

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2450

ANSWERED ON:08.12.2006

LOAN FOR ILLEGAL AND UNAUTHORISED STRUCTURES

Gaikwad Shri Eknath Mahadeo;Mane Smt. Nivedita

Will the Minister of FINANCE be pleased to state:

- (a) whether banks are giving loans even for illegal and unauthorised structures;
- (b) if so, the number of such raises have; come to the notice during the last three years, bank-wise;
- (c) the action taken/being taken by the Government against such banks; and
- (d) the measures taken by the Government to streamline the procedure for granting loans by banks to avoid avoidable losses to the banks?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a): The banks have been advised by Reserve Bank of India (RBI), vide its circular dated 1st March, 2006, while appraising loan proposals involving real estates, it should be ensured that the borrowers should have obtained prior permission from the concerned competent Government authorities for the project, wherever required. In order to ensure that the loan approval process is not hampered on account of this, the proposals should be sanctioned in normal course and the disbursement should be made only after the borrowers has obtained requisite clearance from the Government authorities.

(b) & (c) : According to available information, one of the Public Sector Banks, i.e. Canara Bank has reported that it has come to know of such a case at Delhi some time ago. The Bank has taken steps to recover the loan.

(d): The RBI has, in pursuance of the orders of Hon'ble High Court of Delhi, issued instructions to all Scheduled Commercial Banks on November 17, 2006, indicating the observations/directions of the Hon'ble High Court for strict compliance. Copy of the RBI circular No.DBOD.Dir.BC. No.43/08.12.01/2006-07 dated November 17, 2006, is available on internet at the site of RBI, i.e. www.rbi.org.in/scripts/NotificationUser.aspx.