Bankers speak out on mafia in banking system

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KAMPALA. Uganda Bankers Association and Financial Intelligence Authority (FIA) have dismissed allegations by the police chief that the banking sector has been infiltrated by the mafia outfit that connive with bank employees to defraud their customers.

On Wednesday, the Inspector General of Police, Gen Kale Kayihura, warned the public of electronic fraudsters, who are colluding with bank officials and security personnel, to steal money from unsuspecting customers' accounts. Gen Kayihura said the criminal gang is so powerful and has informers at banks, who provide information on clients with large amounts of cash on their accounts. He said foreign investors are the most targeted, but locals are also vulnerable.

The head of FIA, Mr Sydney Asubo, said on the contrary such cases are very few and are only confined among two communities of foreigners, the Ethiopians and Eritreans.

"The bank accounts that are targeted aren't personal accounts, but company or business accounts. Most of the suspects are directors in the same companies, who have fights with fellow directors," Mr Asubo said yesterday in an interview.

The executive director of the Uganda Bankers Association, Mr Wilbrod Owor, admitted in an interview that though there are criminal-minded people in the banking sector, they are very few and whenever such cases are received, the entire bank system reacts to deal with.

"We meet the regulator (the central bank) every month to discuss such issues, share information and look at ways of preventing it," Mr Owor said.

Mr Owor said each bank has strong internal controls that not one person can authorise payments, but those controls depend on the good well of the employees.

Although Mr Asubo was conservative about statistics of the fraud cases of that nature, at one point he estimated them to be between 20 and 30 Eritrean and Ethiopian owned companies that have witnessed fraud problems.

Mr Asubo said their investigations of the cases show that many business people in the two communities own shares in several companies, and it is the dishonest directors that are colluding with local criminals to defraud their business colleagues.

"They collude with the criminals. You don't need to have a bank employee to tell you how much money is in the bank," Mr Asubo said.

One of the major cases detectives are investigating is where Deniel Weldo, an Eritrean national doing who was business in South Sudan, was allegedly abducted by Ugandans from Kampala and killed hundreds of kilometres across the border in Kenya.

The attackers reportedly obtained advance information ostensibly from their bank scouts that the deceased had Euros2m (Shs7.4b) on his bank account. The attackers' attempt to steal the cash has since failed, according to the investigators.

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Three suspects, among them a UPDF Captain, have since been arrested and are awaiting trial in connection with Weldo's killing. Employees of two major banks are also being investigated.

Mr Asubo said of the 25 commercial banks in the country, it is a handful of them where the fraud was reported.

"The banking sector is generally secure and healthy," he said adding that broad-brushing the entire banking sector with crime is unfair.

When Central Bank deputy spokesman, Mr Kevin Kiyingi, was contacted to shed more light on the picture painted by the police chief about banking sector, he declined to comment.

Several banks that were contacted over Gen Kayihura's allegations declined to comment reasoning that the police chief had not mentioned any of the banks.