



UNCLAIMED MONEY WITH THE BANKS

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ABSTRACT- Any country's success relies on economic growth, which the country achieves over a period of time. This concerns the very fact that the role of the financial sector in shaping Indian economy's fortunes has been even more important, because India, along with the resilient industrial sector and domestic savings in government instruments, has been equally focused on other growth channels because independence. That prompted India to rely heavily on sectors for its dynamic development.

This research paper is intended as a starting point for research with the Indian banks into unclaimed capital. It provides the basic legal information available about unclaimed money equivalents, both in need and effect. In the Selective way, guides, leading papers, bibliographies, periodicals, serial publications and documents of interest are combined to plant the seeds of enlighten the horizons. This paper links to the Database to address the query that the money is still unclaimed following government directives to provide people with information about their remaining money in bank account. Thus the paper begins with the definition of unclaimed money according to the types of institutions to claim money, and includes different law points and government guidelines in Indian law providing glimpses

of unclaimed money. Particular attention is given to the work of the various legal authorities making rules and regulations for claiming the money, which will shed light on the country's required amendment. Finally, this Research Guide addresses the issue of the non-presence of information available in the public domain on leftover money with banks.

Keywords: *Unclaimed money, guidelines, public domain, welfare, leftover money, claim, government.*

1. INTRODUCCION

In the process in which plenty of laws, regulations and rules guide Banking Industry's conduct towards good governance, the role of a qualified lawyer becomes vibrant in meeting the demands of a more competitive market and regulatory climate on the one hand, and in ensuring timely enforcement on the other.¹

Considering the role of a lawyer in the banking sector and promoting the concept of a thorough creation of our professional brigade, this subject under the title of Banking Laws and Practice serves as a one-sided guide for understanding the basic features of the banking and banking industries and provides a detailed account of the laws and regulations regulating the banking sector in the county.

The banking sector plays a crucial role in the growth of a country's economy and the bank's significance in everybody's everyday life is that every day. There are specific risks faced by the banks such as credit risk, market risk, operating risk, business risk etc. A financial

¹ Available at: <https://cs-professional.in/wp-content/uploads/2019/01/Banking-%E2%80%93-Law-Practice.pdf> (Last Visited on August 10, 2020).



professional who works in a bank or provides any financial sector-related service will reduce the risks associated with the bank by acquiring sufficient banking expertise.

Banks for various goods and services, as public financial bodies. This includes accounting, exchanging vouchers, and opening accounts for various types of customers through different asset and liability products through cash, clearing, and transfer methods. Since all routine operations are basically conducted through computerized packages involving sophisticated software and hardware, proper follow-up, monitoring and reconciliation is required in the light of RBI's guidance and guidelines provided from time to time. There is still a certain amount of public with the bank, which local people can not obtain, is known as "unclaimed money."

Unclaimed funds are those properties where the rightful owner can not be found. Usually unclaimed funds and properties are turned over to the state the assets are deposited in, after a dormancy period has expired. When reporting unclaimed funds that have risen in value, taxes can be calculated at the time as ordinary income. States have developed mechanisms whereby legal owners of assets may recover unclaimed funds.

In other terms "unclaimed funds" are money and other properties whose rightful owner can not be found. Unclaimed funds are usually handed over to the government after a fixed period of time has elapsed. To assert

the properties or assets, the appointed owner or beneficiary must file a claim; if belonging to an estate, it may require the claimant to prove their claims to the unclaimed property or properties.

1.1 Understanding Unclaimed Funds

There are diverse explanations for unclaimed funds and assets. For example, a taxpayer might be owed a refund but the check for refund went unclaimed as the taxpayer moved with the tax authority without updating his / her address. Bank failures may generate a pool of unclaimed funds when customers are unaware of their closure or are unaware of who to contact to get their funds back. Unclaimed pensions are a common category of unclaimed funds, particularly when a firm closes and there is no immediate information on the administration of their pensions.²

Unclaimed property is simply property which has gone unclaimed past the time of dormancy. The dormancy period is the amount of time between declaring an account or asset as unclaimed by a financial institution and deeming the account or asset to be abandoned by the Government.³

For most states the duration of dormancy is five years. Once property is legally recognized as lost or unclaimed by the state, it undergoes a procedure known as escheatment, where the state claims

² USA.gov. "Unclaimed Money from the Government." Available at: <https://www.usa.gov/unclaimed-money> (Last Visited on August 10, 2020).

