

LOKPAL OF INDIA
Plot No. 6, Institutional Area, Phase- II
Vasant Kunj
New Delhi - 110070

Complaint No. : 214 / 2024

Date : 11.03.2025

Coram : **Shri Justice A.M. Khanwilkar**
Chairperson

Shri Justice L. Narayana Swamy
Member

Shri Justice Sanjay Yadav
Member

Shri Sushil Chandra
Member

Shri Justice Ritu Raj Awasthi
Member

Shri Ajay Tirkey
Member

ORDER

1. The complaint is against the General Manager and Zonal Head, Union Bank of India, Mangalore, hereinafter referred to as RPS (Respondent Public Servant).



2. Vide Order dated 25.10.2024, the Full Bench directed the Central Vigilance Commission (CVC) to cause a Preliminary Inquiry. In compliance with this Order, CVC forwarded the Preliminary Inquiry Report vide Office Memorandum (OM) dated 03.12.2024, as received from the CVO, Union Bank of India; and subsequently, vide OM dated 12.12.2024, submitted the comments of the Competent Authority.
3. The allegations are as follows:-
- (a) The Bank executives are threatened and pressurised to sanction credit proposals by General Manager Zonal Head, Mangalore.
 - (b) There seems to be a nexus between RPS and a Chartered Accountant (CA).
 - (c) The CA is said to be close to the MD & CEO of the Bank. CA refers many business proposals.
 - (d) RPS entered into an agreement for purchase of a flat with the borrower who had approached the Bank to secure a loan facility.
 - (e) The loan was not falling within the sanctioning power at the zonal level, but it was sanctioned by manipulating the data to bring it within the sanctioning power.



- (f) The purchase price of the said flat is Rs.52 lakhs whereas the quoted price as per the brochure ranges between Rs.66.34 lakhs and Rs.92.52 lakhs.

4. From the perusal of the Preliminary Inquiry Report, it emerged that the executives, mentioned in the complaint, were interviewed by the Inquiring Officers. Both the executives had denied of any external / internal pressure to sanction the credit proposals. The findings in the Preliminary Inquiry Report are as below:-

- (i) That, it was observed during the inquiry that except the credit proposal of M/s Mukund MGM Realty (Not yet disbursed), no other credit proposals mentioned in the complaint were sourced by Mr. XXXXX (*name redacted for confidentiality*) (Chartered Accountant). There was no conclusive evidence to prove any nexus between RPS and the Chartered Accountant.
- (ii) That, the RPS has booked a flat in "Kedar Residency", bearing No.1405 (3 BHK), by availing the NRW from PF account. On 11.11.2024, inquiry officials visited the "KEDAR REALTY" building wherein the RPS has purchased the said flat and enquired with the sales executive of the builder. However, details of the price of the flat at the time of purchase of the flat by RPS in Feb. 2024



could not be established as sales executive of the firm/builder has not shared the sale agreement price and other details.

- (iii) That, as per legal opinion, 32 flats are offered as collateral securities in that building, in those 32 flats, flat No.1405 (booked by RPS) has not been offered as collateral security. As per the Sale Agreement shared by the RPS, the cost of the flat is Rs.51 lakhs.
- (iv) That, based on financials of 2024, there is no deviation to Loan Policy. Hence proposal was sanctioned at Zonal Office level.
- (v) In addition to the aforesaid allegations, the complainant had levelled certain allegations in relation to the loan accounts. With regard to some of these allegations, it had been stated in the Preliminary Inquiry Report that no deviation, no irregularity and no abnormality has been observed. It had also been stated in the Report that *"No malafide intentions observed on the part of any officials mentioned in aforesaid accounts are observed"*. However, certain irregularities, which are operational and procedural in nature, have been observed.

5. The Inquiry Report concluded that:-

"M/s Mukund MGM Realty CRE Term Loan sanctioned by accepting collateral securities, some of which are under construction properties."



Preliminary Information Memorandum (PIM) was accepted on 26.02.2024 and extended up to 30.09.2024 without any concrete reason and that too based on the same financials. However, as per loan policy 2023-24, PIM is required for proposal above Rs.20.00 crore. ZO, Mangalore sanctioned credit facilities on 17.09.2024 based on the ABS23-24 which was finalised on 06.09.2024. Hence, there is no deviation to Loan policy as per ABS – 2023-24.

M/s Shri Ananth Srinivasa Industries : Proper reasons not mentioned in the note about the enhancement of the credit limits 3 times within a year. Even though credit limits not fully utilised by the customer.

Enhanced credit limits released without signed Executive summary of MLP, Mangalore which contain pre & post disbursement terms & conditions.

Extension of MOTD not ensured before release of the limits.

In other accounts major deviations not observed.

Non business related transactions observed in M/s Ishva Motors i.e. Rs.75.00 lakhs transferred to one of the partners.

Contacted the Credit committee members about the external/internal pressure to recommend/sanction any credit proposal, they denied to share any information about the pressure.”

