

Reasons to Reveal Wilful Defaulters Names

What is the issue?

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- There are strong reasons to reveal the names of wilful defaulters.
- It is also necessary to act on those defaulters information instead of just name shaming them.

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Why the names of defaulters were not revealed by RBI?

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- RBI previously didnt want to reveal the names of wilful defaulters because it felt the contract between bankers and their borrowers forbid making these details public.
- This argument never really measured up because, as a result of these wilful defaulters, the taxpayer was being asked to bear the cost.
- Either in the form of the value of these banks falling precipitously or by way of the government infusing money into these banks.
- Since the taxpayer was bailing or bankrupt or thieving businessmen, the names of defaulters were not revealed for commercial reasons.
- Now the RBI has all the more reason to reveal names of wilful defaulters as the banks were also complicit in the fraud and only when names are disclosed investigation could begin.

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What is the supporting reason for revealing defaulters names?

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- The Right To Information (RTI) Act says that information has to be made public, & any ambiguity about whether this applied to the defaulters was settled by a Supreme Court verdict few years ago.
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- If defaults are not made public the day they happen, then it is impossible for any credit rating agency, or the stock markets, or any analyst, to take a view on the company.
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- When defaulters data is immediately made public that serious analysis of the causes and, projections can be made that are critical for any form of analysis and resolution of the problem.
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What steps are taken to reveal defaulters data?

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- RBI's Asset Quality Review, has forced banks to come clean on the dodgy loans and more stringent recognition norms are put in place.
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- The government then brought out the Insolvency and Bankruptcy Code (IBC) that was executed through the National Company Law Tribunals (NCLT).
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- Laws are also put in place to ensure that defaulters couldn't get back their companies until they cleared the dues, resulting in their names becoming public.
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- The smaller defaulters whose names have not been made public yet would soon be made as the Central Information Commission (CIC) wants even the list of defaulters over `50 crore to be made public.
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- So, in order to not be guilty of contempt of court, the central bank would do well to release all the names.
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- It also has to be kept in mind that there is no use in just name shaming the defaulters and insolvency process has to begin as quickly as possible to retrieve the defaulted the money.
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Source: The Financial Express

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