³ Washington State. "Unclaimed Property: General Information." Available at: <https://dor.wa.gov/legacy/docs/pubs/ucp/generalo.pdf> (Last Visited on August 10, 2020).



possession of the property before a lawsuit is made by the legitimate proprietor.⁴

Types of unclaimed property include uncashed payroll checks, inactive stocks, court funds, dividends, checking and savings accounts, and estate proceeds. When property accounts go unclaimed, they are turned over to the state for reasons that may include the death of the account holder, a failure to register a forwarding address after changing residence, or simply forgetting about an account.⁵

Unclaimed property is not taxed while it is filed as unclaimed; however, when it is reclaimed, the property may be officially recognized as taxable income. Some unclaimed funds such as investments from a 401(k) or an IRA can be reclaimed tax-free.

2. LITERATURE REVIEW

“Effect of Unclaimed Dividend on the financial statement of selected Commercial Banks In Nigeria” by Okenwa Ogbodo⁶ In his analysis the importance of the corporate performance and shareholder wealth dividend policy was measured. Data from the time series and the architecture of the survey study were used. Data from both primary and secondary sources is obtained for analysis. This was achieved by questionnaires and annual reports and accounts of the two selected Nigerian commercial banks from 2008 to 2012. The hypotheses were tested using

statistical tool Z-test. Findings revealed, among others, that unclaimed dividends directly impact financial institutions' financial conditions by raising their overall liabilities and thereby that their owner's equity against their overall assets. Also that investors are worried about what happens to unclaimed dividend and the general impression that only their dividend affects the ordinary investors is proven to be wrong. Therefore, it is advised that businesses make alternate provisions for the supply of cash and short-term funds in the event that unclaimed dividends are moved to a different account, as that would allow the management to provide a accurate and equitable accounting of their business activities from now on.

“Hidden treasure: a study of unclaimed property management by state government” by Derek R Slagle⁷ The first systematic research of how state governments treat unclaimed properties is mentioned in his paper. This thesis will offer deeper insight into unclaimed land management for professionals, decision makers and scholars.

3. RESEARCH PROBLEM

To clarify the word "unclaimed capital" and to connect the same with Indian laws with guidance issued by financial institutions for mixing. Analyze both one's rights to defend

⁴ U.S. Securities and Exchange Commission. "Escheatment Process: Accounts -- Abandoned and Unclaimed" Available at: <https://www.sec.gov/fast-answers/answersescheathtm.html> (Last Visited on August 10, 2020).

⁵ National Association of Unclaimed Property Administrators. "What is unclaimed property?" Available at: <https://unclaimed.org/what-is->

[unclaimed-property/](#) (Last Visited on August 10, 2020).

⁶ Okenwa Ogbodo, "Effect of Unclaimed Dividend on the Financial statement of selected Commercial Banks In Nigeria" 5 *Journal Of Global Accounting* (2017).

⁷ R Slagle, "Hidden treasure: a study of unclaimed property management by state government" 30 *Journal of Public Budgeting* 22-34 (2018).



from any violation and to see the cycle of unclaimed assets.

It should be found that unclaimed money has advanced over the course of time making it impossible to locate and collect it.

Initiating global information networks and emerging media, particularly the Internet, poses new and extra-ordinary difficulties / challenges in law and the legal theory. A far-reaching and thorough review of all these problems, and the divergent directions in which they have been encountered, will certainly entail an investigation, but such an inquiry is beyond one doctoral thesis' limits. For this reason I chose studying just one of the most contentious and complex fields of unclaimed money which is described in-depth as financial institutions. I have shed light on various recommendations and strategies through this cognized analysis to eliminate inflation of unclaimed money and how they do not work efficiently and effectively. The study guide is left with the issue of where the unclaimed money is, and whether the material in the public domain is not relevant.

4. HYPOTHESIS

- Corer of family money lying in financial institutions.
- No information on official bank websites despite RBI guidelines.

5. OBJECTIVE OF THE STUDY

My academic work is targeted at highlighting the scarcity of resources available for surplus money in the public sector for citizens' welfare. It should be remembered that now and then annually newspapers and journalists report about the money contained in the bank which is not claimed; and of which the

government appoints officials but the questions arise where is the officials' job information? I have sited instances in my paper where government has named officials to work towards change but no action has been taken, at least the information is not available.

6. METHDOLOGY

The data needed for the paper were gathered by text books, documents, policy papers and government websites.

7. ANALYSIS

7.1 Financial Institution and Types

Financial institutions as the name suggests are those working organizations wherein financial activities takes place for economic development.

Following are the financial institutions:

1. Investment Banks
2. Commercial Banks
3. Brokerages
4. Investment Companies
5. Insurance Company

Owing to long investing tenures, or / and possessing many accounts, often people forget about their savings and assets. Experts say, one of the most likely ways that occurs is that these accounts or programs were produced or purchased by others a long time ago, and people may have forgotten about them. Even if the institutions keeping the money have to get in touch with the account holder after a certain time, most say that they are unable to reach or get in touch with many clients because their address and contact information have changed over the years and are not updated with the institution.⁸

⁸ Available at: <https://www.financialexpress.com/money/forgotten-about-your-investments-here-is-how-to-track-down->

[your-unclaimed-funds/1810356/](https://www.financialexpress.com/money/forgotten-about-your-investments-here-is-how-to-track-down-) (Last Visited on August 10, 2020).



