

To
The Principal Secretary,
Home (Police) Department, Government of WB,
Writers' Buildings, Kolkata-700001.

Through

1. DG & IGP, Training, and
2. DG & IGP, WB Police Directorate,

Sub: Prayer for taking action against the operators of Chit Funds, who have been cheating the unsuspecting people of the state for a long time.

Sir,

The operators of Chit Funds have been cheating the unsuspecting people of the state for a long time. Whatever names they may take and whatever mechanism they may adopt; their main modes of operations are, as follows:

- 1 They recruit local agents at very high (sometimes 40% of the collection) commission.
- 2 They promise very high rate (sometimes double, sometimes triple, sometimes even quadruple) and lucrative return to the depositors;
- 3 They give such return to some to demonstrate that they fulfil their promises;
- 4 When more people deposit money, they decamp from the place, leaving the agents to face the depositors.
- 5 They keep their money in benami to avoid seizure by investigating agencies, if cases are registered later on.

I am giving 2 examples from Murshidabad.

In the 1st week of July 2012, few agents of Dumkal PS and neighbouring Jalangi PS areas of Murshidabad District met me. They alleged that, one Jiban Sarkar of Sahebrampur, PS Jalangi, District Murshidabad had started Chit Fund in various names like 'Flying Bird Agro India Ltd' and 'Aashirbad Marketing Group'. He had assured easy loan facilities in return of deposits. For deception, he also had arranged some such loans to some depositors. When more people had deposited their money, he had left the place with the money. Now the depositors are demanding their money back from the agents, who are not in a position to get the money back from Jiban Sarkar, who is reported to hire his new residence at Berhampore. They are knocking at the door of the administration for redress.

[Copies of two relevant papers – one in the name of 'Flying Bird Agro India Ltd', and another in the name of 'Aashirbad Marketing Group' – are enclosed and marked 'A'.]

In the next week of July 2012, about 10 agents of Dumkal PS District Murshidabad, came to my office at Salt Lake and stated that, one company namely Sunmarg opened a branch at Dumkal. A man stated to be from Joynagar went as manager and appointed them agents with

about 16% commission on collection. They collected about 60 lakhs. With the money the manager decamped. They agents are running from pillar to post for the recovery of the money.

What may be their fate, can well be guessed from a case of South Chabbis Parganas.

In the 2000s, one Syed Murshed Ali of Amta, District Howrah started Chit Funds, namely 'Furore Housing Finance & Investment (India) Limited' with head office at '127-D Park Street, Calcutta -17', and F A P Agro Industries etc. It opened a branch at Shararhat, District 24 Pgs (S). Sudip Kumar Majhi of Romia was appointed a agent. He collected deposits from many persons like Bapan Khan of Romia.

I am enclosing copies of 10 sheets of papers, and collectively marking these 'B'. These papers show:

- (i) On 21-06-2006, a full page picture of Syed Mursed Ali was printed along with the then Chief Minister of the state, by the courtesy of F A P Agro Industries.
- (ii) Asoke Pillar was used in their book of Deposit Scheme issued to Bapan Khan on 24-12-2004.
- (iii) The agents collected deposits and deposited to the operator of the Chit Funds.
- (iv) The depositors did not get back the refund, for which the agents and depositors have been suffering from then.
- (v) On 29-07-2008, some of them submitted an application to DM, South Chabbis Parganas for redress.
- (vi) On 07-08-2008, they submitted a complaint to the Falta PS for redress.
- (vii) Some of them also addressed an appeal to Mamata Banerjee, the then Trinamul Leader.

One of them met me in the month of June 2012. They had yet not get their deposited money back.

Many such Chit Funds are operating under the cover of network marketing and/ or multi-level marketing of some goods, services, and even land. I am giving a few examples, as follows:-

Example I

I am submitting a copy of a 'Holiday Membership Plan Certificate' issued by 'Rose Valley Hotels & Entertainments Ltd' and marking it 'C'. If the content of the certificate is taken on the face value, then:

- (i) The depositor will go on depositing 40 instalments of Rs 600 each 'for booking a standard A.C. room'. There is no mention of the date and the name of the hotel for which the booking is.
- (ii) The 'Privilege option' is 'Rs 29600' 'only on cancellation of booking' at the end of 15/03/2015'. So before 15-03-2015, the depositor has no option than to go on depositing the monthly instalments of Rs 600 for booking a AC Room in some hotel on some date, still not decided.

- (iii) The depositor is entitled to death insurance coverage for 2 years up to a maximum coverage of Rs 50000. But the insurance agency licence of them has already been cancelled by the appropriate authorities.

The depositor told me that, the agent was collecting the amount not for hotel booking, but for high return after 40 months.

There is no guarantee that the particular branch will remain open after 40 months to return back the money of the depositor.

Example II

I am submitting the copy of a 'Property Certificate' issued by Alchemist Infra Realty Ltd, 723 DLF Tower A, Jasola, New Delhi, and marking it 'D'.

This is claimed to be a certificate for 'proportionate undivided share in a land measuring an area of 1762.20 kanal, at Behanta & Tila, Tehsil Kolaras, District Shivpuri, Madhya Pradesh'.

The depositor does not know what 'kanal' is.

The depositor does not know why he is taking the share of the land in MP.

