

**HIGH COURT OF JUDICATURE AT ALLAHABAD****WRIT - C No. - 21627 of 2023**

Nem Kumar Jain And Another

.....Petitioner(s)

Versus

Union Of India And 2 Others

.....Respondent(s)

Counsel for Petitioner(s)	:	Manish Kumar Jain
Counsel for Respondent(s)	:	A.S.G.I., Jainendra Kumar Mishra

Along with :

- Writ - C No. 21657 of 2023:**
Basant Kumar Jain and another
Versus
Union of India and 2 others
-

Court No. - 4**A.F.R.****HON'BLE AJIT KUMAR, J.
HON'BLE SWARUPAMA CHATURVEDI, J.****(Per Swarupama Chaturvedi, J.)**

1. Heard Sri Manish Kumar Jain, learned counsel for the petitioners, Sri Jainendra Kumar Mishra, learned counsel for respondent nos. 2 and 3 and learned Standing Counsel for the State respondent.
2. By means of both these writ petitions, filed under Article 226 of the Constitution, the petitioners have sought substantially similar reliefs. The principal prayer is for a writ of mandamus directing the respondents to compute and pay interest on the respective Fixed Deposit Receipts at the contracted rate till their dates of maturity and to restrain the respondents from reducing the agreed rates of interest and further to direct Respondent Nos. 2 and 3 to consider and decide the representations submitted by the petitioners. These prayers flow from the common grievance regarding the unilateral reduction of the agreed interest rate after issuance of the FDRs.
3. Since both petitions raise identical legal issue, they were heard together and are being decided by this common judgment. Although the factual particulars of each petition, such as the date of the Fixed Deposit Receipt (FDR), the amount deposited and the name of the depositor differ, the

core question involved is the same that whether the respondent bank is justified in reducing the rate of interest after issuance of the FDR. For clarity, the individual facts of each case are discussed separately, but the determination of the common issue shall govern both petitions.

4. The background facts in the Writ-C No. 21627 of 2023 is that many Fixed Deposit Receipts (FDRs) were created by petitioner no. 1 with his mother, Smt. Yashoda Jain (petitioner no. 2), and his father, late P.K. Jain, who was a retired staff member of the Oriental Bank of Commerce, Bulandshahr Branch, and who passed away in the year 2016. The said FDRs were issued by the Oriental Bank of Commerce, Bulandshahr Branch, on 01.12.2011, 01.12.2011, 01.12.2011, 16.12.2011, 28.03.2012, 28.03.2012, 28.03.2012, and 16.12.2011, for amounts of Rs. 5,00,000/-, Rs. 3,00,000/-, Rs. 3,00,000/-, Rs. 2,00,000/-, Rs. 1,00,000/-, Rs. 50,000/-, Rs. 50,000/-, and Rs. 45,000/-, respectively. These FDRs were created on the interest rate of 10.75% per annum, with a maturity period of ten years, and the total maturity amount payable thereunder was Rs. 44,63,051/-. The petitioners had also created another FDR on 18.02.2014 for an amount of Rs. 1,00,000/-, carrying an interest rate of 10.25% per annum and maturing on 18.02.2024, with a maturity value of Rs. 2,75,134/-.

5. The brief facts in the Writ-C No. 21657 of 2023 is that FDRs were made by the petitioner no.1 and his joint account holder mother namely, Smt. Yashoda Jain (petitioner no. 2) and father namely, P.K. Jain, a retired staff member of Branch of Oriental Bank of Commerce, Bulandshahar and he died in the year 2016. The aforesaid FDRs were created before the Branch of Oriental Bank of Commerce, Bulandshahar on 01.12.2011, 01.12.2011, 16.12.2011, 16.12.2011 and 28.03.2012 amounting Rs. 5,00,000/-, Rs. 5,00,000/-, Rs. 1,00,000/-, Rs. 1,00,000/- and 2,00,000/- respectively interest @ 10.75 % which will be matured after 10 years and total maturity amount will have to be paid Rs. 40,44,189/-.