6. The CVO, in his recommendations, has observed that most of the allegations levelled in the complaint are operational in nature; and bonafide decisions to sanction loans had been taken to promote business growth and commercial interest of the Bank in prevailing circumstances. However, he (CVO) had listed certain operational and procedural irregularities:-

“CRE Term Loan of Rs.20.00 Crores sanctioned to M/s Mukund MGM Realty by accepting collateral securities, some of which are under construction properties.

PIM was accepted on 26.02.2024 and extended up to 30.09.2024 without any concrete reason and that too based on the same financials. However,

as per loan policy 2023-24, PIM (preliminary information memorandum) is required for proposal above Rs.20.00 crore. ZO, Mangalore sanctioned credit facilities on 17.09.2024 based on the ABS23-24 which was finalized on 06.09.2024. Hence, there is no deviation to Loan policy as per ABS-2023-24. However, the limit is not availed yet.

M/s Ananth Srinivasa Industries: Proper reasons not mentioned in the note about the enhancement of the cash credit limits 3 times within a year. Term loan of Rs.14.53 lakhs is not availed till date.

Enhanced credit limits released without signed Executive summary of MLP, Mangalore which contain pre & post disbursement terms & conditions in case of M/s Ananth Srinivasa Industries and extension of MOTD not ensured before release of the limits.

Non business related transactions observed in M/s Ishva Motors i.e. Rs.75.00 lakhs transferred to one of the partners accounts."

As a systemic improvement, the CVO has recommended that the Zonal Office, Mangalore, may be advised to rectify the irregularities pertaining to the said loan accounts as mentioned in the inquiry report.

7. The competent authority, in his comments, had stated as follows:

"The reply submitted by the Zonal head regarding the delay in obtaining the ABS and the consequent delay in sanction of the proposal and extension of PIM appear to be justified.

The explanation regarding the nature and value of the collateral security reckoned for coverage may be accepted as they are said to be discussed in the ZLCC note.

The statement of the Zonal Head as to the purchase of flat in KEDAR RESIDENCY may be accepted as it was seen that she withdrew an amount of Rs.39 lacs on 27.02.2024 for purchase of the flat.

It is however observed that the Term Loan was sanctioned by accepting collateral securities some of which are under construction. The facility was



sanctioned on 17.09.2024 based on ABS 23-24 which was finalized on 06.09.2024.

We would like to inform you that there is no evidence available with us as to the exertion of external pressure on the MLP/Committee members for sanction of proposals."

8. The matter was placed before the Full Bench for consideration of the PI Report, on different dates when the Bench deliberated after due scrutiny of the report and relevant records. Thus, the Bench has perused the Preliminary Inquiry Report, the comments of the Competent Authority and other related documents. It has emerged from the comments of the competent authority that there had been a delay in sanction of proposals and irregularity in extension of the Preliminary Information Memorandum (PIM). However, the competent authority did not find any evidence regarding exertion of external pressure on the Committee Members for sanction of proposals. The competent authority had further concluded that the RPS had withdrawn Rs.39 lakhs for purchase of flat in Kedar Residency. However, it was observed that the purchase price of the flat, as per the Sale Agreement shared by the RPS, was Rs.51 lakhs. With regard to the quoted price of the said flat as per Brochure, the Inquiry Report stated that the *"details of the price of the flat at the time of purchase of the flat by RPS in Feb. 2024 could not be established as sales executive of the firm has not shared sale*



agreement price and other details". The Preliminary Inquiry Report is also not very clear with regard to the policy of the collateral security while a beneficiary avails of such a term loan. Moreover, it has been observed that the purchase of flat by RPS in Kedar Residency has been from a borrower of the bank. Therefore, the Full Bench was of the considered opinion that a deeper probe was required in the matter.

9. Therefore, before proceeding further, vide Order dated 07.01.2025, the Bench directed the Registry to issue show cause notice to the RPS for giving an opportunity of being heard in terms of Section 20(3) of the Lokpal and Lokayuktas Act, 2013, on 18.02.2025, to show cause why one or more than one option prescribed therein may not be directed. It was also stated in the said Order that the RPS is free to appear in person or through authorized representative, including by filing written submissions within five weeks from receipt of a copy of the Order. The Inquiry Officer was directed to remain personally present along with relevant records on that date to assist the Bench during the course of the hearing.
10. In compliance with this Order dated 07.01.2025, RPS filed written submissions vide letter dated 10.02.2025. On 18.02.2025, the named RPS appeared in person, represented by Learned Advocate Shri



Nikilesh R. The complainant was represented by an authorised representative Shri Sh. Bharat Singh. Two Inquiry Officers from Union Bank of India were also personally present. Advocate for RPS prayed for permission to file Vakalatnama in the course of the day which was allowed.

