and malfeasance.

(e) In addition to OTS Scheme. Government and RBI have advised the banks and financial institutions to frame their own recovery policy with the approval of their Board of Directors. The banks have also been advised to reach compromise settlements through Settlement Advisory Committees and filing of suits in Debt Recovery Tribunals (DRTs). Banks have also been advised to use the forum of Lok Adalat for compromise settlements.