7.2 Government Initiatives for Unclaimed Money

1. Depository Education and Awareness Funds:

Section 26A of the Banking Laws (Amendment) Act, 2012, was inserted into the Banking Regulation Act, 1949. The Section empowers the Reserve Bank to set up a fund known as the Depositor Education and Knowledge Fund. Consequently, on May 24, 2014, a Scheme was formulated and published in the Official Gazette. The Scheme provides for the registration of companies, organisations and associations and provides them with financial assistance to promote recognition of the depositors.⁹ But no such representations have been made and heeded received. There is still no official website for deaf people located in order to obtain awareness of how much money was deposited.

The last notification, given by RBI to all CEOs and Chairman and Legal Heads, was about interest payment and nothing more was recognized.

2. Senior Citizen Welfare Scheme Fund:

Eligible sum under the Senior Citizens Welfare Fund with Ministry of Social Justice and Empowerment is Rupees 410.23 crore. Unclaimed funds lying under Small Savings Plans, Workers Provident Fund, Municipal Provident Fund schemes, Life and non-life insurance plans or policies held by Coal Mines Provident Fund insurance companies and accounts are transferred to the Senior Citizens' Welfare Fund.

3. Investors Education And Protection Fund:

IEPF keeps unclaimed dividends and accrued money that over the years have remained unclaimed. After seven years, unpaid money and unclaimed dividend was moved to the Investor Education and Security Fund. The Education and Security Fund for Investors has its own government-run website, iepf.gov.in. This website is dedicated to understanding of the investors and to protecting their interests. Investors may visit the platform, to see if there is any unclaimed money lying around them.

4. Employee Provident Fund:

The government reported in May 2016 that about '43,000 crore lies in inoperative accounts of the EPF (Employees' Provident Fund), although the meaning of inactive account changed after the November 2016 notification. Earlier the account was inactive if a individual stopped contributing to PF for three years or more. But now three years after a person's retirement an account is considered inoperative if he / she is at least 55.

7.3 Department Duties to Declare Unclaimed Money

Although looking at decreasing atmosphere for decreasing impact of unclaimed money among the country's people, the government has applauded various guidelines in search of their money to reveal the sum that is unclaimed but saddening behind the same is not followed by any of them. And the truth is still unspoken and so we are here to find your esteemed institution informing our claims.

⁹Rbi's notification seeking amount collected in DEAF Available at:

<https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8907&Mode=0> (Last Visited on August 10, 2020).



7.4 Reserve Bank of India's Guidelines towards Unclaimed Money¹⁰

Consequently, RBI is the sole institution among all the institutions to resolve the issue of unclaimed money kept by other rules so that this gray area can be highlighted and presented to the public interest.¹¹

RBI has required banks to post a list of inactive accounts on the bank's website for 10 years or more. To assert these numbers, the depositor will.¹²

Thus it was stated in circular to "Review of all Operating Accounts [Savings Bank and Current Accounts]: An annual review of all accounts in which there are no operations (i.e. no credit or debit other than the crediting of periodic interest or the debiting of service charges) is to be carried out for more than one year. Customers (all joint holders) shall be contacted and/or told in writing that their accounts have not contained an operation. Such customers shall be asked to supply the same explanations. If the non-operation in the account is due to the transfer of residence, the customer may be asked to provide the information and evidence of the new address by telephone / mail / letter in case they wish to continue their bank account or they may be requested to have their accounts transferred to our bank branches near their current place of residence.

The institution had also thrown guidelines for unclaimed money through the evolving guidelines as follows-

"The interest up to maturity date is still paid for Unclaimed Term deposits which have become overdue after maturity. But interest will be paid at the time of payment as per the procedure:

At a later date, if the customer does not wish to renew the deposit as per the current guidelines, the customer would be liable for interest at the prevailing SB rate for the overdue duration.

If the customer prefers to renew for a further period the customer will be eligible for interest over due duration as may be extended for further period according to existing guidelines and deposit.

In addition, DEAF and SCWCF schemes were implemented to eradicate unclaimed money from the stagnation.¹³

As per the Notice-DBR No.Cell.BC.66/30.01.002/2014-15 DEAF Fund Cell. BC.66/30.01.002/2014-15 dated 2 February 2015 by RBI to all local area banks; specified that, in the light of public interest, banks will find whereabouts of non-claimed or inoperative account holders. As indicated by the supreme institution, they should play a proactive role in searching for information

¹⁰ The unclaimed amount with various banks as in 2017 has been mentioned through this circular: Available at: https://www.epfindia.gov.in/site_docs/PDFs/PQ_PD_Fs/PQ_BudgetSession2017_RS_English. (Last Visited on August 10, 2020).

