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Rs. 1.3 billion Govt deposits mismanaged

Resign or be evicted - Stakeholders tell Pramuka Board

BY RAVI LADDUWAHETTY

The Pramuka Bank Stakeholders Association (PBSA) have told the Board of Directors and the senior management of the Bank to either resign or be evicted in the wake of the current imbroglio since the suspension of the Bank by the Central Bank on October 25.

The Association, which was formed in the aftermath of the suspension of the Bank is an umbrella organisation comprising the shareholders, depositors and employees.

We have urged the Board of Directors and the senior management of the Bank to resign to pave the way for the Bank to be re-opened. If they do not, we have asked the Central Bank to evict the Board in terms of Section 76 (N) of the Banking Act, PBSA President Sunimal Dabrera told a news conference yesterday.

But whether the CBSL has the guts to do it we do not know, he said.

He said that the assets of the bank were not sufficient to pay all the stakeholders in the event of liquidation. He also called upon the entire financial community to intervene in the amicable resolution in this crisis.

He predicted that there would be a run on the deposits when the bank opens if the same Board of Directors were to remain in office.

Dabrera also blamed the auditors of the Bank-KPMG Ford Rhodes Thornton & Co. The auditors have certified the accounts of the Bank. If they were above board, how can such a serious lapse have taken place, he queried.

PBSA Vice President Amal Leitan said that the total deposits amounting to Rs. 3.5 billion comprised a Rs. 1.3 billion stake which has been from deposits which have been placed by Government institutions which have been very badly managed and the banks being unable to face the people who provided the Pramuka Bank with these funds.

Rs. 1.3 billion also included Rs. 300 million from Samurdhi Bank, Western Province Road Development Authority- Rs. 600 million and a substantial stake of the Cooperative Rural Bank.

The real position is that the Bank is unable to recover these funds due to them being disbursed without collateral or some times with collateral which is way below the values which have been disbursed, Leitan said.

These funds have been given to the friends and other business associates of the Directors of the Bank, he said.

We are Business Development Executives of the Bank and we have extensively canvassed for deposits in the outstations and they placed these deposits with the Bank purely due to the confidence we instilled in them. Now we cannot face them, he said.

Pramuka has the Head Office and a branch in Kollupitiya and eleven centres in the suburbs and the outstations comprising Chilaw, Kurunegala, Negombo, Kandy, Galle, Panadura, Moratuwa, and Dambulla and it through these branches that these deposits had been canvassed, the PBSA Secretary said.

PBSA Treasurer Dharsha Abeywardena said that the banking legislation under which Pramuka comes stipulates the opening of the bank in 60 days as it is a specialised licensed bank and now the Central Bank has passed a resolution that this period could be extended up to 180 days.

A depositor S.R. Devaguru who came for the meeting said that he had placed his lifetime's savings in a fixed deposit in Pramuka Bank in the name of his daughter amounting to Rs. 500,000 and one for himself worth Rs. 200,000.

He said that it was his earnest wish that the bank will continue without being liquidated.

The clients of the bank have been punished for two months following the closure and it is up to the Central Bank to intervene in this matter, he said.