BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT
DATED: 03.07.2018

CORAM :

THE HONOURABLE MR.JUSTICE S.S.SUNDAR

W.P.(MD)Nos.12385 and 12386 of 2018

Beer Mohammed : Petitioner in W.P.(MD)No.12385 of 2018

M.Mohammed Ali : Petitioner in W.P.(MD)No.12386 of 2018

-Vs-

1.The District Collector,
Madurai District, Madurai.

2.UCO Bank,
represented by its Senior Manager,
Navinipatti Branch,
Check Post Melur (Post),
Madurai District - 625 106. : Respondents in both W.Ps.,

PRAYER in W.P.(MD) No.12385 of 2018: Writ Petition filed under Article 226 of the Constitution of India, to issue a Writ of Certiorarified Mandamus, calling for the records pertaining to the impugned order passed by the second respondent in UCO Bank / Navini / Misc / 2017-18 / 71, dated 07/12/2017 quash the same and direct the second respondent to disburse educational loan to the petitioner's son B.Riyas Ahamed for doint B.E. Mechanical Engineering course in K.I.T.Coimbatore within the time frame fixed by this Court.

PRAYER in W.P.(MD) No.12386 of 2018: Writ Petition filed under Article 226 of the Constitution of India, to issue a Writ of Certiorarified Mandamus, calling for the records pertaining to the impugned order passed by the second respondent in UCO Bank / Navini / Misc / 2017-18 / 71, dated 07/12/2017 quash the same and direct the second respondent to disburse educational loan to the petitioner's son M.Halilur Rahman for doing B.Tech. Food Technology course in Tamil Nadu Agricultural University.

For Petitioner
in both W.Ps., : Mr.M.Saravanan

For R1
in both W.Ps., : Mr.N.Shanmuga Selvam
Additional Government Pleader

R2 :Mr.K.Periasamy

COMMON ORDER

These writ petitions have been filed to quash the order passed by the second respondent, dated 07.12.2017 and to direct the second respondent to disburse educational loan to the petitioner's son pursuing his academic year.

2.In W.P.(MD)No.12385 of 2018, the petitioner states that his son has secured 827 marks in Higher Secondary School Examination. Since the petitioner's son was interested in studying B.E. (Mechanical Engineering), his son applied for admission in the institution, K.I.T., Coimbatore. Since the petitioner could not mobilize the money for paying the college fee, it is stated that his son approached the second respondent with all relevant documents and requested to sanction educational loan to the petitioner's son to meet the expenditure for four years. It is further stated that the petitioner's application was rejected by the second respondent bank on the ground that as per the score card model, the weightage score for his son is only 48.2% and hence, the application falls under Dark Zone (less than 60%).

3.In W.P.(MD) No.12386 of 2018, the petitioner states that his son has secured 1130 marks in Higher Secondary School Examination out of 1200. The petitioner's son after completing his higher secondary education, was interested to join B.Tech., Food Technology course in Tamil Nadu Agricultural University. Though the petitioner's son was admitted during the academic year 2017-2018 and he joined in September 2017 and later, application for educational loan was submitted before the second respondent by the petitioner's son. The application, for availing educational loan to his son, was rejected by the second respondent on the ground that as per the score card model, the weightage score for petitioner's son is only 58.2% and hence, the application falls under Dark Zone (less than 60%).

4.In both the writ petitions, the learned counsel appearing for the writ petitioner states that the order of the second respondent is illegal and in violation of principles of natural justice. It is further stated by the learned counsel for the petitioner that the petitioner's son has secured decent marks in S.S.L.C., and H.S.C. and that despite the Reserve Bank of India and the Government of India had framed the policies in favour of granting education loan keeping in mind the welfare of students belonging to socially and economically backward families. It is also pointed out by the petitioner that a circular has been issued to the respondent bank regarding educational loan for students in India and abroad and the circular do not indicate any such score card model or the basis for determining the weightage score.

5.A specific ground was raised in both the writ petitions that the rejection of loan application by citing some secret evaluation system without reference to any norms or guidelines and without even disclosing the method of evaluation is arbitrary, illegal. It is further stated that the second respondent has neither followed IBA nor RBI guidelines. It was further pointed out that in both cases the students have secured admission in reputed institutions on merits.

