# Cosmetic repair: on inter-creditor agreement

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It will now be easier for banks to sell stressed assets, but other tricky issues remain

Highlights

- Indian banks trying to sell their troubled assets now have one less hurdle to cross. A group of banks, including public sector, private sector and foreign banks, signed an inter-creditor agreement on Monday to push for the speedy resolution of non-performing loans on their balance sheets.
- According to the agreement, a majority representing two-thirds of the loans within a consortium of lenders should now be sufficient to override any objection to the resolution process coming from dissenting lenders.
- The inter-creditor agreement is aimed at the resolution of loan accounts with a size of ₹50 crore and above that are under the control of a group of lenders.
- It is part of the "Sashakt" plan approved by the government to address the problem of resolving bad loans.
- The government hopes that the holdout problem, where the objections of a few lenders prevent a settlement between the majority lenders, will be solved through the inter-creditor agreement.
- This is an improvement on the earlier model, which relied solely on the joint lenders' forum to arrive at a consensus among creditors.

Perspective issues

- The biggest obstacle to bad loan resolution is the absence of buyers who can purchase stressed assets from banks, and the unwillingness of banks to sell their loans at a deep discount to their face value.
- Unless the government can solve this problem, the bad loan problem is likely to remain unresolved for some time to come.

Source: The Hindu