6. Learned counsel for the petitioners submits that the aforementioned FDRs were jointly made by petitioner no. 1, petitioner no. 2 (the mother of petitioner no. 1), and the late father of petitioner no. 1. It is further submitted that the Oriental Bank of Commerce was merged with the

Punjab National Bank in the year 2020, and, the respondent no. 2, without issuing any show cause notice or affording any opportunity of hearing to the petitioners, reduced the contracted rate of interest on various FDRs from 10.75% to 9.25%, and from 10.25% to 8.25%. It is contended that such unilateral reduction in interest rates is impermissible in law. Learned counsel of the petitioners further submits that petitioners approached respondent nos.2 and 3, requesting payment of interest at the originally agreed rate of 10.75% on all the FDRs but despite such representations, the respondents failed to release the interest at the contracted rate, which is arbitrary and illegal.

7. Learned counsel for the petitioners further submits that when petitioner contacted officials of the bank regarding the details of the FDRs interest rate, the letter was provided to the petitioner stating that the FDRs interest rate has been deducted according to Circular No. HO/CS&P/22/2014-15/248 dated July 3, 2014 and clarified that benefits of additional interest of banks' staff members or retired member was available only in case the staff member or retired staff members had an account singly or jointly with family member where the staff member/retired staff member was the Principal Account Holder but the FDRs in these petitions were made before the date of circular and hence it was cited as reason to reduce the rate of interest. It is argued that the circular cannot be applicable retrospectively and the respondent has not provided any information to the petitioner till the year 2020 and there is no provision to make this circular retrospective.

8. It is further submitted by the learned counsel representing petitioners that the reduction of the interest rate amounts to a violation of settled principles of contract law, as the issuance of the FDR with a specified rate of interest constitutes a binding contractual obligation between the parties. Learned counsel contends that the petitioners got legitimate expectation of receiving the matured amount at the rate expressly stipulated in the FDRs, and such contractual assurance cannot be unilaterally altered by the Bank after the FDRs had been issued.

9. It is also submitted that the sister of the petitioner no.1 and petitioner no.2 in these petitions have faced same issue regarding their FDRs and they challenged the decision of the bank in Writ C No. 17211 of 2021 and

Writ C No. 33494 of 2022, which were allowed by this Court vide its order dated 24.02.2023 with directions for the payment as per promised rate in FDRs.

10. Learned counsel for the petitioners also relies upon the circular of the Reserve Bank of India, RBI/DBR/2015-16/19, Master Direction DBR.Dir.No.84/13.03.00/2015-16 namely, “Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016”, which is applicable on every Scheduled Commercial Bank, including Regional Rural Banks (RRBs). Provision under Chapter II, 4 (c) provides that the interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance. Clause (d) further states that rates shall not be subject to negotiation between the depositors and the bank. Learned counsel relies upon various provisions of the circular to buttress his arguments that the bank cannot make deviation from the rate of interest mentioned in the FDRs at the time of their issuance.

11. Per contra, learned counsel for respondent Nos.2 and 3 has vehemently opposed the prayer made in the petition and submitted that the father of petitioner No.1, admittedly an employee of the respondent Bank, had retired in the year 2002 and passed away in the year 2016. However, the FDRs in question were issued by the Bank in the year 2011-12, during which period petitioner No.1 was not dependent upon his father, hence, the amount invested in the said FDRs had no concern with the service benefits of the petitioner's father. It is further submitted that no declaration, as required under the applicable norms, was ever furnished by the petitioner. Learned counsel for the respondents submitted that the petitioners procured the FDRs without adhering to the due process mandated under the Circulars issued by the RBI from time to time. Learned counsel further submits that although Writ-C No. 17211 of 2021 filed by the mother of petitioner No. 1 was allowed by a coordinate Bench of this Court on compassionate grounds without considering the said RBI Circulars, and the respondent-Bank has duly complied with the order dated 24.02.2023 passed therein, but the present writ petition seeks a direction for payment of additional interest, to which the petitioners are not entitled under the RBI Circulars.

12. Learned counsel for respondent nos. 2 and 3 has placed reliance on

the Master Circular dated 01.07.2009, issued by the Reserve Bank of India in which clause 6.2B(ii) it is clearly mentioned as under:-

"In the case of employees taken over pursuant to the scheme of amalgamation, the additional interest shall be allowed only if the interest at the contractual rate together with the additional interest does not exceed the rate which could have been allowed if such employees were originally employed by the bank."