6.In the first case, the student has secured 827 marks out of 1200 and in W.P.(MD) No.12386 of 2018, the petitioner's son has secured 1130 marks out of 1200. In the first case, the loan expected was Rs.4,86,000/- and in the second case, the loan application was for Rs.4,60,000/-. In both cases, the petitioners have offered collateral security.

7.The second respondent filed a counter reiterating the same reasons stated in the impugned order. In paragraphs 5 and 6, it is stated as follows:

> 5.It is submitted that, admittedly, the 2nd respondent had issued a letter dated 07.12.2017 (the impugned order) by rejecting the petitioner's loan application dated 13.11.2017, by stating that as per the score card model the weightage score for his application is only 48.2%. As per education loan score card if the scores are,
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> Above 75% - White Zone
> Above 60% and below 75% - Grey Zone
> Below 60% - Dark Zone
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> The petitioner's score is only 48.2% and hence his loan application was rejected as he is not eligible for education loan. As such the letter dated 07.12.2017 issued by the second respondent is only by following the Rules, Regulations and circulars of the Bank and hence the same cannot be challenged and that too after 6 months.
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> 6.It is submitted that, as per the master circular dated 25.10.2012 CHO/Retail Banking/49/12-13 issued by the Head Office of the second respondent Bank on UCO Education Loan Scheme for studies in India & Abroad, if the total loan amount is up to Rs.4,00,000/- no security is offered. But the loan amount required by the petitioner is more than Rs.4,00,000/- and hence, security should be furnished by the petitioner."

8.The second respondent produced before this Court the master circular on UCO Education Loan Scheme for studies in India and Abroad (updated upto 10.10.2012). As per this circular, the candidates, who opted for management quota seats for admission in a specified college or course of his choice will also be eligible for education loan. However, fees as approved by the State Government approved regulatory body for payment seats will be considered subject to viability of repayment. It is not in dispute that for the courses opted by the students in these two cases, education loan can be availed as per the scheme. As per scheme, no margin is required upto Rs.4,00,000/-. Above Rs.4,00,000/-, 5% margin is required. Upto Rs.4,00,000/-, no security is required. Other clauses in the scheme are in respect of security in case the loan amount exceed Rs.7,50,000/- and regarding repayment schedule, rate of interest, insurance, further loan to pursue higher studies, sanctioning authority, mode of disbursement, documentation, processing and disposal of loan application etc., Nowhere in the scheme, there is reference to score card model or any mode for evaluating students' weightage score.

9.The second respondent however has produced the score card for the two students. It is pertinent to point out that based on the evaluation of college ranking, margin, percentage of marks, course applied for, tenure of loan, monthly interest to monthly income ratio of co-borrower, length of relationship of co-borrower with the second respondent bank, the score card has been prepared. The score card is contrary to the scheme produced by the second respondent. For margin, monthly income of co-borrower, length of relationship of co-borrower, the applicants are given zero mark. The evaluation, therefore, has been done in an arbitrary manner. Hence, the rejection of loan application in these cases are based on an arbitrary method and hence, it cannot be sustained.

10.It is true that there is no inherent right to educational loan. Banks are also expected to follow guidelines of IBA or RBI. The objectives of Educational Loan Scheme is to provide financial assistance to the poor and needy to undertake Higher Education Schemes framed by the bank itself has not been followed by the second respondent. The benefit of scheme should be extended to deserving students without hesitation. Refusal to sanction education loan to the sons of the petitioners in these writ petitions by referring to untenable grounds contrary to the scheme cannot be accepted. Rendering financial assistance to students to pursue education is to encourage students in national interest. The attitude of second respondent will defeat very purpose and object behind the policy of Government. Hence, for denying loan to the sons of petitioners in both cases, the reasons stated in the impugned order are unsustainable. Hence, the Writ Petitions are allowed. The second respondent is directed to consider the loan application and sanction eligible education loan to the sons of petitioners in the respective writ petitions based on the loan applications submitted by the students within a period of four weeks from the date of receipt of a copy of this order. The Writ Petitions are accordingly allowed. No costs.

Sd/-
Assistant Registrar(CO)

/True Copy/

Sub Assistant Registrar(CS-I)

To
1.The District Collector,
Madurai District,
Madurai.

2.The Senior Manager,
UCO Bank,
Navinipatti Branch,
Check Post Melur (Post),
Madurai District - 625 106.

+2CC to Mr.K.PERIASAMY, Advocate, SR.No.70853,70854

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MM/SRM
ES/SKN/RSK/SAR 1/12.12.2018/5P/5C