BEFORE THE MADURAI BENCH OF MADRAS HIGH COURT
DATED: 13.02.2020
CORAM:

THE HONOURABLE MRS.JUSTICE PUSHPA SATHYANARAYANA

W.P(MD)No.23722 of 2019
and
WMP(MD)Nos.20305 of 2019 & 1642 of 2020

1.G.Mohan

2.The Management Committee,
rep.by Mr.G.Mohan
Secretary
Indira Gandhi College for Woman Committee,
Indira Gandhi Memorail Matric and
Higher Secondary School,
Thirunagar,
Madurai - 625 006. ... Petitioners

Vs.

1.The Reserve Bank of India
Department of Banking Regulation,
13th floor, Central Office Building,
Mumbai - 400 001.

2.The Senior Manager,
UCO Bank,
Thirunagar,
Madurai. ... Respondents

PRAYER: Writ Petition filed under Article 226 of the Constitution of India praying for the issuance of a Writ of certiorari calling upon the records of pertaining to the impugned order passed by the 2nd respondent in REF.MISC.20.2019-2020, dated 24.10.2019 and quash the same.

For Petitioners : M/s.J.Anandhavalli
For R1 : No appearance
For R2 : Mr.P.T.S.Narendravasan

ORDER

The petitioner is the Secretary of the second petitioner Committee, which is the school run by the Society, registered under the Tamil Nadu Societies Registration Act, 1985. There has been a dispute regarding the election of office bearers and several civil suits are pending. While so, at the instance of one Gopi Chandra

Mohan, the current account stood in the name of the school was frozen by the second respondent bank on 09.02.2015. Therefore, to manage the every day income and expenses, the petitioner and one Krishna Subash Chandran opened a current account in account No.33530210000137 after duly intimating to the income tax department. Later, the current account was converted into "Either or Survivor" in April 2019. In the month of June 2019, one of the joint account holders namely Krishna Subash Chandran had sent a letter to the respondent bank withdrawing herself from the account and permitting the first petitioner to operate the accounts solely. The petitioner has also been informed of the same. From then onwards, the petitioner was operating the said account solely. While the matter stood thus, the second respondent has frozen the current account based on the letter given by the said Krishna Subash Chandran dated 18.09.2019 and the bank also on 23.09.2019 informed the petitioner that the current account of the school was frozen. The second respondent called upon the petitioner to confirm whether the account was personal or school account. Again on 30.09.2019, the said Krishna Subash Chandran has given a letter to the second respondent requesting to freeze the account of the institution. The bank also on 24.10.2019 had passed an order freezing the current account operated by the first petitioner by obliging the request of the said Krishna Subash Chandran. Aggrieved by the said action of the second respondent, this writ petition is filed.

2.The second respondent, upon notice, had filed a counter affidavit stating that as there was a dispute between joint account holders, the matter was escalated to the school management/authority to clarify the transactions conducted in the current account of the school. It is further stated that only to safeguard the interest of the account holders, in good faith, the bank had frozen the current account and claimed that the act of second respondent is lawful.

3.Heard the learned counsel appearing for the petitioner and the learned counsel appearing on behalf of the second respondent.

4.The question that has to be determined in the writ petition is whether freezing the account of the second petitioner school by the bank is correct based on the letter dated 18.09.2019. Admittedly, the above mentioned current account was opened by the first petitioner and the said Krishna Subash Chandran on 20.03.2018 as joint account holders. Later the same was converted into 'E or S' account on 17.04.2019. On 17.06.2019, one of the account holders viz., Krishna Subash Chandran opted out and allowed the first petitioner to be the sole operator of the account. Thereafter, a complaint was given by the said Krishna Subash Chandran on 18.09.2019 and also sent a letter on 30.09.2019 requesting the second respondent bank to freeze the account of the school. Therefore, the bank has passed the impugned order dated 24.10.2019 based on the said letter.

5.The second respondent bank has produced a copy of the application form for opening an account for the first petitioner and Krishna Subash Chandran. Originally it was only a joint account. Both the account holders have signed in the application form under the heading "In case of joint account". The condition under the said heading is given as follows:

> *"In the event of death, insolvency or withdrawal of any of us, the survivor or survivors of us shall have full control of any moneys then and there standing to our credit in our this account with you and it is understood that all moneys now or hereafter standing to our credit in our account with you shall belong to the survivor/survivors in the event of any of us dying during the currency of the account."*

6.As per the said condition the said Krishna Subash Chandran has converted the account into "E or S" and again on 17.06.2019 allowed the first petitioner to operate the account solely. The second respondent being the bank expected to know the condition imposed in its own application form. The said Krishna Subash Chandran having withdrawn herself from the joint account has no say and has no right to give any direction to the bank as she ceased to be the customer. While so, the second respondent bank has no obligation or right to entertain any request from a stranger who is not connected with the account. Therefore, the bank ought not to have entertained the letter dated 30.09.2019 and also act upon the same by freezing the account of the school by crippling the day-today affairs of the school. An explanation was sought for from the second respondent bank. The bank had filed an affidavit signed by the Senior Manager Mr.S.Rathinakumar, which is as follows:

> "7.*It is submitted that the operation of the joint account is only as per instructions of the account holders. When one of the joint account holder instructs to freeze the account, it is not fair on the part of the 2nd respondent bank to allow the another to operate the account inspite of objections."*

7.Even as per the account holders' conditions prescribed by the Bank, if one of the account holders had withdrawn and the same is accepted by the bank, it is not obliged to the person who ceased to be an account holder. Therefore, the act of the second respondent freezing the account of the running school is highly improper and illegal. If there is any dispute between the account holders, the bank only can get into resolve the issue in a manner known to law. It cannot go into the aid of one of the account holders. This Court is of the opinion that the act of the second respondent is illegal and arbitrary and therefore, the impugned order passed by the second respondent in REF.MISC.20.2019-2020, dated 24.10.2019 is set aside. The second respondent bank is ordered to defreeze the account bearing No.33530210000137 forthwith and permit the first petitioner to operate the account forthwith.

8.The writ petition is allowed accordingly. No costs. Consequently, WMP(MD)Nos.20305 of 2019 & 1642 of 2020 are closed. No costs.

Sd/-

Assistant Registrar

// True Copy //

/ /2020

Sub Assistant Registrar(CS)

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To

The Reserve Bank of India
Department of Banking Regulation,
13th floor, Central Office Building,
Mumbai - 400 001.

+1 CC to M/s.J.ANANDHAVALLI, Advocate (SR-6000[F] dated 13/02/2020)
+1 CC to Mr.PT.S.NARENDRAVASAN, Advocate (SR-6047[F] dated 13/02/2020)
+1 CC to Mr.K.P.S.PALANIVEL RAJAN, Advocate (SR-6164[F] dated 13/02/2020)

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