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BANKING FRAUDS IN INDIA

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ABSTRACT

The Banking sector is an essential part of every country's financial system. It affects the country's economy by providing credit, infrastructure, and investment. This sector plays a vital role in the growth and expansion of any country. In India, this sector also provides financial stability to the Indian economy. But despite all these in the modern era, banking fraud has become a common phenomenon. This type of act broke the trust of the general people who keeps their money in the bank. Under this article, we will cover the banking frauds law governing frauds in India and ways to reduce these frauds.

KEYWORDS – Banking frauds, RBI, SCAM, Indian Penal Code, 1860, INDIAN CONTRACT ACT, 1872, Punishment

INTRODUCTION

In today's modern world as soon as the advancement of information and technology enters, fraud related to banking emerges day by day and becomes a serious concern to the regulator reserve bank of India as well as the central government. The general public deposits their money in banks mainly for security purposes and merely for the minimal rate of interest which are provided for them by the banks. The trust and faith of these people towards the Banking System day by day. . Nowadays, hardly a day passes when the incidence of bank fraud and fraudsters are not reported in newspapers and such fraud may range from theft to robbery fraud related to debit cards and credit cards and Fraud committed through the internet, especially in instances of internet banking.

According to the official data the no. of fraud cases in private as well as public sector banks dropped to 118 in the financial year 2021- 2022 from 265 in the financial year 2020- 2021 in terms of cumulative amount, it has come down to rupees 28,000 crore from rupees 65900 crore in financial year 2020-2021 for public sector bank. For private sector banks, the reduction is

from rupees 39900 crore to rupees 13000 crore in the financial year 2021 – 2022 but these amounts are high in number

Banking Fraud

Any type of fraud that is committed in the banking system can be termed as banking fraud in its broadest sense such frauds may be perpetrated with accounts loans, securities, or any other banking service and may be committed by the employees of the bank, customers, outsiders as well as by the bank itself may perpetrate such offense and a usual term to refer all such kind of fraud is banking fraud and embezzlement breaking of trust theft cheating forgery and conspiracy are some of how such frauds are perpetrated.

The number of banking fraud in India is increasing at such an alarming rate that it is quickly turning into a threat to the country as well as hurting the business of banking. Therefore, it is posing as a great evil for the nations which needs to be curbed as soon as possible for the overall development of the country and its people.

Bank fraud is one of the potentially illegal means to obtain money, assets, or other

property owned or held by a financial institution or to obtain from depositors by fraudulently posing as a bank or other financial institution.

Fraud denotes a false statement made knowingly or without trust in its truth or recklessly careless whether true or untrue. According to Lord Herschell in the case of Derry V Peek 1889.

ACCOUNT TAKEOVER

An account takeover occurs when fraudsters take ownership of an online account using stolen credentials

Techniques used by fraudsters to launch ATO attacks:

Phishing attack

– Fraudsters may obtain account credentials by sending a fake email or text messages to customers that direct them to a fake bank login page when customers enter their credentials, fraudsters steal then

Credential stuffing

–Fraudsters leverage sophisticated dots to automatically test random credentials they leverage lists.

Purchase on the dark web, trying different combinations until they gain access to an account.

Cyber security:

A broad range of attacks are made by fraudsters through unpatched software or other cybersecurity weaknesses to gain access to data servers and steal customer information.

Call Centre Fraud: under this fraudster, contractor organizations call centres pretending to be legitimate customers. They made the entry with the representative into giving them access to an account or performing fraudulent techniques or malicious actions in that within that account.

New account fraud: Under this type of fraud, fraudsters open a new account with an intent of committing fraud often utilising or synthetic identities. They breach the identities of legitimate customers. This fraud builds a new account to defraud someone by neutralizing artificial identities. They breach or steal identities of legitimate customers via data breaching phishing or may use sensitive information as an children deceased or even homeless people.

Money Laundering

Money is put through a series of transactions through foreign banks and/or genuine businesses to make it legal or clean during this form of fraud, and no one can track the source of the money. It relates to unlawful activities like illegal gambling, trafficking in illegal substances, or corruption, payment.

