

HARI CHAND

ADVOCATE

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ਵਕੀਲ

PUNJAB & HARYANA HIGH COURT

ਪੰਜਾਬ ਅਤੇ ਹਰਿਆਣਾ ਹਾਈ ਕੋਰਟ

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ਸੈਕਟਰ 44- ਸੀ

ਚੰਡੀਗੜ੍ਹ 160045

DATED: 23.10.2019

To,

1. Secretary, Department of Financial Services (Banking Division), Ministry of Finance, Third Floor, Jeevan Deep Building, Sansad Marg, New Delhi – 110001
2. Executive Director, Reserve Bank of India, Central Office Building, SBS Marg, Mumbai-400 001

Subject:- Demand Notice - for seeking (i) amendment in the relevant provisions of statutes including Section 16 (1) of The Deposit Insurance and Credit Guarantee Corporation Act, 1961 by reviewing the upper limit for repayment of deposits to the depositors of a bank, in case of its liquidation; (ii) reviewing the differential rate of interest provisions for deposits, which is being misused by the private/commercial banks, for the purpose of attracting deposits from various segments of the society, particularly the senior citizens, who are attracted by higher rate of interest offered by such banks.

SPEED POST

Dear Sirs,

I hereby serve the following notice on you on my behalf:-

1. That the imposition of moratorium on the Punjab and Maharashtra Cooperative Bank (PMC Bank) by the Reserve Bank of India on 26.9.2019, has sent shivers across the spines of the bank depositors all over the country. The moratorium on repayment of deposits have resulted into commission of suicides of about half a dozen depositors, particularly the senior citizens, who had invested their life long savings in Punjab and Maharashtra Cooperative Bank. This episode indicates that the deposits of the public at least in private sector commercial banks are not safe. Such a message to the depositors across the country is not in the interest of banking system in India. It is also pertinent to submit at this stage that as per the information available with me, at least

36 private banks have been put under moratorium by the Reserve Bank of India, during the period from 1969 to 2008. The first such private sector bank which was put under moratorium in the year 1969 being Bank of Bihar, and the last such bank put under moratorium in 2008 was Centurion Bank of Punjab. The latest moratorium on Punjab and Maharashtra Cooperative Bank shows that it is the 37th private sector bank put under moratorium. Thus, the situation is very dangerous and requires to be tackled with utmost dedication and strictness.

2. That in order to avert such a situation where the private sector banks are being put under moratorium, the addressee No. 2 (RBI) must look into the system of prescribing the rate of interest on deposits by the various commercial banks (in public sector as well as private sector banks). The existing system under which such banks are entitled to determine/prescribe the differential rate of interest on deposits by taking a decision in the meeting of their Board of Directors, to my mind is one of the reasons which have led to failure of various private banks. Such private banks offer lucrative rates of interest on deposit to the public, who is lured to invest their hard earned savings by diverting from public sector banks or even from the post offices. Such decision some time proves to be a foolish decision when such a private sector bank is put under moratorium and the amount invested by the public in deposits in such a bank gets stuck up for a long period, and eventually the depositors are held entitled only to ratable distribution of amount on liquidation. In my humble submission, the Government should amend the relevant statutory provisions and provide for making full payment at least to depositors, in case any bank, (be it in public sector or private sector) is put under moratorium, because in such a catastrophic situation, the bank depositors look up to the Reserve Bank of India and the Government of India for their protection. It hardly needs be stated that in case of moratorium imposed on a public sector bank before merging such bank with another stronger public sector bank, the depositors have always been repaid full amount of their deposits. Thus, there is no reason as to why the private sector banks, which are also covered under the regulatory system of the Reserve Bank of India, under the Banking Regulation Act, should not be protected in similar situation.

3. That it will not be out of place to mention that even the various departments of State Governments have started diverting huge deposits from State Bank of India, and other public sector banks/nationalized banks, to the private sector banks like HDFC/ ICICI purportedly for the reason that these private sector banks offered certain additional facilities like life insurance

cover,(HDFC has reportedly supplied free LEDs for all Government Schools in the State of Punjab, as Education department of Punjab shifted all its deposits from SBI to HDFC) to the account holders and employees. The Reserve Bank of India must issue appropriate guidelines to avert such situation, where the various public sectors organization including the State Governments are themselves trying to harm the financial position of a public sector banks only with a view to get some additional facilities from private sector banks. In my humble submission, the competition, if any, between the public sector banks and private sector banks should only be of “service to the customers” and not in the matter of giving additional facilities, which are offered by the private sector banks, while the public sector banks cannot compete with them by extending similar facilities.

4. That another disappointment to the depositors of any bank, on being placed under moratorium, is that The Deposit Insurance and Credit Guarantee Corporation (DICGC), under Section 16 (1) of The Deposit Insurance and Credit Guarantee Corporation Act, 1961, guarantees repayment of amount to a depositor only up to maximum of Rs. 1 lakh. The ratable amount which is payable to such a depositor on liquidation of the concerned bank is adjusted against this amount of Rs. 1 lakh. The upper limit of Rs. 1 lakh was fixed in the year 1991. Much water has flown across the gages since 1991. A period of 28 years has lapsed. The upper limit for repayment of guaranteed amount by the DICGC still stands at Rs. 1 lakh, which is too meager an amount. The addressee No. 1 (Union of India) therefore must take appropriate steps for amending the relevant provisions of Section 16 (1) of The Deposit Insurance and Credit Guarantee Corporation Act, 1961, to raise this upper limit from Rs. 1 Lakh to some reasonable amount, so that on liquidation of a private sector bank, the depositors of such bank may not feel cheated by the banking system, or for that matter, the Union of India and the Reserve Bank of India.

I would therefore, call upon you to take appropriate steps, for redressal of my aforesaid legitimate grievance by considering the aforesaid two suggestions/demands in a positive manner in large public interest.

In case I do not hear from you in this regard within a period of one month from the date of receipt of this notice by you, which is being sent by speed post, in that event, I stand authorized to approach the Hon'ble High Court of Punjab and Haryana at Chandigarh by way of Public Interest Litigation for seeking the redressal of my aforesaid legitimate grievance, in large public interest.

Meanwhile, please acknowledge receipt of this notice.

(H.C. ARORA)
ADVOCATE