IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATE: 14.07.2015

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THE HONOURABLE MR.JUSTICE M.SATHYANARAYANAN

W.P.No.6743 of 2015

K.Velmurugan ...Petitioner

Versus

1 The Manager
Reserve Bank of India Fort Glacis
Rajaji Salai P.B. No.40 Chennai-1.

2 The Secretary
Indian Banks Association World Trade Centre
6th Floor Centre 1 Building World Trade
Centre Complex Cuff Parade Mumbai-400005.

3 The Manager
Indian Bank Panruti Branch
Panruti. ...Respondents

Prayer: This Writ Petition is filed under Article 226 of the Constitution of India, seeking for a writ of mandamus, directing the third respondent to provide the educational loan of a sum of Rs.23 lakhs to petitioner son Vidhyapathi studying III year M.B.B.S. in Velammal Medical College Hospital and Research Institute Madurai within a specified period fixed by the Honourable Court.

For Petitioner : Mr.A.Aridas
for Mr.S.A.Rajan

For Respondents : Mr.O.S.Karthikeyan (for R3)
No appearance (For R1 & R2)

O R D E R

By consent, the writ petition is taken up for final disposal.

2. The petitioner claims that he is a poor agricultural labourer and his son viz. Vidhyapathi, has passed the Higher Secondary Course Examination with flying colours and joined Velammal Medical College Hospital and Research Institute, Madurai, under Government quota. The period of course is five years and for every academic year, the students need to pay a sum of Rs.4,30,000/- towards Tuition fees and Hostel fees and at the time of admission, Rs.2,00,000/- has to be paid towards amenities and the total amount payable for the 1st year is Rs.6,30,000/-. The petitioner would further state that the educational expenses for the entire course of study is Rs.23,50,000/-.

3. The petitioner on an earlier occasion filed W.P.No.11677 of 2014, against the 3rd respondent herein praying for issuance of a writ of mandamus directing the bank to consider his representation dated 22.03.2014, for providing educational loan to the petitioner's son and this Court, vide order dated 04.12.2014, has taken note of the submission that the 3rd respondent herein vide order dated 21.04.2014 has rejected the petitioner's request for educational loan and prayed for permission for withdrawal of the writ petition and accordingly, granted the liberty to enable the petitioner to work out his remedy in accordance with law.

4. The learned counsel appearing for the petitioner would submit that the petitioner is a poor agricultural labourer and he is not in a position to meet the cost of study of Rs.23,50,000/- and though, he offered some landed property as collateral security, it was not taken into consideration by the 3rd respondent bank and they sent a communication dated 21.04.2014, stating that as per the scheme, wherever, the loan amount is more than Rs.7.50 Lakhs, the same should be supported by collateral security of 150% value of the loan amount sought for and the offer of collateral security shall be accepted by the bank subject to banking norms only and also indicated that the bank has never declined the request made for educational loan and is pending for non fulfillment of collateral security norms as stipulated in the IBA norms and requested the petitioner as well as his son to send an early response.

5. It is the submission of the learned counsel appearing for the petitioner by drawing the attention of this Court to the Revised Model Educational Loan Scheme for Pursuing Higher Education in India and Abroad formulated by Indian Banks' Association, would submit that Clause No.3 of the said scheme provides broad guidelines to the banks for operationalising the educational loan scheme and the implementing bank shall have the discretion to make changes as deemed fit and in the light of that, the 3rd respondent may be directed to exercise discretion in favour of the petitioner

taking into consideration his poor economic background and the academic performance of his son, who is undergoing MBBS Course in a private medical institution.

6. Per contra, the learned standing counsel appearing for the 3rd respondent, has invited the attention of this Court to the very same norms formulated by Indian Banks' Association and would submit that if the loan component is above Rs.7.5 lakhs, the parents have to be joint borrowers and a tangible collateral security of suitable value acceptable to the bank along with the assignment of future income of the student for payment of instalments, have to be provided and in the case on hand, the petitioner did not satisfy the norms and hence, a communication dated 21.04.2014, was sent to the petitioner as well as to his son to comply with the norms and even as of today, the educational loan application is not yet rejected, but, the 3rd respondent bank is awaiting for the response form the petitioner.

7. This Court, has carefully considered the rival submissions and also perused the materials placed before it.

8. Clause No.7 of the Revised Model Educational Loan Scheme for Pursuing Higher Education in India and Abroad formulated by Indian Banks' Association, stipulates as follows:

Above 7.5 Lakhs : Parent(s) to be joint borrower(s) tangible collateral security of suitable value acceptable to the bank, along with the assignment of future income of the student for payment of instalments.

9. In the very same revised guidelines, clause No.3, speaks about the applicability of the scheme.

> "The scheme detailed below could be adopted by all member banks of the Association or other banks and financial institutions as may be advised by the Reserve Bank of India. The Scheme provides broad guidelines to the banks for operationalising the educational loan scheme and the implementing bank shall have the discretion to make changes as deemed fit."

The Clause No.3, grants discretion to the implementing bank to make changes as it deems fit.

10. It is the submission of the learned standing counsel appearing for the 3rd respondent bank, that if the petitioner fulfills Clause No.7 and if there is any short fall or deficiency, the 3rd respondent bank, taking into consideration the peculiar

facts and circumstances, may relax the norms, but, in the case on hand, the petitioner never offered any immovable property as collateral security, which is mandatory under the said clause and therefore, the 3rd respondent is unable to process the application.

11. The learned counsel appearing for the petitioner in response to the said submission submitted that the petitioner is willing to offer the agricultural lands as primary / collateral security and in that event the 3rd respondent bank may be directed to consider the application submitted by the petitioner, after taking note of Clause No.3 of the Revised Model Educational Loan Scheme for Pursuing Higher Education in India and Abroad formulated by Indian Banks' Association.

12. In the result, the writ petition is disposed of and the petitioner is at liberty to offer the collateral security in the form of immovable property to the 3rd respondent bank, who on receipt of the same is directed to consider it, in accordance with the above said scheme and taking into consideration of the fact that the petitioner claims that he is a poor agricultural labourer and that his son, who is undergoing MBBS Course in a private institution is performing well academically, may exercise its discretion and pass appropriate orders as expeditiously as possible, from the date of the submission of the application. No costs.

Sd/-
Assistant Registrar(CS-III)

//True Copy//

Sub Assistant Registrar

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To

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Panruti.

1 CC to Mr.O.S.Karthikeyan, Advocate SR.No. 35484

1 CC to Mr.S.A.Rajan, Advocate SR.No. 35848

W.P.No.6743 of 2015

RV (CO)
PSI (22.07.2015)