13. Learned counsel for respondent nos. 2 and 3 has further submitted that in the instant case, the petitioner no.1 who deposited the money was not the staff of the Bank, therefore, the additional rate of interest is not payable to the petitioner no.1. It is further submitted that if any FDRs issued/obtained by the petitioners beyond the provisions of the circulars issued by the RBI in pursuance of an additional rate of interest, then the respondent Bank has the right to correct the same as per circulars issued from time to time.

14. In rejoinder, learned counsel for the petitioners denies the applicability of the circular in the facts of this case because the rate of interest was clearly mentioned by the bank on fixed deposit receipt and it was further submitted by the counsel of the petitioner that at no occasion any non-compliance in issuance of FDRs was communicated by the bank to the petitioners. He further states that the issue involved in the matter is identical to Writ-C No.17211 of 2021, which was allowed on 24.02.2023 by coordinate Bench of this Court after consideration of all submissions made by the respondents during hearing of these writ petitions as the same argument was made by the respondent bank in the hearing that case also. Operative portion of the judgement and order dated 24.02.2023 passed by division bench in **Writ-C No.17211 of 2021**, on which the counsel of the petitioners is relying, is reproduced as under:-

"The writ petition is, accordingly, allowed. The respondent bank is directed to compute and pay the interest rate at 10.75% on the FDRs until due date of maturity of the FDRs. The deducted amount towards interest shall be paid within a week from the date of receipt copy of this order. Failing which, petitioners shall be entitled to interest on the due amount at the rate of interest admissible on FDR."

15. After going through records and submissions made by the learned counsel of respective parties, the undisputed fact appears that there are various FDRs mentioning rate of interest, issued in favour of petitioners

and on no occasion, petitioners were informed about any illegality in creating those FDRs. Another fact, which is not in dispute that the father of petitioner no.1 was employee of the bank, who later got retired from his services after completion of his tenure. The relief in favour of the sister of petitioner no.1 who was similarly situated and had same issue with respondent bank in FDRs in her name, is also not disputed and the same also gets clear after going through the order passed by this High Court in Writ C. No. 17211 of 2021 and the connected matter. Petitioner no.2 in these petitions also got relief regarding some of her FDRs in same common order and this fact is also not disputed by the respondents here.

16. For proper adjudication of the controversy involved in these petitions, we proceed to consider the circulars and the judgement placed on record by the petitioners and the respondents.

17. Learned counsel for the petitioners has placed reliance upon Master Direction-Reserve Bank of India (Interest Rate on Deposits) Directions, 2016. For the ready reference, relevant provisions of the “Master Direction-Reserve Bank of India (Interest Rate on Deposits) Directions, 2016” is reproduced below:

“CHAPTER – II

GENERAL GUIDELINES

4. Interest Rate framework

Scheduled commercial banks shall pay interest on deposits of money (other than current account deposits) accepted by them or renewed by them in their Domestic, Ordinary Non-Resident (NRO), Non-Resident (External) Accounts (NRE) and Foreign Currency (Non-resident) Accounts (Banks) Scheme {FCNR(B)} deposit account on the terms and conditions specified in these directions:

...

(c) Interest rates payable on deposits shall be strictly as per the schedule of interest rates disclosed in advance. The banks shall maintain the bulk deposit interest rate card in their Core banking system to facilitate supervisory review.

(d) The rates shall not be subject to negotiation between the depositors and the bank.

...

(g) Deposits maturing on non-business working day

(i) If a term deposit is maturing for payment on a non-business working day, Scheduled Commercial Banks shall pay interest at the originally contracted rate on the original principal deposit amount for the non-business working day, intervening between the date of the maturity of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day.

(ii) In case of reinvestment deposits and recurring deposits, Scheduled Commercial Banks shall pay interest for the intervening non-business working day on the maturity value.

(h) Consequence of transfer of branch of one bank to another bank

Deposits accounts transferred from one bank branch to another bank branch on account of takeover of bank branches in rural and semi-urban centres shall adhere to the following conditions:

(i) deposit accounts shall deemed to be transferred to the new bank and will continue to be governed by the terms of contract agreed to between the customer and the bank branch that is being taken over.

(ii) the same rate of interest shall be payable till maturity on such transferred deposits, as was payable at the time of takeover of the branch."

