



LIGHTHOUSE NEWSLETTER

TUESDAY, 04 SEPTEMBER 2018



BRANCH MANAGERS TO ADHERE TO STANDARD PROCEDURES AND NORMS FOR ASSESSING BORROWER CREDITWORTHINESS

Not holding the position of a Director, Key managerial personnel or deemed as Officer in default, does not absolve a Bank employee from liabilities for non-performance of duties. Terms of appointment decide responsibilities and liabilities. Every employee shall perform the duty of lending with integrity, diligence, honesty, devotion and in the best interests of the Bank. The core function of lending is targeted at fulfilling specific needs of Priority sectors, Small and Medium enterprises, Start-ups and Women Entrepreneurs etc and every lending is governed by eligibility criteria, borrower profile, documentation requirements, limits on disbursements, tenure and so on.

Verification of borrower credentials and ensuring compliance of Know Your Customer and Prevention of Money Laundering norms is the core function of a Branch manager authorised to sanction loans; and cannot evade this responsibility. Any neglect or misconduct is deemed a major lapse in duty, warranting disciplinary action. In the matter of Sri Krishna Kanta Daimary Vs. The Union of India and Others¹ [2018 LLR 724], Branch Manager [categorised as "Officer" under SBI Officers' Service Rules, 1992²] had violated Rule 50(4) and was dismissed under Rule 67(j) for not conducting pre sanction survey of borrowers of Kisan Credit Card and lending higher than permitted limits to non-existing accounts/firms resulting in substantial losses for the Bank. Further documentation lapses and cash disbursements were made contravening these Rules.

¹ Gauhati High Court –WP(C) 6350/2007 Dated 8 May 2018

² Framed under Sub-section (1) of Section 3 of the State Bank of India's Act, 1955

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Recovery of loans is crucial as end use monitoring is a key function of a Branch manager. Fictitious end users make recovery impossible and impact financial position of the Bank and its depositors.

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