

# RAJASTHAN HIGH COURT

Balwant Singh

Vs.

Union of India

S.B.C.W. P. No. 3080 of 2000

(Shiv Kumar Sharma, J.)

15.02.2002

## ORDER

**Shiv Kumar Sharma, J.**

1. The petitioner in the instant writ petition sought the following prayer.

(i) Directing the respondents 2, 3 and 4 to accord to the petitioner interest at the rate of 10% per annum on his deposit made under the Scheme w.e.f. 1-1- 1999 by making payment of remaining 1% interest on the deposited amount as also interest on the unpaid interest amount 1% be paid @ 18 p.a. with effect from 1-1-1999.

(ii) directing respondent No. 2 to continue to make payment of interest to the petitioner on the deposit 10% p.a. as long as the deposit continues with respondent No. 4.

(iii) declaring the notification dated 1-1-1999 (Annexure 5) to be illegal/unsustainable/not applicable to the deposits made prior to 1-1-1999.

2. Brief of the case are as under:

a) The petitioner is retired Director General of Rajasthan. The Government of India notified deposit scheme for Retiring Government Employees, 1989 (in short 1989 Scheme) vide Notification dated June 7, 1989. As per the terms of the 1989 Scheme the petitioner opened an account with the State Bank of India, NCRB, Statue Circle, *Jaipur* in the year 1995 and deposited a sum of Rs. 11.0 lacs interest payable @ 10 per cent per annum in the said account.

(b) The petitioner received a cheque dated July 2, 1999 for Rs. 49,093/- from the respondent No. 4, after counting interest @ 9 % from 1-1- 1999. The petitioner averred that without any notice or information to him the rate of

interest on the deposit of the petitioner was reduced from @ 10% to @ 9 % per annum from 1-1-1999.

c) The petitioner sent written communication to the respondents 3 and 4 on July 5, 1999 protesting reduction of interest on the deposit.

(d) In reply to the communication dated July 5, 1999, vide letter dated July 19, 1999 the respondent No. 4 informed the petitioner that as per RBI guidelines the rate of interest was reduced from 10% to 9% w.e.f. 1-1- 1999. The copy of the RBI guidelines was also enclosed with the said communication.

3. The writ petition was filed by the petitioner against the respondents 1 to 4 i.e. Union of India, State Bank of India, Assistant General Manager, SBI Sangneri Gate, Jaipur and Manger SBI, NCRB, Jaipur. On July 18, 2000 show cause notice was issued to the respondents 1 to 4. Thereafter on July 6, 2001 the Reserve Bank of India was directed to be impleaded as respondent No. 5. As the writ petition relates to a Senior Citizen, this Court on January 16, 2002 directed the respondents to file reply to the writ petition and the matter was ordered to be posted for final disposal on January 24, 2002. No reply to the writ petition was filed by the respondents. Shri S.B.L. Mathur learned counsel for the RBI put in his appearance on January 25, 2002.

4. With the consent of learned counsel for the parties the arguments were heard on January, 25, 2002 finally.

4 A. The respondent-Reserve Bank of India on January 28, 2002 submitted written submissions. It was averred in the written submission that the Reserve Bank of India on the basis of the Gazette Notification and instructions of the Government of India accordingly advised the State of Bank of India and other Nationalized Banks to implement the said scheme and to accept deposits. In the light of the aforesaid Scheme the interest is payable at the rate specified therein. The petitioner made deposit under the 1989 Scheme in 1995 and thus took advantage of amendment made by the Government of India to the Scheme in 1993. It was further averred that deposits made under the 1989 Scheme upto 3 years were in fact given interest rate applicable at the time of opening the deposits. The petitioner having made deposits in 1995 was given full benefit as per the Scheme for a term of three years. Thereafter the original Scheme was further modified by the impugned Notification dated January 1, 1999 and the interest under the Scheme was fixed again at 9% per annum as in the original Scheme and accordingly the petitioner is entitled to be paid interest only @ 9% to his deposit of Rs. 11 lacs w.e.f. 1-1-1999. It has been further averred that the Scheme has been further amended by the Notification dated March 1, 2001 by the Government and the

rate of interest has been prescribed as 8.5% per annum from 1st March, 2001 on the date of expiry of 3 years whichever is later. The existing deposits of 3 years are to be given interest at the rate which was applicable at the time of opening of the deposits for a full term of 3 years and the new rates are applicable only after the deposits are continued beyond 3 years. The petitioner or any person eligible to make deposits under the Scheme is not compelled to make any deposit under the Scheme or to continue after the period of 3 years if he thinks that the Scheme is no longer to his benefits. The further submission of the RBI is that the payment of interest on the deposits by the Banks depends upon many factors relating to monetary policy besides other availability of funds to the Banks and the ability of the Banks to advance loan to the various parties at a particular rate. The payment of interest relates to monetary policy and economic policy.