(Emphasis added)

18. Upon bare reading of the above provisions it becomes clear that all Scheduled Commercial Banks are mandated to pay interest on term deposits strictly in accordance with the schedule of interest rates disclosed in advance. The directions made in above circular, expressly provide that such rates are non-negotiable and not amenable to individual variation. It further stipulates that where a term deposit matures on a non-business working day, the bank is obliged to pay interest at the originally contracted rate for the intervening period until the succeeding working day. There is also clear direction that in the event of transfer of deposit accounts due to branch takeovers, the deposits shall continue to be governed by the original terms of contract, and the rate of interest agreed at the time of acceptance of the deposit shall remain binding and payable until maturity. These provisions cumulatively establish the principle that once the rate of interest is mentioned at the time of issuance of the FDR, the same cannot be unilaterally altered to the detriment of the depositor.

19. Learned counsel of the respondents has relied upon rule 6.2 of the Reserve Bank of India circular dated 01.07.2009, RBI/2009-10/80, UBD.No.BPD.MC.No. 11/13.01.000/2009-10, namely, Master Circular, Interest Rates on Rupee Deposits-UCBs, which makes provision for the

additional interest payable to bank's staff and their exclusive associations.

Relevant part of rule 6.2 is reproduced below for the ready reference:

“6.2 To Bank's Staff and their Exclusive Associations

A bank may, at its discretion allow additional interest at a rate not exceeding one per cent per annum over and above the rate of interest stipulated in the Annex 1 & 2 and the additional interest payable/paid as per paragraph 6.1:

(A) In respect of a savings or a term deposit account opened in the name of

(i) a member or retired member of the bank's staff, either singly or jointly with any other member or members of his/her family; or

(ii) the spouse of a deceased member or a deceased retired member of the bank's staff; and

(iii) an association or a fund, members of which are the members of the bank's staff,

Provided that -

the bank shall obtain a declaration from the depositor concerned, that the monies deposited or which may, from time to time, be deposited into such account, shall be monies belonging to the depositor as stated in Clauses (i) to (iii) above.

Provided further that -

(a) in the case of employees taken on deputation from another bank, the bank from which they are deputed may allow additional interest in respect of the savings or term deposit account opened with it, during the same period of deputation;

(b) in the case of persons taken on deputation for a fixed duration, or on a contract of a fixed duration, the benefit shall cease to accrue on the expiry of the term of deputation or contract, as the case may be;

(B) Payment of additional interest shall be subject to the following conditions, namely :

(i) The additional interest shall be payable only so long as the person continues to be eligible for the same and in case of his ceasing to be so eligible, till the maturity of the deposit, in the case of a term deposit account.

(ii) In the case of employees taken over pursuant to the scheme of amalgamation, the additional interest shall be allowed only if the interest at the contractual rate together with the additional interest does not exceed the rate which could have been allowed if such employees were originally employed by the bank.

(C) Bank employees' federations in which bank employees are not direct members shall not be eligible for additional interest.”

20. We have carefully gone through the above provision, considered directions given thereunder which is to permit banks to grant up to one per cent additional interest on savings and term deposits belonging to

members or retired members of the bank's staff, their eligible family members, and staff-exclusive associations or funds, subject to the depositor providing a declaration that the deposited funds belong to such eligible persons at bank's discretion. This provision merely authorises banks to grant an additional interest of up to one per cent to eligible categories of staff and their family members at their discretion. The provision is enabling in nature and does not contain any clause permitting the bank to subsequently revise or reduce the interest rate already contracted in respect of an existing FDR. In our view, nothing in this clause empowers the bank to reduce a rate of interest which is already mentioned at the time of issuance of the FDR in the past. The direction regulates only the grant of additional interest in eligible cases, but it does not authorise retrospective alteration or reduction of the agreed rate of interest after the FDR has been issued.

21. Learned counsel for the respondent further relies upon the circular No. HO/CS&P/22/2014-15/248 dated 03.07.2014, issued by the General Manager, Oriental Bank of Commerce. Operative part of the circular is reproduced below for the ready reference:

"Clarification for payment of additional rate of interest on term deposits paid to staff, retired staff who is senior citizen in case of joint accounts with dependent senior citizen.

