

STATE BANK OF INDIA OFFICERS' ASSOCIATION

(BENGAL CIRCLE)

(Registered under Trade Unions Act 1926-Regd. No. 6908)

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To All Members (Please Circulate)

ALERT SERIES - 2

ALERT!

XPRESS CREDIT

Comrades,

We are deeply concerned about the several incidences of frauds that have come to light in our Circle and this prompted us to think about starting issuance of circulars on important topics under 'Alert Series' to safeguard interest of our members as well as our esteemed institution. Moreover, the need is felt to increase awareness among our members on relative preventive and risk-mitigating measures as many of the frauds/ irregularities have been perpetrated /committed due to sheer negligence, ignorance and casual approach of our members.

In this second edition of 'Alert Series' we have taken up different aspects of Xpress Credit Loan as it has been observed with great concern that a large number of frauds have been reported, during this challenging time, in this area.

The undernoted instances, involving Xpress Credit Loans, are appended to depict a short modus operandi of recent frauds, for ready reference, with few tips to prevent them.

XPRESS CREDIT:

In recent past, it is observed with deep concern that Xpress Credit loans are sanctioned randomly by various branches to the people whose residence and place of work are far away from the sanctioning branch. Complaints are also received regarding involvement of middlemen for considering such loans. These factors lead to various kinds of frauds and drastic steps are initiated by bank management against our officers who are ensnared by agents and middlemen.

Some unethical practices were observed, for example, an Xpress Credit Loan was sanctioned by one of our Branches (say, Branch X), while the borrower was maintaining his/her salary account with another Branch (say, Branch Y) which was far from Branch X and the borrower had already availed Xpress Credit Loan from Branch Y. Thereafter, the Salary account was transferred to the Branch X after availing the Xpress Credit Loan and the existing loan at Branch Y was closed by transferring the proceeds from the new Loan sanctioned at Branch X. Such practice should be strictly discouraged, and the intention of the borrower should be analyzed carefully especially where the location of the borrower's office/ residence is/are not in the proximity of the sanctioning branch.

In some cases, applicants who had maintained their salary accounts with other banks, were also sanctioned Xpress Credit loans immediately after transfer of their salary accounts to our Bank (say within couple of days).

As per Xpress Credit norms, the proposals should have been rejected where the CIBIL score is showing written off status in Personal Loan and Multiple written off in Credit Card. These were ignored by the Branch. Multiple CIBIL enquiries where the history of credits/irregularities had been reflected in detail were also ignored by the Branch. Further, the customers tried to avoid availing the loan from the Branch where salary accounts were originally maintained and they became walk in customers at other Branch approaching for loan. Proper due diligence in sanctioning loans to the customers were not carried out by the Branch.

In some cases, the total eligible amount of loan as per as per EMI/NMI ratio was split down into two loans so that sanction and control could be done at branch level misusing delegation of financial power.

What went wrong and suggestions:

1. Meaningful Pre-Sanction and due diligence in processing/ sanctioning of the loan were not done. Although it has been instructed by the bank that we may take assistance of the empanelled agencies for verification of residential address as well as place of posting, we humbly request our members not to rely

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on those reports blindly and try to conduct at least one pre-sanction inspection (either at permanent residential address or at place of posting) to minimize the probability of fraud.

2. CIBIL report was not properly scrutinized. The delinquencies reflected in the CIBIL report were not properly taken care of. CIBIL score fetched by LOS may differ with the score fetched from CIBIL site. The reasons for the same were not analyzed. In such cases, approval from the appropriate authority to be obtained as per Bank's laid down norms (mostly related with credit card).
3. Multiple CIBIL enquiries on the customer were not properly analyzed. Please obtain Credit Information Report (CIR) from two different CIC in case of loan above Rs. 4.00 lakh. Please verify whether there is any settlement/write off entries against previous loans/Credit card dues.
4. Delegation of Financial Power in respect of individual exposure under the scheme to be strictly adhered to.
5. KYC documents to be verified with the originals by Bank Officials- checking of photograph, signature of borrower(s), Address proof from verifiable sources, PAN card verified from IT/NSDL sites etc. Please avoid assigning the job to verification agencies.
6. Documents for proof of identity are to be verified through Website of Public/concerned authority like "https://incometaxindia.gov.in" etc.
7. Salary Slips to be checked with the disbursing authority. Each components of salary should not be rounded off amount; Salary is reflected in the Bank account by way of entries in statement/pass book pertaining to last six months; Salary slips should match with IT Returns/Form-16. Salary slips for latest three months should clearly indicate all deductions. Please check whether salary is being credited into the salary account of the borrower.
8. Genuineness of Form-16 to be ascertained; Deviation to be obtained in case of non-availability of the same for minimum stipulated number of years.
9. Irrevocable letter of Authority & undertaking from the employee and employer to be obtained on Bank's prescribed format.
10. Letter to be sent to DDO (Annexure: XP-10 or Annexure XP-11 as applicable) immediately after sanction of the loan.
11. The involvement of Middlemen/Agent in sourcing and documentation of Xpress Credit loans to be strictly avoided.
12. Controlling office functionaries should closely monitor spurt of Xpress Credit loans at branches and conduct independent verification. The control returns should be meticulously scrutinized and CIBIL reports should also be cross checked. The operating functionaries/appraising as well as sanctioning authority must ensure compliance of pre-sanction formalities as laid down in Master Circular of Xpress Credit (Circular No.: NBG/PBU/PL-PERLOANS/71/2019 – 20 Date: Mon 3 Feb 2020). The officials responsible in the sanctioning process need to be vigilant and exercise caution in relation to the possible irregularities in above areas while coming across such proposals to prevent any irregular practices and to protect Bank's interest.

Comrades, we, as banker, undertake great responsibility towards protecting the interest of the depositors as well as various other stakeholders. Let us understand that deviation from laid down systems and procedures may lead to irregular/fraudulent activities which invite both financial and reputational loss to the Bank. So, the undersigned earnestly request you to acquaint yourselves with your role manual and discharge your responsibility within the ambit of Bank's systems and procedures not only to keep intact your own interest but also to safeguard the interest of our great institution.

"Stay Safe, Stay Healthy"

With revolutionary greetings,



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