

CHAPTER V: MINISTRY OF CIVIL AVIATION

5 Financial irregularities

By misrepresenting the actual nature of hire purchase agreement entered into by him with Bank of Nova Scotia, the then Representative of India at International Civil Aviation Organisation, Montreal, acquired and retained moveable property worth Rs 9.39 lakh at Government cost.

The Ministry of Civil Aviation (MCA) authorised India's Representative to International Civil Aviation Organisation at Montreal, Canada with effect from August 1996 to hire furniture upto a rent of C\$1000 per month i.e. USD 710.32 calculated on the average rate of exchange of the currencies vis-à-vis rupee during the period October 1996 to September 1999.

Instead of hiring furniture from a regular furniture dealer, the representative entered into an 'innovative' agreement with the Bank of Nova Scotia (the Bank) in November 1996, in terms of which, the Bank would lease to him personal moveable property which included furniture and electronic items like colour television, music system, video recorder, refrigerator etc. valued at an aggregate of C\$ 32,037.13 inclusive of taxes (C\$ 3293.29). The monthly lease payment of C\$ 928.63, which increased to C\$ 937.35 with effect from February 1998 due to revision of provincial sales tax, was paid by the Government of India. At the termination of lease agreement in September 1999 i.e 4 months ahead of the original lease period of 40 months effective from 15 October 1996, the representative retained the items of furniture as personal property. The Bank clarified in October 2000 that there was no need to take back these items as the loan was paid off in full. It would, thus, appear that the agreement between the Bank and the representative was a 'hire purchase' agreement, which was misrepresented to Government of India as a hire/lease agreement as a result of which the officer received the benefit of acquiring moveable assets worth Rs 9.39 lakh at Government of India cost. This action constitutes a grave misdemeanor on the part of the officer.

The MCA stated in their reply dated 27 December 2000 that the contract signed by the representative with the Bank was in the form of a lease agreement, the terms of which included a purchase option, which was exercised by the representative after the rental period by making the payment of its residual value. Ministry also stated that the case did not involve any financial irregularity as the officer entered into the lease agreement after obtaining quotations and proper evaluation of the offers and the agreement was signed with the company who had quoted the lowest rate. The contention of the Ministry is not tenable in view of the fact that the Bank is a financial institution and not a furniture hirer. The transaction that took place was lease financing of purchase of furniture. The representative presented the issue as one of lease-hire of furniture and got the Government of India to pay the lease rent which was in the nature of loan repayment.