Background: Attention is invited to operational Manual Chapter 9, Sub Para 3.10.2 of Para 3.10 (Staff Accounts) in which it has been advised that for payment of additional rate of interest to staff the name of the staff/ retired staff/ spouse (in case of his/her demise) shall be first, in case of joint term deposit accounts.

Clarification from RBI: IBA has been receiving queries from member banks, whether the benefits of additional interest on senior citizen deposit and additional interest to staff or retired staff can be paid for deposits in joint account where the spouse (senior citizen) is the first holder and staff is the second holder. IBA had taken up the issue with RBI for clarification.

RBI vide its letter DBOD.Dir.No.19428/13.01.01/2013-14 clarified that benefits of additional interest to bank's staff members or retired staff member is available only in case the staff member or retired staff members has an account singly or jointly with family member where the staff member/ retired staff member is the Principal Account Holder.

All the branches are once again advised to take note of the above instructions for meticulous compliance. Any violation in this regard shall be viewed seriously and erring official shall expose himself/herself to disciplinary action."

22. From the perusal of the circular, it appears that it is a clarification

regarding additional interest for staff, retired staff, and senior citizens in joint accounts and conditions for granting additional interest on deposits. It is a fact that the instructions in the circular make it explicit that such benefits are admissible only where the staff member or retired staff member is the principal account holder, and stipulate the strict compliance by all the banks, however, nowhere does the circular authorize or contemplate the reduction of the contracted interest rate on an existing FDR. Therefore, while the circular regulates the discretionary grant of additional interest to certain categories of depositors, it does not in any manner empower the bank to unilaterally revise or reduce the interest rate already agreed and clearly mentioned in an issued FDR.

23. Learned counsel for the respondents also relies upon circular issued by Reserve Bank of India dated 02.07.2012, namely, Master Circular on Interest Rates on Rupee Deposits held in Domestic, Ordinary Non-Resident (NRO) and Non-Resident (External) (NRE) Accounts. Provisions relied upon by the learned counsel are reproduced below for the convenience:

“2.5 Discretion to pay additional interest not exceeding one percent on deposits of bank’s staff and their exclusive associations

A bank may, at its discretion, allow additional interest at a rate not exceeding one per cent per annum over and above the rate of interest stipulated in Annex 1 & 2 to this circular subject to following conditions:

2.5.1 In respect of a savings or a term deposit account opened in the name of:

a. a member or a retired member of the bank’s staff, either singly or jointly with any member or members of his/her family; or

b. the spouse of a deceased member or a deceased retired member of the bank’s staff; and

c. an Association or a fund, members of which are members of the banks staff;

A bank should obtain a declaration from the depositor concerned, that the monies deposited or which may, from time to time, be deposited into such account belong to the depositor as stated in clauses (a) to (c) above.

2.5.2 For the purposes of sub-paragraph 2.5.1:

(i) “a member of the bank’s staff” means a person employed on a regular basis, whether full-time or part-time, and includes a person recruited on probation or employed on a contract of a specified duration or on deputation and an employee taken over in pursuance of any scheme of amalgamation, but does not include a person employed on casual basis.

....

(ii) “A retired member of the bank’s staff” means an employee retiring

whether on superannuation or otherwise as provided in the bank's Service/Staff Regulations, but does not include an employee retired compulsorily or in consequence of disciplinary action;

(iii) "Family" means and includes the spouse of the member/retired member of the bank's staff and the children, parents, brothers and sisters of the member/retired member of the bank's staff, who are dependent on such member/retired member, but does not include legally separated spouse;

2.5.3 Payment of additional interest is subject to the following conditions, namely:

The additional interest is payable only so long as the person continues to be eligible for the same and in case of his ceasing to be so eligible, till the maturity of a term deposit account;

In the case of employees taken over pursuant to the scheme of amalgamation, the additional interest is allowed only if the interest at the contractual rate together with the additional interest does not exceed the rate, which could have been allowed if such employees were originally employed by the bank.

...

2.5.5 In case of Domestic deposits, it will be in order for banks to give their resident Indian retired staff, who are senior citizens, the benefit of higher interest rates as admissible to senior citizens over and above the additional interest of not exceeding one per cent payable to them by virtue of their being retired members of the banks' staff."

