

October 25, 2010

SBP, banks discuss strategy to recover written off loans

The State Bank of Pakistan convened a meeting of commercial banks and development finance institutions at SBP, Karachi today to work out a strategy in response to the observations made by the Supreme Court of Pakistan regarding written off loans.

The meeting, which was chaired by SBP Governor, Mr. Shahid H. Kardar, discussed at length the issues pertaining to written off loans. Presidents and Chief Executives of banks apprised the SBP Governor that banks had already issued notices to defaulters in line with the directives of the Supreme Court.

The banks' representatives informed the meeting that a write-off is undertaken after all remedies to recover loans have been exhausted. They said that the writes-offs are allowed by their Boards. Banks' representatives informed the meeting that a number of prominent industrialists were made to suffer jail sentences and large scale liquidations or auction sales were carried out. At the same time it was also pointed out that a substantial number of borrowers, 47,911 to be precise, having loans of Rs 500,000 and below were allowed write off under BPD circular No.29.

The bankers said that they would consult their key managements and the legal counsels and devise strategies in respect of write offs and report to the State Bank.

It was agreed in the meeting that the Apex Court must be facilitated by providing all necessary information/data with respect to write offs. The participants of the meeting were of the view that this initiative of the Supreme Court could be used as an opportunity and hoped that it would result in discouraging willful defaults, improve recovery position and bring stringent laws on recovery. The participants of the meeting were of the view that the Supreme Court may be informed that the litigation process with regard to the recovery of loans takes a lot of time.

However, the meeting resolved that they are committed to satisfy the Apex Court.

It may be mentioned here that a three-member bench of the Supreme Court of Pakistan comprising Mr. Justice Iftikhar Muhammad Chaudhry (Chief Justice), Mr. Justice Ghulam Rabbani and Mr. Justice Khalil-ur-Rehman Ramday is hearing a suo moto case on write offs.