Payment Fraud:

When a cybercriminal conducts any kind of fraudulent or unlawful transaction, fraud has taken place. Throughout the life of a client account, a wide variety of transactions occur in the banking sector. Some examples of cycles include cash withdrawals, deposits, cheque online scams, transactions, Debit card, and loan payments.

ACM Fraud:

This occurs when a criminal House (Acts) Financial Transaction Network which is a central clearing facility for all Electronic Fund Transfer. Transactions. This can be done by getting two information:

- 1.A business checking account
- 2.A banking routing number

Check Fraud

Check their own accounts, fraudulent. Close accounts under your signature or for someone else.

Card Fraud

The most frequent sort of bank fraud is card fraud. It's a general word for fraud done using any kind of payment card, whether a credit, debit, or gift card. include those that are pre-paid. To discovering a missing card and taking an actual card. A crime of this nature can be committed using your card details or card scheme.

Loss regulating bank fraud is being reduced in a number of ways by the Reserve Bank of India and the Government of India. Possession of Bank Frauds.

A few pieces of law are being passed to prevent this kind of terrible infraction:

1. Indian Contract Act of 1872,

- Fraud is the terrible
- The Indian Contract, Act, 1872. Section 17 of this act defines fraud, and the circumstances surrounding fraud have been stated.
- Provided. Under the claim, something that is untrue is stated as fact by a person who does not think it is true.
- The will full concealment of a fact by one who knows or believes it.
- A promise made without any thought of keeping it.
- Any other conduct date that is proclaimed for land by the laws is intended to deceive
- any act, or Commission.
- Under Section 447 of the Companies Act of 2013, an infraction is punishable by both a fine and a period of jail, and the penalty is not compoundable.
- a person who has been adjudged guilty he may prison terms might range from six months to ten years. **Even via deception, the Indian Penal Code of 1860 is not specified.**
- **Indian panel code 1860 is mentioned explicitly.**
- Against cheating and section 415 to 420, concealment section, (421 to

424) Forgery section (463 to 477). A counterfeiting section (489A to 489E), a section on misappropriation (403–404), and a section on breach of trust (405–409). covers the same penalties as section 419 of the IPC for cheating 1860 allows for either type of description for a duration that may be extend to 3 years or fine or both.

- Section 421 of the IPC states that concealment of an infraction is a cognizable offense and is not bailable. 60 states that this honest for land removal of the concealing of property to prevent distribution among present Creditors will be accompanied Prison. Description of the term, which consists of two years in jail, a fine, or both.

- The IPC's Forgery Section 485 mandates a sentence of imprisonment of any sort of up to two years. with fine, or. Or with Truth, for offence is a positive counterfeiting of monetary notes, etc.

- According to IPC Section 489a, an offender may receive a fine, a term of imprisonment up to 10 years, or a life sentence.

- Dishonest missed appropriation of any moveable property is prohibited by Section 43 of the IPC, 1860, and is punishable by either a term of imprisonment or a fine.

- description of a period that might last for two years, be fined, or both. Criminal violation of trust is punishable by the Breach of Trust Section of the 406 IPC, 1860. Penalties include fines, 23 years in jail, or both.

The Information Technology Act of 2000.

- The Indian government adopted this act to clear the path for computer-related fraud punishment and sanctions. Section 43 of the seed provides for lifting damages up to Rs. 10 lakhs payable by the Defender to the person impacted conclusion. New paragraph. Any country's economic growth and development depend on a strong banking system.

CONCLUSION

The modifications the banking industry makes as a result of liberalisation, privatisation, and globalisation are widely debated. There are now other methods, such as cards for online payments. According to the statistics, it makes life for a person quick and easy as it did previously, but the manner banking fees are rising raises severe concerns for the Reserve Bank of India and the Indian government.

According to information from the RBI, India had 229 banking frauds on average every day during the fiscal year 2022–2021, however less than 1% of the entire value was recovered. Customers are thus losing faith in the financial organisation. The financial industry must take action, which includes keeping an eye out for the utilisation of real-time data enrichment technologies for transaction monitoring and internal fraud education among customers.

Similar to Rise device fingerprint analysis, module must be taken in order to maintain a secure banking system and safeguard their clients' interests.

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