24. We have perused the above provisions, however, in the present case, the bank has not alleged any irregularity in the issuance of the FDRs, nor any question has been raised regarding the rates mentioned therein, and at no stage were the FDRs cancelled or modified for non-compliance of any provisions for years. None of the provisions in the circular relied upon by the respondents provide any authority to unilaterally reduce the contracted rate of interest on FDRs, which are already issued and have a rate clearly mentioned therein, and therefore, above provisions cannot be considered as authorization to the bank for the reduction made by the bank.

25. Learned counsel for the petitioners relied upon the common order dated 24.02.2023, passed by this High Court in ***Smt. Sarojni Jain and Another Vs Union of India and 2 Others***, Writ C No. 17211 of 2021 and ***Smt. Shalini Agarwal and Another Vs. Union of India and 2 Others*** Writ C No. 33494 of 2022, however learned counsel for the respondents contends that the writ petition filed by the widow of the ex-employee, who is petitioner no. 2 in these petitions, was allowed on compassionate basis without considering RBI circulars, but the respondent bank complied with the order dated 24.02.2023 honoring verdict of this Court.

26. To decide the controversy, we have perused the common order dated 24.02.2023 passed in the above mentioned writ petitions, which is passed after calling upon the General Manager of the respondent-bank, who was directed to file his personal affidavit explaining as to how the promised rate of interest on the date of FDRs at 10.75% was reduced *suo moto* at 9.25%. In compliance of the direction, an affidavit was filed and while disputing the fact, the stand was taken that since the retired staff/father of the first petitioner was not the principal account holder, as such, the benefit of additional rate of interest cannot be given to the petitioners. Reliance was placed on the clarification issued by the Indian Bank Association, referring to a Circular of the Reserve Bank of India (for short 'RBI') dated 2 June 2014, which reads thus:

"The benefit of additional rate of interest to bank's staff members or retired staff member is available only in case of the staff member or retired staff members has an account singly or jointly with family member where the staff member/retired staff members is the principal Account Holder. Accordingly after merger CBS System of bank corrected the records and reconciled the amount as per the RBI guidelines."

27. It appears that similar submissions were made to oppose those writ petitions and after considering all submissions made by the respondent bank the order was passed by this Court in those writ petitions. Relevant paragraphs to demonstrate submissions made by respondents in **Writ C No. 17211 of 2021** are reproduced below:

"12. Accordingly, it was stated that correction of the rate of interest as per the RBI Guidelines, was made in the FDRs i.e. reducing it at 9.25% from the date of deposit. Further, it was stated that the retired staff/father of the first petitioner did not make a declaration that the money deposited or which may be deposited from time to time into such account belongs to him. Further, reliance has been placed on RBI Circular dated 3 March 2016, updated on 22 February 2018, wherein, it has been provided that the interest rate offered shall be reasonable, consistent, transparent and available for supervisory review/scrutiny as and when required. Accordingly, after merger of the Oriental Bank of Commerce with the Punjab National Bank the interest rate on the FDRs in dispute, as well as, 15 other FDRs was corrected as per the RBI Guidelines."

13. In other words, it is submitted that the bank has not reduced the rate of interest on the FDRs of the petitioners, but, correction was made in compliance of the Guidelines issued by the RBI and followed by the Indian Bank Association."

14. In the aforementioned facts, the short question that arises is as to whether the bank was justified in reducing the rate of interest promised on the FDRs on the date of its deposit before the maturity of the FDRs."

28. After considering complete facts and circumstances in those petitions, this Court also observed in above mentioned common order that it was not the case of the respondent-bank that any fraud or misrepresentation was played by the petitioners with the bank while making the FDRs. The respondent-bank has admitted that the higher rate of interest was offered to the petitioners, whereas, as per the Circular of the RBI referred to by the respondents, correction was made later on. In other words, it was a mistake of the officers of the bank offering higher interest on the FDRs. Same is the case in petitions in hands, there is no allegation of fraud played by any of the petitioner while getting the FDRs issued and therefore the respondents are not justified in unilateral reduction of the rate of interest. Relevant paragraph is reproduced to demonstrate that the statement made by the learned counsel of the respondent is not correct that this Court has not considered R.B.I. circulars and passed the order on compassion:

“17. Learned counsel for the petitioners has placed reliance on the Circular dated 3 March 2016, issued by the RBI, i.e. Reserve Bank of India (Interest Rate on Deposit) Directions, 2016. The directions are applicable to every Scheduled Commercial Bank, inter alia, on term deposit.

