

News

Who can look into financial schemes that involve many states—the CBI or state police?



The Supreme Court was asked to investigate whether financial schemes that involve several states may be investigated by state police or if the CBI should be required to handle them.

In *Sureshkumar & Ors. vs. Union of India & Ors.*, a plea has been submitted to the Supreme Court asking the CBI to look into a purported ₹1,000-crore deposit scam.

A group of depositors filed the plea, claiming that their right to a fair and efficient investigation has not been upheld by the Tamil Nadu Police's ongoing probe.

On February 6, a bench of Justices Joymalya Bagchi and Surya Kant, the Chief Justice of India, sent notice of the case and demanded that the Union government respond.

The Court will consider whether the State police can look into such issues or if the CBI must look into such multi-state schemes.

The petitioners are depositors who claim that Universal Trading Solution Private Limited, a business situated in Coimbatore, and its managing director, G Ramesh, have committed a massive financial scam against them. The plea claims that the business gathered deposits in a number of southern states in addition to Tamil Nadu.

According to the petition, the plan was heavily promoted in 2018. In addition to a monthly return of 10% of the principal, investors were offered 12% annual interest with full payback guaranteed within a year. According to reports, a large number of depositors put their entire life savings into the plan because they thought it would be profitable and safe.

The business allegedly fell behind on repayments by the beginning of 2019.

It became evident from the petition that the program was fraudulent and that public deposits had been embezzled to purchase real estate under the names of the business, its managing director, and his relatives.

In response to complaints, the Tamil Nadu Police's Economic Offences Wing (EOW) filed the first formal complaint (FIR) in June 2019 for offenses under the Tamil Nadu Protection of Interests of Depositors Act, the Banning of Unregulated Deposit Schemes Act, 2019 (BUDS Act), and criminal breach of trust and cheating.

Several FIRs were filed in relation to the same scheme over time.

The petitioners claim that the investigation was still inconclusive even after these cases were registered.

The petition claims that important BUDS Act provisions have not been adhered to and that neither the identification of all depositors nor the realization of assets for repayment have advanced significantly. The petition claims that around 73,000 depositors were impacted, and the total sum at stake is nearly ₹1,000 crore.

A committee led by former judge Justice KN Basha was appointed by the Madras High Court in 2019 to supervise depositor repayment. Later on, that committee was disbanded.

Another committee led by retired judge Justice M Sathyanarayanan was established by the High Court in 2022, but it was later disbanded after the court ruled that it would be premature to make payments before a significant amount of money had been recovered.

The Supreme Court then heard the case.

In May 2023, the Supreme Court appointed a one-member committee led by retired Madras High Court judge Justice M Govindraj to oversee the sale of properties connected to the purported scam in response to a challenge brought by the company's managing director.

Even this committee, according to the depositors, has not produced any results.

The plea claims that despite the committee's formation more than two and a half years ago, no property has been put up for sale, no complete list of depositors has been finalized, and no funds have been released.

The petitioners contend that the inquiry is inherently faulty because deposits were obtained from many States, and as a result, the State police do not have the authority to carry out the investigation.

Furthermore, the plan's interstate nature has created an oddity in that the State of Kerala has granted authorization under the Delhi Special Police Establishment Act for the Kerala High Court to order a CBI investigation into related charges originating from the same scheme in Kerala.

On the other hand, it has been argued that the State police inquiry in Tamil Nadu is still ongoing, resulting in disjointed and uneven proceedings.

In light of this, the petitioners have requested three main reliefs:

First, they have requested that all FIRs related to the scheme be transferred to the CBI by the Supreme Court.

Second, they have asked the court-appointed committee to find depositors immediately, liquidate any properties that are connected, and distribute the money within a certain amount of time.

Third, in order to improve contact with the committee, they have asked that one of the petitioners be designated as the depositors' representative.

After the Central government submits its answer to the notice from the top court, the case will be heard again.

Advocates Sanjay Nair S. and Mukund P. Unny represented the petitioners.