

THE MAPUSA URBAN CO-OP. BANK OF GOA LTD.,
(UNDER LIQUIDATION)



ONE TIME SETTLEMENT (OTS) SCHEME
w.e.f. 1.07.2021

The Reserve Bank of India vide Order No. DOR.CO.AID/LC-01.12.22.156/ 2019-20 dated 16.04.2020 under Section 22 read with Section 56 of the Banking Regulation Act 1949 cancelled the banking business licence of The Mapusa Urban Co-op. Bank of Goa Ltd.

Subsequently the Central Registrar of Co-operative Societies and Jt. Secretary to Govt. of India issued order dated 23.04.2020 under Section 87 of the Multi State Co-operative Societies Act 2002, ordering the winding up of the Mapusa Urban Co-operative Bank of Goa Ltd. and appointed a Liquidator of the bank for a period of one year. On expiry of his term another Liquidator was appointed for a period of two years w.e.f. 24.04.2021, vide order No. R-11017/22/2013-L&M dated 13.04.2021.

Since the banking operations could not be continued, the Liquidator decided to recall all loan amounts outstanding, and accordingly all the loanees (defaulters as well as standard) were informed by public notification on 30.9.2020, and subsequently in writing, to settle the outstanding amounts together with the interest due, latest by 31.5.2021, after which action as per law would be initiated for recovery.

Whereas some persons complied with the order, some others yet remain for compliance, and have *ipso facto* become defaulters.

Under the extant guidelines for Recovery Policy of Liquidated Banks issued by the Deposit Insurance & Credit Guarantee Corporation of the RBI the following steps need to be taken:

- (a) The Liquidator shall segregate the assets as recoverable and non-recoverable and prioritize the recovery.
- (b) The valuation of property and fixed assets is to be undertaken by approved registered valuer (property and machinery) separately.

As part of the liquidation process it is necessary to formulate an action plan for completing recovery of dues pertaining to outstanding amounts of loans

extended by the bank and interest thereon, in order to meet the repayment of balance liabilities.

The existing process of recovery shall continue, such as filing Court cases, invoking SARFAESI Act provisions and application of other provisions under the execution of awards under The Multi State Co-operative Societies Act to further the process of recovery of loans and interest thereon.

However, time is of the essence, as the liquidation process cannot go on indefinitely; it has to be brought to a close as expeditiously as possible, and the dues settled. In view of this, as well as in view of the various representations received, the possibility of a One Time Settlement scheme was examined.

Under the powers of the Liquidator vested vide section 90(1) of Multi state Co-operative Societies Act. 2002 the whole of assets of multi state co-operative society in respect of which an order of winding up has been made, shall vest in the Liquidator appointed under Section 89 of the Act and the liquidator shall have power to realize such assets by sale or otherwise.

The Liquidator shall also have the following powers, subject to control of the Central Registrar:

- (a) To institute and defend suits and other legal proceedings on behalf of the multi-State co-operative society by the name of his office.
- (g) To give such directions in regard to the collection and distribution of the assets of the multi-State co-operative society as may appear to him to be necessary for winding up the affairs of that society.
- (j) To make any compromise or arrangement with any person between whom and the multi-State co-operative society there exists any dispute and to refer any such dispute for decision.
- (l) Power to compromise all calls or liabilities to calls subsisting between the society and the contributors, all questions relating to or affecting the assets of the winding up of the society for discharge of liability, debt or claim etc.

After deliberations it was unanimously decided to formulate a 'one time settlement' formula so that the dues, including the chronic ones, relating to non performing assets (NPAs) could be expeditiously realized within a stipulated period.

In this regard a reference was made to the model guidelines for recovery of dues (NPAs) of the primary urban co-operative banks issued by Reserve Bank of India

relating to framing of compromise settlement of non-performing assets of the Bank from time to time.

The following shall be the elements of the One Time Settlement (OTS) Scheme:

- A. The scheme shall cover all categories of borrowers excluding willful defaulters, frauds and malfeasance, loans guaranteed by Directors of co-operative society, loans guaranteed by Government and loans under Government directed programs.
- B. The scheme shall be available for compromise settlements of all NPAs covered without discrimination among borrowers (excepting the exceptions mention in A). Thus, it will include salaried loanees.
- C. **Applicability:** All cases that qualify to be classified as NPAs as on 1-6-2021 (i.e. the day following the last date by which all loans and interest thereon were required to be paid back in full) can be considered for OTS.
- D. **Minimum amount to be recovered:**
 - ❖ 100% of the outstanding balance of principal in the account as on the date on which the account was categorized as NPA.
 - ❖ Regular interest due up to the date of classification as NPA, and simple interest thereafter.
- E. **Amount to waived off:**
 1. Unapplied interest, i.e. compound interest or interest on interest after categorization as NPA, and also the whole of the penal interest can be waived off.
 2. As has been the practice of the bank earlier, in case a loanee has expired, and valid death certificate is produced by his or her legal heirs, then all interest accruing after date of death shall be waived off.
 3. Legal charges and other charges shall also be waived off.
 4. In case a loanee has deposits with the Bank as FDR or in Savings a/c as on cut-off date 16.4.2020, i.e. date of cancellation of banking licence, the amount of such deposit shall be adjusted against the principal outstanding on the

cut-off date, and subsequent interest shall be calculated only on the balance.