18. Direction 8 pertains to interest rate on domestic term deposit i.e. payment of additional interest on domestic deposits. Sub-clause (a) provides that the Scheduled Commercial Banks shall, at their discretion, allow additional interest of one per cent per annum, over and above the rate of interest mentioned in the schedule of interest rates on savings or term deposits to bank's staff. Direction 8(a)(vi) further mandates the additional interest may be paid on the deposits after obtaining a declaration from the depositor concerned, that the monies deposited or which may be deposited from time to time into such account belong to the depositor, if the depositor is a retired bank staff and deposits the money either singly or jointly or any member or members of his/her family. Sub-clause (b) of Direction 8 further confers a discretion upon the Scheduled Commercial Banks to formulate term deposit schemes specifically for resident Indian senior citizens, offering higher and fixed rates of interest as compared to normal deposits of any size.

19. Accordingly, it transpires that the bank promised a higher rate of interest of 10.75% on the FDR to the petitioners. The FDR tenor was for 10 years. The stand of the bank that rate of interest offered on the FDR to the petitioners made alongwith deceased retired bank staff was at a higher rate and not permissible under the Circular as the retired bank staff was not the principal account holder.”

29. This Court has thoroughly considered identical facts and circumstances, which was involved in *Smt. Sarojni Jain (supra)* and *Smt.*

Shalini (Supra), and respondent bank has made similar contentions there. After hearing learned counsel for respective parties, this Court has passed following order:

“20. Be that as it may, for the mistake/error, if any, committed by the bank while offering the rate of interest at the time of opening the FDR account cannot all of sudden be reduced after nine years of the deposit. The bank is liable to pay the higher rate of interest as promised and the same could not have been recovered from the interest that accrued on the FDR until the date of knowledge of the mistake. It was not open to the bank to take a stand without notice to the petitioners that they would not pay the promised rate of interest, henceforth, upon discovering the mistake. If the officials of the bank are responsible for the error it was always open for the bank, as per their own Circular, to proceed against the erring employee and recover the loss caused to the bank from the delinquent employee, in accordance with Rules. Petitioners, one of them being a retired staff of the bank, were promised one percent higher interest rate on the FDRs which was permissible as per the Circulars of the RBI, which therefore could not have been reduced mid way suo moto irrespective of the fact that the retired bank staff was not the principal account holder. The petitioners cannot be made to suffer for the mistake of the bank.

21. The writ petition is, accordingly, allowed. The respondent bank is directed to compute and pay the interest rate at 10.75% on the FDRs until due date of maturity of the FDRs. The deducted amount towards interest shall be paid within a week from the date of receipt of certified copy of this order. Failing which, petitioners shall be entitled to interest on the due amount at the rate of interest admissible on FDR.”

30. Having regard to the earlier common order dated 24.02.2023 passed in Writ C No. 17211 of 2021 and Writ C No. 33494 of 2022, which involved identical contentions raised by the respondent bank, it is clear that the unilateral reduction of the contracted rate of interest on the FDRs by the bank is impermissible. In the said order, this Court had observed that any higher rate of interest promised to the depositor, including retired staff, cannot be retrospectively reduced on the ground that the staff member was not the principal account holder, particularly where no allegation of fraud, misrepresentation, or irregularity in issuance of the FDRs was made. The principle discussed therein is squarely applicable to the facts of the present petitions. The respondent bank's contention that the reduction was made in conformity with RBI circulars or IBA clarifications is misplaced, as those provisions only empower the bank to grant discretionary additional interest, however, they do not authorize the bank to reduce the rate of interest already mentioned in FDRs. The petitioners, therefore, cannot be made to suffer for oversight on the part of the bank

officials, in case if there are any omission by any bank staff.

31. At this stage, it is necessary to examine the broader jurisprudential principles of administrative fairness governing the relationship between a public sector bank and its customers. When a Fixed Deposit Receipt is issued with a specific contracted rate of interest, the depositor is entitled to proceed on the basis that the terms expressly recorded therein shall continue to govern the transaction until maturity. The doctrine of legitimate expectation, as evolved by the Supreme Court in ***Navjyoti Coop. Group Housing Society v. Union of India*, (1992) 4 SCC 477** must be followed by the bank as it is clearly mentioned that:

“16. ...the doctrine of 'legitimate expectation' imposes in essence a duty on public authority to act fairly by taking into consideration all relevant factors relating to such 'legitimate expectation'....”