5. I have pondered over the rival submissions and scanned the material on record.

Before dealing with the submissions advanced by the learned counsel for the parties, it would be appropriate to refer the relevant paragraph 6 amended from time to time of the 1989 scheme, as under:

"6. Interest on Deposits:

- (a) All deposits made in accordance with this Scheme shall carry interest at the rate of 9% per annum from the date of the respective deposits. The interest will be paid from the date of deposit to 30th June/31st December as the case may be, and thereafter, interest will be paid half yearly on the 30th June and 31st December. The interest infraction of a rupee will be rounded off to the next higher rupee.
- (b) Where on expiry of three years, the account is continued the balance amount in the account will earn interest at the same rate till the account is closed.
- (c) If so authorised interest payable every six months may be deposited by accounts office in a separate savings account opened by depositor at that accounts office.
- (d) Interest due on the deposits but not drawn on due date will continue to earn interest at 9% as applicable to principal amount so long as the interest remains in deposit.

This paragraph 6 was amended by the Government of India vide Notification dated March 15, 1993. The amendment reads thus:

- "1. In paragraph 6, relating to Interest on Deposits.- (a) to sub- paragraph (a),

the following proviso shall be added namely,-

"Provided that the deposits made in accordance with this Scheme on or after 15th March, 1993 shall carry interest at the rate of 10 per cent per annum."

(b) to sub-paragraph (b) the following proviso shall be added, namely,-

"Provided that where the account is continued on expiry of three years whether prior to 15th March, 1993 or at any time thereafter, the balance amount in such account shall earn interest at the rate of 10 per cent per annum on and from 15th March, 1993 or the date of expiry of three years, whichever is later."

(c) to sub-paragraph (d) the following proviso shall be added, namely,-

"Provided that where the deposits in an account earn interest at the rate of 10 per cent per annum in terms of the proviso to sub-paragraph (a) or sub-paragraph (b), the interest on the undrawn interest shall be at the rate of 10 per cent per annum on and from 15th March, 1993 or the date of expiry of three years, whichever is later."

6. It is contended on behalf of the petitioner that the valuable right which the petitioner acquired with the deposit of Rs. 11 lacs with the Bank in the year 1995 in terms of the Scheme is not liable to be impaired in any manner whatsoever. The amendment made in paragraph 6 of the Scheme vide Notification dated January 1, 1999 cannot be legally attracted to the deposits of the petitioner and the action of the respondents in reducing the rate of interest on the deposit of the petitioner from 10 per cent to 9 per cent per annum is legally unsustainable. I am not impressed by this submission. It is no doubt true that paragraph 6(b) of the Scheme provided that where on account of expiry of 3 years, if the account is continued the balance amount in the account will earn interest at the same rate till the account is closed. But the Reserve Bank of India in view of the economic policy of the Union of India is competent to alter the rate of interest. The Notification dated January 1, 1999 cannot be declared illegal as it is based on the economic policy of the Union of India. The said Notification cannot be termed as discriminatory *qua* the petitioner. Till the issuance of the Notification the petitioner was paid interest at the rate of 10 per cent per annum but he is not entitled to claim interest at this rate after issuance of the Notification dated January 1, 1999. If the petitioner feels that the Scheme is no longer to his benefit he is free to discontinue his account. The petitioner is not entitled to compel the respondents for making payment of interest at the rate of 10 per cent per annum so long as the deposit continues with the respondent No. 4. The act of the respondent-Reserve Bank of India cannot be tantamount to betrayal of the promise that had been made to the depositors in the Scheme. The petitioner has not been subjected to hostile discrimination as the

Reserve Bank of India reduced the rate of interest as per the economic policy and the said policy has overall effect on all the deposits.

7. This Court cannot embark upon unchartered ocean of public policy. The wisdom of policy-decision of the Reserve Bank of India is not a subject-matter for consideration by this Court under Article 226 of the Constitution. The petitioner having made deposits in 1995, was given full benefit as per the Scheme for a term of three years and if the rate of interest was reduced thereafter, as per the monetary and economic policy of the Reserve Bank of India, it did not infringe any statutory or fundamental right of the petitioner.

8. I do not find any merit in the writ petition, it accordingly stands dismissed without any order as to costs.

Petition dismissed.