F. Basic condition of OTS:

1. Amount of settlement arrived at as above should be recovered in lump sum. In case where the borrowers are unable to pay the entire amount in one lump sum **at least 25%** of the amount of settlement should be recovered upfront, i.e. within three weeks of approval of the settlement application by the Competent Authority, and the balance amount within a maximum period of **three months** thereafter, at **least 25%** being paid **each month**.
2. No further interest shall accrue during the settlement period (up to three months) provided the repayment of agreed installments is continued on schedule.
3. The waiver of interest shall only be valid in case the terms of the settlement are adhered to by the loanee. In case of default in the repayment schedule, the outstanding amount shall revert to the original amount, and all waivers of all types of interest, including the stoppage of interest during the settlement period, shall be considered set aside and invalid, and the due amount shall be calculated as though the settlement had never been entered into.

G. When only partial amount is paid, and the Committee feels that the chances of recovery are bleak even after the coercive recovery action, the Committee may recommend to the Competent Authority, with reasons to be recorded in writing, that the amount paid/recovered shall be first adjusted towards the principal and the balance left, if any, shall thereafter be adjusted towards the interest and charges accordingly.

H. **The Competent Authority:** As per the Act, the competent authority is the Liquidator, and the final sanction shall be granted by him.

However, in keeping with the broader guidelines issued by the Reserve Bank of India / DICGC for recovery of NPAs, a committee approach for scrutiny and recommendation shall be adopted. There will be a **Settlement Advisory Committee** constituted as under:

1. Adv. M.P. Mulgaonkar - Chairperson
2. Shri Shailendra Sawant (General Manager) - Member
3. C.A. Shri Gautam P. Sardesai (Statutory Auditor) - Member
4. Adv. S. Bhaangui (Consultant) - Member
5. Mr Laxman Raut (Recovery Officer) – Member-Secretary

The statutory auditor shall be a part of the team and shall certify the calculations in the compromise settlement proposal recommendation.

I. Procedure to be followed:

Applications shall be invited for OTS from 1.7.2021 till 31.7.2021. Applications, containing specified details and the intention of the defaulting loanee to abide by the terms of the OTS, may be sent by post or by e-mail, as shall be specified in the public notice.

All the applications received, without exception, shall be placed before the SAC by the Member-Secretary, with all details, facts figures, and initial calculations, and all other relevant information. The SAC shall decide on eligibility for OTS. In case the SAC approves eligibility, and recommends the case in principle, then the statutory auditor shall check the calculations for correctness as per the scheme.

The Committee shall be authorized to make reasonable deviations on a case-to-case basis, provided the deviations and reasons therefore are explained in the recommendation.

The applications found eligible with clear recommendation and certified calculation are to be placed before the Competent Authority for consideration of sanction.

The competent authority may, if he so wishes, have discussions with the SAC to seek clarifications on its recommendation, before taking a decision on a case.

The Member-Secretary of the SAC shall also, each fortnight, put up a list of all applications for OTS received from loanees which have been found to be ineligible by SAC, along with reasons for the same.

The Recovery Officer should ensure that the duly approved OTS terms are conveyed to the applicant at the address of the loanee available with the bank and/or mentioned by the loanee in the OTS application, within one week of the approval of the Competent Authority, and within fifteen days thereafter obtain the loanees signature on the settlement agreement.

J. Action against other defaulters:

In cases where (a) compromise settlement is not feasible; or (b) loanee is found ineligible for OTS; or (c) the defaulter has not come forward for a compromise settlement, the suits or arbitration proceedings shall continue to be filed promptly for recovery of dues. These cases shall be followed up vigorously and effectively in the Courts for realization of the dues at the earliest. The securities etc. where available, shall be disposed of to realize the dues.

K. The tangible securities shall be valued by Bank's approved valuer. In case NPA loans are secured against tangible security then the settlement amount shall be the total amount due under the normal conditions adjusted up to the value of the tangible security. In case an excess amount is realized from the security, the excess after adjustment shall be paid to the loanee or guarantor as the case may be. Non-banking assets acquired in satisfaction of claims shall be disposed off at fair value.

L. In cases of NPA where arbitration/execution petitions have been filed and/or decree is obtained and recovery certificates issued, the settlement as per these guidelines will be on the recommendation of the SAC and with the consent of Competent Authority. Advocate-on-record is authorized to offer terms of the OTS in on-going cases even if the defaulter has not applied for OTS.

M. In case of any dispute relating to any aspect of the OTS, the decision of the Competent Authority, i.e. Liquidator shall be final.

By order of the Liquidator

Anthony de Sa, IAS (Retd)

Mapusa, Goa, 30th June, 2021