

PMC Bank crisis: What to do if your EMI is due, and how to keep your money safe

Here are a few tips on how to act if you are a PMC Bank customer, as well as advice on how to bank prudently. Hiral Thanawala [@thanawala_hiral](#)

On Tuesday, the Reserve Bank of India (RBI) imposed strict restrictions on the Mumbai-based, Punjab and Maharashtra Cooperative Bank (PMC).

As per the RBI circular, PMC Bank has been barred from carrying out a majority of its routine business transactions for six months. The restrictions, which extend to both lending and withdrawals, mean a customer can withdraw only Rs 1,000 once over the entire six months period from savings or current account or any other deposit account accounts.



While on the face of it, PMC Bank is a profitable bank with a low NPA figure, it is likely that there have been irregularities, which warranted such drastic action.

The shock move by the RBI has led to heartburn for citizens who hold accounts with the bank.

For instance, Rewadhar Tiwari, 82, a senior citizen residing in Mumbai has maintained an account with PMC Bank for over 20 years. Nearly all his savings and retirement proceeds, amounting to Rs 2.5 lakh, are now stuck as fixed deposits.

"I never opened an account with any other bank since it was accessible from my place and the service was good. Also, I knew the branch staff well since I had an account for a long time," he said.

Rupal Gune, 47, broke down after hearing the news. She had kept a deposit of Rs 2 lakh with an intention to cover her children's school fees. Whether you are a PMC Bank customer, or if you have an account with any other cooperative bank, here are a few tips on how to deal with the ongoing crisis, as well as advice on how to go about your banking business.

Don't panic

Just because the RBI has imposed restrictions on PMC Bank, it does not mean that the bank is going under.

When RBI imposes a restriction on withdrawals from your account with a co-operative bank don't panic immediately and rush to bank for withdrawal of amount from savings and deposits. A retail banker, requesting anonymity said,

"The bank will not go into bankruptcy immediately," says a retail banker requesting anonymity.

The RBI's intent with the imposition of lending and withdrawal curbs is to stop any harmful practice and give the bank the time to repair its financial situation.

What happens with your deposit?

Even in an extreme situation, if a bank were to go under, deposits with all banks are guaranteed under the Deposit Insurance and Credit Guarantee Corporation (DICGC) to the tune of Rs 1 lakh, including interest.

This means that amounts over Rs 1 lakh could be at risk in the rare situation that a bank collapses.

Impact on EMI, SIP payments, ECS mandates

Customers may have linked their PMC Bank accounts for making automatic payments such as equated monthly installments (EMIs), systematic investment plan (SIP) in mutual fund schemes, insurance premiums or utility bills.

"Your PMC account will not be debited," says Amol Joshi, founder of financial advisory firm Plan Rupee Investment Services, advising that customers immediately register fresh ECS mandates with a different bank account for such payments to be cleared.

Customers that have linked a PMC Bank account with their mutual fund or demat account to receive dividends and redemption proceeds will also not do so.

The registrar and transfer agents of mutual fund houses will screen the database of investors for PMC Bank account holders and pay-out won't be released for them till customers link a fresh account or the RBI lifts its curbs,

"Fund houses will request investors having PMC Bank accounts to link new bank account details," says Joshi.

Account-holders: Do not put all your eggs in one basket

Several customers tend to hold one bank account throughout their life. In cases like PMC, such savings of a lifetime can get stuck even if for a short period.

Financial advisors thus say that savers should hold multiple bank accounts -- about 2-3 -- from a mix of co-operative banks, private banks and public sector undertaking (PSU).

Customers should be wary of banking heavily with cooperative banks even if they offer higher deposit rates or have a more relaxed account opening process.

"Many co-operative banks are controlled by politicians and may not have strong managements," warns Joydeep Sen, Independent Financial Advisor of wiseinvestor.in.

"No more than 10% of your financial assets should be parked with a co-operative banks," says Vishal Dhawan, certified financial planner, and founder Plan Ahead Wealth Advisors.

Cooperative bank or a cooperative credit society?

Customers should also be sure as to which institution they are dealing with: cooperative bank or cooperative credit society. The former are regulated by the Reserve Bank of India while the latter are regulated by state governments. Further, the Rs 1 lakh deposit coverage guarantee does not exist in case of credit cooperative societies.

It is therefore advisable to deal with a cooperative bank rather than a cooperative credit society.

Beware of bank identity fraud

There have also been instances where financial institutions operating in small cities partly change their name to sound or look similar to a popular bank. "You should check the name of the bank you are dealing with on the RBI website to make sure you are dealing with an RBI-regulated entity and not some local body running a financial institution with a similar sounding name," says Sen.