There is no verification whether there is any such land of Alchemist.

The catch point is 'the estimated value of the said undivided share after development is expected to be not less than Rs 20000/- on expiration of tenure on 16/09/2017'.

One relative of the depositor told me that, the agent collected the amount on the promise of high return after 6 years.

There is no guarantee that, the particular branch will remain open for the depositor to give the high return after 6 years. If the branch is closed, the depositor will have to go to Delhi to give tagada, if that office is still there.

Example III

I am enclosing the copies of what is claimed to be an 'Agreement for Sale' of 'Saradha Construction Company Pvt Ltd' and 'Saradha Realty India Ltd'; and marking these collectively 'E'. The followings may be noticed:

- (i) It is claimed to be an 'Agreement for Sale', but there is no signature of the depositor. It is claimed to be signed by MD of Saradha Realty India Ltd. There is no mention of the name of the person signing.
- (ii) There is no mention of Dag Number of the 1600 sqft land for which the agreement for sale is.
- (iii) For any dispute, the depositor will be compelled to refer it to the 'Solicitor & Advocate' named by the companies.
- (iv) The value of the land is fixed at Rs 22.4 lakh.
- (v) The period development is 168 months, that is 14 years
- (vi) The depositor deposited Rs1 lakh.
- (vii) If the companies fail to develop in time, depositor may get Rs 10 lakh, after 14 years.

There is no verification as to:

- 1) Whether the companies have the land at all?

- ii) Whether the numbers of such depositors are so limited that all of them can be accommodated in the land available with them?
- iii) How is it ensured that the depositors' money is safe?

There is no guarantee that, after 14 years the particular branch will remain open to deliver the land or return the money to the depositor.

The money assured is 10 times of what has been deposited. It is not an easy task to return 10 times money in 14 years.

Because the commission is very high [in this case may be about 40%]. The balance amount is 60000. If the office expenditure and administrative charges are deducted, the balance will not be more than 50000. In normal bank term deposit, the money will be 4 times, that is, 2 lakh. How will the operator return 10 lakh?

Past experience

In the 1990s and 2000s there was a spread of such Chit Funds. Some of the Chit Funds started media also. The operators of those Chit Funds vanished with the money of the depositors. The media also vanished. The depositors did not get their money back. They are showing full page picture of the then CM with the Chit Fund operator.

Recently also some of the Chit Funds have started media. Once these Chit Funds collect enough money, the operators will vanish with the depositors' money. Their media will also vanish. The depositors will not get back their money. They will display the picture of present day Chit Fund operators with present day political leaders.

The rich people do not deposit their money in the Chit Funds. It is the unsuspecting poor and middle class people, who deposit their money in the Chit Funds. In the example of Shararhati, I mentioned the name of 2004 depositor, Bapan Khan. He is a day labourer. The administration is duty bound to protect the interest of these unsuspecting poor people.

There are definite laws for taking action against the menace

Some political leaders are telling that that, state government has no power to take any action against the Chit Funds. It is absolutely wrong. There are definite laws for taking action against the Chit funds.

The provisions of 'The Prize Chits and Money Circulation Schemes (Banning) Act, 1978' can be applied for taking action against the operators of Chit Funds.

In the State of WB versus Sanchaita Investments (AIR 1982 SC 949), the Honourable Supreme Court made certain observations about the applicability of section 2 (c) of the act, it did not strike the act down.

Some people are stating that, these Chit Fund operators are collecting money in different names of chain marketing. So it is not possible to take actions against these. This is also absolutely wrong.

Recently, when the Tamil Nadu Government started taking actions against the Chit Fund companies, some companies approached the Madras High Court and pleaded that, selling products through network marketing was legal and does not attract the provisions of Prize Chits

and Money Circulation Schemes (Banning) Act, 1978. But in his judgement dated 07-01-2005, Honourable Justice A K Rajan held that, the so called multi-level marketing definitely falls within the definition of money circulation scheme. Thus action can be taken against these under the provisions of Prize Chits and Money Circulation Schemes (Banning) Act, 1978.

Whether there is any complaint against them or not is immaterial. In the above mentioned case, some Chit Fund operators took the plea that there was not complaint against them. The Honourable Justice stated that, lack of complaint does not make an illegal activity legal. Thus the authority can take action of their own.

The agents of the Chit Funds are cheating the common people. For high commission, they are stating one thing and delivering certificates with other thing. The deception for delivery of money is so clear and the misrepresentations of the agents and instruments of the Chit Funds are so clear that, actions can also be taken against these under the provisions (417-420) IPC.

The Chit Fund operators are deceiving and cheating the gullible people. These are cognisable offences. 151 Cr P C has given power to the police to take action for preventing commission of cognisable offence.

Actually, in his judgement dated 07-01-2012 Honourable Justice, A K Rajan held that the Multilevel Marketing scheme, by whatever name it is called, is illegal and that the Director General of Police and other law enforcing authorities must have a watchful eye on all such activities and take timely actions.

Therefore, I request the favour of your making such arrangement that, timely actions are initiated against the operators of the Chit Funds, to protect the interest of the unsuspecting depositors.

Yours faithfully,

13-07-2012.

(Dr Nazrul Islam)

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Enclosures: As stated above.