11. We have gone through the written submissions of RPS and have heard at length the Learned Advocate who appeared to espouse the cause of the RPS.
12. In her written submissions, RPS has submitted that she never threatened nor brought any external / internal pressure on the MSME Loan Point (MLP) Head or the Branch Head for sanctioning of any of the loans. RPS has further submitted that M/s Mukund MGM Reality has a long standing relationship with the Bank and therefore, introduction from a third party is not necessary. That, M/s Mukund MGM Reality is not sourced by the said CA and as far as the other loans are concerned, she is not involved and responsible as they were either sanctioned by the MLP or Regional Level Credit Committee (RLCC). The loan sanctioned to M/s Mukund MGM Reality falls under Real Estate Sector and as per the policy on Delegation of Loaning power,



Regional Level Credit Committee (RLCC) does not have the power to sanction loans to Real Estate Sector. Hence, the proposal was recommended by RLCC to Zonal Level Credit Committee (ZLCC) for sanctioning. During the hearing, the Learned Advocate clarified that the ZLCC has the power to sanction loan upto Rs.50 (fifty) crore and that RPS was the General Manager and Zonal Head.

13. RPS has, in her submissions, stated that she had purchased the flat in Kedar Residency for Rs.52 lakhs by withdrawing Non-Repayable Withdrawal (NRW) from PF account and that the loan policy permits to purchase a flat from any builder in individual capacity. That, upfront payment of Rs.40 lakhs (including Rs.39 lakhs withdrawn from PF account) was made by the RPS during the "Mock up Launch Offer" offered by the builder from 15.02.2024 to 20.03.2024. Since the RPS purchased the 2 BHK flat and paid Rs.40 lakhs upfront, the builder offered the flat at Rs.52 lakhs. That, commercial cum residential building of the applicant firm 'Kedar Residency' was offered as collateral security, of which only the unsold portion owned by the applicant firm i.e. Rs.10.01 cr. is reckoned for security coverage and is enough to suffice the requirement of 50% collateral security required as per the loan policy. During the hearing, the Learned Advocate clarified that the flat of RPS is not included as security since the same is already sold.



He also submitted that there are other individuals who availed of the "Mock up Launch offer".

14. That, loans of XXXXX (name redacted for confidentiality) and enhancement of limits multiple times were not sanctioned by the RPS or her office but was canvassed jointly by Shri XXXXX and the then Branch Manager of MG Road Branch. That, RPS is not involved in the sanction process and not responsible for the sanctions and enhancement.
15. That, all other loan accounts where certain operational and procedural irregularities have been observed, RPS has submitted that the said loan accounts are sanctioned by MLP and RLCC and irregularities are to be rectified by the sanctioning authority. That, RPS is not the sanctioning authority and hence, not responsible for the rectification of irregularities.
16. During the hearing, our attention was drawn to the fact that RPS had booked Flat No.1404 with 2 BHK and not flat No.1405 with 3 BHK. The I.O. stated that it was the builder who had shared this incorrect information. Be that as it may, it puts the I.O.'s inquiry report in poor light. Such casual approach at inquiry stage is a matter of concern. The CVC may look into this aspect appropriately, separately.



17. After perusing the Preliminary Inquiry Report, comments of the Competent Authority, written submissions of the RPS and considering the arguments put forth by the Learned Advocate, we are of the considered opinion that no further action is warranted by the Lokpal in the matter. For, no vigilance angle can be deduced from the emerging factual narrative. Whereas, the allegations in the complaint are bordering on frivolity and vexatious.
18. However, the operational and procedural irregularities observed by the CVO of Union Bank of India in the Preliminary Inquiry Report, as detailed in paragraph 7 supra, with regard to the term loan, PIM, enhancement of credit limit and non-business related transactions need to be looked into and rectified by the authorities concerned. The Bank ought to take action for systemic improvements in this regard and make all those dealing with such loan accounts / CC limits accountable at every level to prevent irregular transactions and to ensure greater transparency. The MD & CEO of the Union Bank of India to submit an Action Taken Report to the Lokpal of India within three months from the date of receipt of this Order. A copy of the Order be sent to the Secretary, Department of Financial Services (DFS), Ministry of Finance, Government of India, for information and to take follow up steps.



19. The complainant be well informed that frivolous or vexatious complaint attracts action under Section 46 of the Lokpal and Lokayuktas Act, 2013. The complainant be also informed that his request to furnish him copy of the Inquiry Report cannot be acceded to, in terms of the confidentiality provisions in the Act of 2013 and Rules made thereunder.
20. Registry of the Lokpal of India is directed to do the needful.
21. With the above directions and observations, the complaint stands disposed of.

Sd/-
(Justice A.M. Khanwilkar)
Chairperson

Sd/-
(Justice L Narayana Swamy)
Member

Sd/-
(Justice Sanjay Yadav)
Member

Sd/-
(Sushil Chandra)
Member

Sd/-
(Justice Ritu Raj Awasthi)
Member

Sd/-
(Ajay Tirkey)
Member


(Court Master)

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