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Supreme Court:
Need to probe nexus of ARCs, banks and borrowers

|Dhananjay.Mahapatra | TNN
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NEW DELHI: Expressing concern over an alleged nexus between asset reconstruction companies (ARCs), borrowers and banks resulting in the siphoning of thousands of crores of public money, Supreme Court Friday sought responses from Union home and finance ministries as well as RBI and Serious Fraud Investigation Office in relation to such a scam involving JKM Infra Projects.

Appearing for a PIL petitioners, advocate Ashwini Upadhyay told a bench of CJI Surya Kant and Justice V Mohana that a debt of **Rs 1,537 crore owed to public sector banks has been settled through two ARCs — Prudent and Phoenix — for a mere Rs 73.5 crore, resulting in a huge loss of public money.**

The petitioner alleged that **JKM Infra, a Noida-based infrastructure company controlled by the Jalan family, had taken Rs 912 crore loan** from a consortium of seven banks led by State Bank of India between 2012-15 against a meagre collateral of Rs 72 crore. Soon the firm defaulted, and a forensic audit by Ernst & Young in May 2018 found that more than Rs 902 crore were siphoned to shell companies, non-existent vendors, forged work orders and undisclosed bank accounts.

Despite this finding, **SBI didn't classify the account as fraud and auctioned the loan to sole bidder Prudent ARC at 75% discount for a sum of Rs 120 crore against a debt of Rs 596 crore**, the petitioners alleged. During the proceedings before the debt recovery tribunal, the **debt was transferred to Phoenix ARC in 2025 at Rs 73.5 crore against a total outstanding of Rs 1,537 crore, it was alleged.**

"The police attempted to close the first FIR as a mere family dispute, but the trial court rejected the closure report in Jan 2026 and directed investigation into the E&Y forensic findings. The directorate of enforcement, the income tax criminal investigation wing, RBI, and the ministry of corporate affairs have all received detailed representations, but none of them have taken any appropriate and meaningful action to date," they claimed.

The bench asked the respondents, including SBI, Canara Bank, Union Bank of India, JKM Infra and its promoters, SEBI, two ARCs and E&Y, to file their responses to the PIL in four weeks and said, "We will not spare anyone. Bankers indulging in such activities is unfortunate."

On the sale of debt to ARCs, it said, "This is the cleverest device adopted by the banks. Sell the outstanding debt at 10% of the dues and allow the borrower to wriggle out of the liabilities. We do not want to go into the commercial wisdom of the banks. But if this is the commercial wisdom — give taxpayers money and make no attempt to recover it — then it would require investigation."

The bench also doubted the credentials of the PIL petitioners but said, **"There is a dire need to look into the conduct of ARCs who give a complete go-by to the recovery process. There appears to be a deep-rooted nexus between ARCs, borrowers and banks for misutilisation and siphoning of public money."**

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ALL INDIA BANK EMPLOYEES' ASSOCIATION

Central Office: PRABHAT NIVAS

***Singapore Plaza, 164, Linghi Chetty Street, Chennai*-600001**

Phone: 2535 1522 Mobile : 98400 89920

e mail ~ chv.aibea@gmail.com Web: www.aibea.in