202 IN THE HIGH COURT OF PUNJAB AND HARYANA AT CHANDIGARH

CWP-6225-2016 (O&M)
Date of Decision: 26.10.2018.

Punjab National Bank, Rewari
... Petitioner

Versus

The Permanent Lok Adalat and others ... Respondents

CORAM : Hon'ble Mr. Justice Jitendra Chauhan

Present : Mr. A.K. Goyal, Advocate,
for the petitioner.

None for respondent No.1.

Mr. Gulshan Nandwani, Advocate,
for respondent Nos. 2 to 7.

JITENDRA CHAUHAN.J.

Through the instant civil writ petition, the petitioner Bank has sought quashing of order dated 29.02.2016 (Annexure P-5) passed by the Permanent Lok Adalat (Public Utility Services), Rewari (for short "the Lok Adalat") vide which the application filed by respondent Nos. 2 to 7 has been allowed and the petitioner bank has been directed to pay interest on the FDRs from 19.07.2000.

The facts of the case are that respondent Nos.2 to 7 had deposited Rs.30,000/- each in fixed deposits for the period from 19.07.1995 to 19.07.2000. The FDRs were to mature on 20.07.2000. As none came present to renew the FDRs, the petitioner bank transferred the same to overdue FDRs. Thereafter, respondent No.2 approached the petitioner bank for renewal of the said FDRs for the next one year i.e.04.05.2013 to 04.05.2014 along with interest which had accrued on the said FDRs from 19.07.2000 to 03.05.2013. The petitioner bank refused to give interest from 19.07.2000 to 03.05.2013. Thereafter, respondent Nos. 2 to 7 filed an application under Section 22-C of the Legal Services Authorities Act, 1987 before the Lok Adalat. The Lok Adalat ordered the petitioner bank to pay interest on the said FDRs from 19.07.2000 to 03.05.2013 to respondent Nos. 2 to 7.

On the other hand, the stand of respondent Nos.2 to 7 is that as per RBI guidelines, the claimant need not renew the FDR and the bank shall itself renew the same at the fixed rate of interest. He relies upon the instructions issued by the RBI in this regard. The instructions have been circulated by the learned counsel for the respondents and same is taken on record as Mark-A.

Heard.

The relevant extract of the instructions (Mark-A) issued by the RBI is reproduced as under:-

> ***Renewal of FDs***
> *On maturity, an FD can be directed towards renewal or withdrawal. The renewal clause is available as an auto-renewal feature, wherein the bank or financial institution will automatically renew your deposit for the same period of time and at the same interest rate on maturity. This is a good option if you have invested funds without any foreseen need for them. However, with this buy and Forget mentality, you might sometimes lose on better deals which you could have found even on a cursory look at available options.*
> *Let's say you invested Rs.5 lacs in a 5 year FD with interest rate of 10%. At the end of 5 years, the fixed deposit rates have fallen to 8%, a significant decrease over the said period. In case you had opted*

> *for auto-renewal you would have been automatically enrolled in the same FD for another 5 years and at the same rate of 10% regardless of market rates. If you had opted for withdrawal, a new FD will offer you 8% rate of interest on the deposit.*
>
> ***Withdrawal of FDs***
>
> *The auto-termination option is also available which shuts down the FD on maturity and transfers the funds to a preselected saving account. Once again, the auto-termination option might result in lower interest rates on your reinvestment owing to market changes during the tenure of the original FD. Therefore, you have to take an informed decision while renewing your FD so as to get the highest benefits.*
>
> *Suppose you have bought an FD of Rs.5 lacs for a tenure of 5 years and forgot about the maturity date. At the 6th year when you do realize that you had invested in an FD, you go back to the bank and ask for withdrawal of funds. The bank obliges, but you end up losing interest for the excess 1 year of deposit due to preclosure of the account."*

From the instructions which are taken on record as Mark-A, it is made out that in the absence of request for renewal, the Bank is under obligation to keep the funds in FDR, therefore, to keep the amount in question in overdue FDRs is thus, against the RBI guidelines. This is not in dispute that the amount in question remained with the Bank throughout, therefore, the Bank is under obligation to pay interest on the amount which remained with the Bank. The order passed by the Lok Adalat is in consonance with the guidelines issued by the RBI. Therefore, there is no flaw in the impugned order. Consequently, the present civil writ petition is dismissed.

26.10.2018. **(JITENDRA CHAUHAN)**
SN **JUDGE**

Whether speaking/reasoned : Yes/No
Whether reportable : Yes/No