¹¹ Display list on whereabouts of unclaimed money Available at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=6994&Mode=0> . (Last Visited on August 10, 2020).

¹² Detail guidelines as to disclosure of unclaimed amounts Available at <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=4430&Mode=0> . (Last Visited on August 10, 2020).

¹³ RBI's guideline seeking information about DEAF Available at <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=8780&Mode=0> (Last Visited on August 10, 2020).



and in the preparation of properly formalized reports, and official information should also be listed on official websites so that account holders access the same information. It was asked to complete the entire mission by 31 March 2015.

The main concern here is that the banks do not follow supreme institutions' guidelines, and until official reports and data are not available on official websites. These way different ordinary citizens don't get their money properly and lurch, and left devastating lurking around them. For example, in the case of a deceased person, the whereabouts of all bank money and insurance claims are not known to legal heirs and therefore they are difficult because the financial institutions are not cooperating with them. Therefore it is right to know the correct information as to where our money is and according to the guidelines of the supreme institution the banks of other financial institutions should navigate our way towards the recovery of the money.

7.5 SEBI Guidelines Accordance With Unclaimed Money

Capital market regulator Securities and Exchange Board of India (Sebi) has come up with a dedicated Investor Complaints Cell and the SEBI Complaints Redress System or SCORES, which will also help you, register your complaints. Other websites, managed by both government and private organisations,

include Investorhelpline.in, iepf.gov.in and watchoutinvestors.com that deal with investor-related issues.¹⁴. Amfiindia.com, a website run by the Association of Mutual Funds in India, helps investors know more about mutual funds and other investment instruments.

SEBI has adopted relaxation in mutual fund rules to allow asset management firms (AMCs) to invest unclaimed redemption and dividend sums in separate liquid and monetary market schemes.¹⁵

AMCs will have to launch these programs explicitly for the allocation of investor-unclaimed sums.

Sebi said in a circular, however, that AMCs will not be allowed to charge any exit load in such MF plans which are specifically launched to permit the deployment of unclaimed amounts.¹⁶

Sebi said investors who claim the amounts during a period of three years from the due date would be paid the initial unclaimed amount along with the income earned on its deployment. On the other hand, investors,¹⁷ who claim these amounts after three years will be paid initial unclaimed amount along with the income earned on its deployment, till the end of the third year.

It can be remembered that the wealth management firm is required to transfer the unclaimed money and even the unrecognized

¹⁴ Circular on unclaimed redemptions Available at https://www.sebi.gov.in/legal/circulars/feb-2016/circular-on-mutual-funds_31759.html (Last Visited on August 10, 2020).

¹⁵ SEBI to relax mutual fund scheme for unclaimed funds through official circular Available at https://www.sebi.gov.in/sebi_data/commndocs/CIR_MF32000_p.pdf (Last Visited on August 10, 2020).

¹⁶ Readings about sebi redemption on unclaimed funds Available at <https://www.livemint.com/Money/k05gKA3eTOdr84YzxcIKzL/Sebi-relaxes-mutual-fund-norms-on-unclaimed-investor-money.html> (Last Visited on August 10, 2020).

¹⁷ Master circular for investors untraced https://www.sebi.gov.in/sebi_data/attachdocs/1337083696184.pdf (Last Visited on August 10, 2020).



dividend while saving on behalf of the minor through guardian for advantageous income.¹⁸

7.6 How to Get the Money Back

Every bank is expected to post unclaimed account details on the bank's web site according to the RBI regulations. After verifying the details on the website, you can visit the bank branch with a claim form correctly filled in, deposit receipts, and know your customer (KYC) paperwork to claim the cash.

8 CONCLUSION

Businesses might owe you lots of money, particularly if you've been working for a long time or actively spending or saving regularly. But it's not unusual to lose track of the money mainly because they made savings and acquired policies a long time ago, so you've forgotten all about it.

Therefore, it is the need of the hour to concentrate on unclaimed money details that may be accessible on the official websites of the bank as well as navigation to search and demand.

I therefore recommend that my unrecognized money which has not been posted on any official website be granted a right to details. It is critical that you keep track of your savings and liabilities forever. The that number of unclaimed properties with banks further shows that people struggle to adequately express what they own or owe to their nearest and precious ones. Recording all the information about the investment is also relevant.

Allow at least two persons aware of the finances. One can be an actual part of the family and the other can be someone who doesn't live under the same roof; so that the other party can make sure that the money goes to the right people in case of a mishap.

You have invested a lot of hard work into making money. Make sure it's put to the best use to go to you with the right hands.

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