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Pramuka depositors cry foul over double standards

Pramuka Bank depositors have expressed dissatisfaction at what they claim to be double standards adopted by the Central Bank in apparently giving its blessings to a Sampath Bank-led consortium to inject fresh capital to revive the ailing Union Bank.

Two other commercial banks were also on the hunt for new investors, after reporting heavy losses and a high rate of Non-Performing Loans.

Pramuka Savings and Development Bank (PSDB) Chairman Udaya Nanayakkara stated earlier that he had been given less than 48 hours to find new investors to infuse Rs. 600 million, if the bank was to be re-opened.

The depositors ask why no such initiative was taken by the Central Bank to infuse fresh capital to the bank, when it became aware that the bank was struggling.

Pramuka Managing Director H.N.A Mendis said that the Board had decided to take legal action against the Central Bank within the next two weeks.

Mendis said that the discrimination by the Central Bank against Pramuka would also be included in its litigation process.

Former Pramuka chairman Rohan Perera had found an investor in 2000 willing to bring in a capital of Rs. 500 million on the condition that the bank was afforded parate rights, but due to the Central Bank's cold response, the investor had diverted his investment elsewhere, he said.

Mendis said Pan Asia had been allowed to stagger its high Non-Performing Loans over a three-year period, in an attempt to reduce the impact on the bank's profits, but such a request by Pramuka had been repeatedly turned down by the Central Bank.

Pramuka's Non-Performing Loans had risen to 70 percent prior to its closure. Interestingly, the PSDB has deposited large amounts of money in Merc Bank and Pan Asia at a negotiated special interest rate, which is likely to be withdrawn if and when Pramuka's liquidation process begins.

According to the figures provided by Pramuka Managing Director H.N.A. Mendis, Pramuka had deposited nearly Rs. 150 million in Merc Bank and another Rs. 135 million in Pan Asia. However, Merc Bank has strongly denied that the withdrawal of such deposits would have an impact on the bank's overall finances.

Sampath Bank has announced that it was acting with a consortium of investors in evaluating making an equity investment in Union Bank, which would only be done once the results of the evaluation and the receipt of the necessary regulatory approvals were obtained.

Sources said that despite the Central Bank claiming that commercial banks were strictly regulated and financially stable, both Union Bank and Merc Bank had been afforded a fresh lease of life due to their strong political connections.

Central Bank Deputy Governor P.M. Nagahawatte and Director of Bank Supervision Mrs. P. Sirisena, were unavailable for comment despite repeated attempts to contact them.

Meanwhile, management consultant Ajith Nivard Cabraal met Pramuka depositors last week and agreed to help intervene in their grievances.

Cabraal said that he had requested the depositors to provide him with the relevant financial details, through which he would decide the best course of action in solving the burning issues of the depositors. Cabraal said that he would not be looking into the welfare of Pramuka's board of directors or its other stakeholders.

He is expected to advice depositors on the best method in which they could recover their hard-earned savings.

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