32. The doctrine of legitimate expectation regarding contractual issue was discussed in *Union of India v. Hindustan Development Corporation*, (1993) 3 SCC 499, and it states as follows:

“27. Of late the doctrine of legitimate expectation is being pressed into service in many cases particularly in contractual sphere while canvassing the implications underlying the administrative law. Since we have not come across any pronouncement of this Court on this subject explaining the meaning and scope of the doctrine of legitimate expectation, we would like to examine the same a little more elaborately at this stage. Who is the expectant and what is the nature of the expectation? When does such an expectation become a legitimate one and what is the foundation for the same? What are the duties of the administrative authorities while taking a decision in cases attracting the doctrine of legitimate expectation.”

32. The legal principles established by the Supreme Court in above discussed judgements, applies to the facts of the present petitions, where the issuance of the FDRs with a clearly stated and higher rate of interest constituted an express terms of contract by the respondent bank, on the basis of which the petitioners has acted and allowed their deposits to remain with the bank for the full tenure.

33. In view of the foregoing discussion, the analysis of the relevant RBI directions, circulars, and the enabling provisions relating to additional interest for bank staff, retired staff, and senior citizens, it appears that none of the regulatory instructions empower the respondent bank to retrospectively reduce the rate of interest already contracted in an FDR. The provisions relied upon by the respondents govern only the grant of

discretionary additional interest and eligibility conditions therefor, however, they do not permit reduction of previously agreed rate of interest mentioned on FDR.

34. We considered the facts mentioned in pleadings and attached documents therein, affidavits filed by respondent bank, and oral submissions made by learned counsels representing respective parties in these petitions, it is clear that the petitioners were issued Fixed Deposit Receipts (FDRs) with contracted rates of interest of 10.75% and 10.25% as applicable. After years the respondent bank, *suo-moto*, reduced the interest rates on these FDRs, while quoting bank and RBI circulars regarding additional interest payable to bank staff, retired staff, and senior citizens. A careful perusal of these circulars and regulatory provisions reveals that they are entirely enabling in nature, governing only the discretionary grant of additional interest to eligible categories of depositors and prescribing the eligibility conditions for such benefits. Nowhere do these provisions authorize retrospective reduction or revision of the rate of interest already contracted in FDRs already issued.

35. We have considered the facts carefully and observe that the bank has not alleged any fraud, misrepresentation, or irregularity on the part of the petitioners while opening the FDRs. The higher rate of interest was offered at the time of issuance, and the subsequent reduction was the result of a unilateral decision by the bank officials. As held in the earlier common order dated 24.02.2023 passed in the case of *Smt. Sarojni Jain (supra)* and *Smt. Shalini Agarwal (supra)*, the petitioners cannot be made to suffer for any error or oversight by the bank in offering a higher rate of interest. The same principle is squarely applicable to the present petitions.

36. In the realm of contract, principle of promissory estoppel is absolutely attracted. Once it is found that beneficiary has not made any misrepresentation and cannot be held liable for *suggestio falsi* or for *suppressio vari*, having promised a particular rate of interest upon which investor agreed to invest money by creating FDRs, the bank cannot later on upon maturity, deny the agreed/promised rate of interest.

37. In light of the above discussion, it is clear that the reduction of the contracted interest rates on the petitioner's FDRs was neither authorized by law nor supported by any regulatory or circular provisions. The

respondent's reliance on RBI circulars and further clarifications is misplaced, as those directions relate only to the grant of additional interest and do not empower the bank to alter previously agreed contractual terms.

38. Accordingly, these petitions are **allowed** and the respondent bank is directed to compute and pay the interest on the petitioner's FDRs at the originally contracted rates of interest as mentioned on each FDRs, from the respective dates of maturity of the FDRs, and deductions, if any made in the interim shall be paid along with interest thereon at the applicable FDR rate.

(Swarupama Chaturvedi,J.) (Ajit Kumar,J.)

November 17, 2025

#Vikram/-Sanjeev