IN THE HIGH COURT OF JUDICATURE AT MADRAS

DATED: 16-03-2026

CORAM

THE HONOURABLE MR JUSTICE KRISHNAN RAMASAMY

WP No. 31230 of 2023

A.S.Ramalingam
Proprietor, M/s.Kuppanna Poultry
Farm, S/o.A.R.Subramaniam,
8/135, Alampalayam, Muthur,
Kangayam Taluk, Tiruppur District.

Petitioner(s)

Vs

1. The Regional Director,
Reserve Bank Of India, Fort Glacis,
No.16, Rajaji Salai, Chennai 600 001.

2.The General Manager,
Canara Bank, Chennai Circle,
Pb.1078, 563 /1 Anna Salai,
Teynampeet - 600 018, Chennai.

3.The Regional Manager,
Canara Bank, Usha Rice Mill Campus,
Dharampuram Road,
Tiruppur 641 604.

4.The Branch Manager,
Canara Bank, Mangalapatti Branch,
Vellakovil Road, Muthur,
Vellakovil 638 105, Tiruppur District.

Respondent(s)

PRAYER

Writ Petition filed under Article 226 of the Constitution of India, praying to issue a Writ of Mandamus, directing the respondents 2 to 4 to refund Rs.1,23,20,000/ - with interest at the rate of 12 percent which was illegally collected towards pre - closure charges on 06/03/2023 from my cash Credit Loan Account No.1352261010292 for releasing the documents given towards security for the loan, by considering th petitioners representations dated 13/02/2023, 24/02/2023, 27/02/2023.

For Petitioner(s): Mr.N.Manokaran

For Respondent(s): Mr.M.L. Ganesh, for R2 to 4
R-1 No appearance

ORDER

This writ petition has been filed to direct the respondents 2 to 4 to refund Rs.1,23,20,000/- with interest at the rate of 12%, which was illegally collected towards pre-closure charges on 06.03.2023 from my cash Credit Loan Account No.1352261010292 for releasing the documents given towards security for the loan, by considering the petitioner's representations dated 13.02.2023, 24.02.2023 & 27.02.2023.

2. The learned counsel for the petitioner would submit that in this case, the petitioner, being an account holder of the 4th respondent-bank for the past 2 decades, had intended to avail loan to the tune of Rs.29 Crores. Thereafter, when he made an attempt to pre-close the said loan, the 4th respondent had imposed certain unnecessary conditions.

3. Further, he would contend that as per the circulars dated 25.11.2008 & 12.11.2010, issued by Reserve Bank of India (RBI), it is mandatory on the part of the 4th respondent to disclose all the terms and condition for pre-closure of

loan at the time of issuance of sanction letter. In this case, two sanction memorandums were issued on 26.03.2021 & 19.03.2022 to the petitioner. However, the 4th respondent had not disclosed with regard to the aforesaid conditions in both the sanction memorandums, which is contrary to the aforesaid circulars issued by RBI. In this regard, the representations were made by the petitioner before the 4th respondent on 03.10.2022, 11.10.2022, 13.02.2023 & 24.02.2023. However, the same are not yet considered by the 4th respondent till date. Hence, this petition.

4. On the other hand, the learned counsel appearing for the respondents would submit that in the sanction letter dated 19.03.2020, it has been clearly mentioned that "fore-closure and charges as applicable". Therefore, he vehemently opposed for the submissions made by the petitioner and prayed for dismissal of this petition.

5. I have given due consideration to the submissions made by the petitioner as well as the respondents and also perused the entire materials available on record.

6. In the case on hand, the issues arises for consideration are as follows:

i) whether the petitioner is liable to pay fore-closure charges ? and
ii) whether the bank is empowered to impose fore-closure charges?

7. According to the petitioner, he is maintaining account in the 4th respondent-bank for the past 2 decades. In such case, normally, no charge will be imposed against the petitioner. Even if the 4th respondent is intend to impose any charges, they should have disclosed with regard to the same in the sanction letter issued to the petitioner. In this regard, a reference was made by the petitioner to the 2 circulars dated 25.11.2008 & 12.11.2010 issued by RBI and arguments were advanced to the extent that as per the aforesaid circulars, even if the bank is intend to impose any fore-closure charges, the same has to be explicitly disclosed in the sanction letter.

8. The aforesaid issues, raised by the petitioner, is not a factual aspect but it is only an allegation, of non-compliance of the RBI's circulars, dated 25.11.2008 & 12.11.2010, against the 4th respondent.

9. To answer the issues, it would be apposite to extract the aforesaid two circulars, which read as follows:

<u>Circular dated 25.11.2008:</u>

All Scheduled Commercial Banks / All India Financial Institutions (Excluding RRBs)
Dear Sir,

Guidelines on Fair Practices Code for Lenders- Disclosing all information relating to processing fees/charges

Please refer to our Circular DBOD.No.Leg.BC.65

/09.07.005/2006-07 dated March 6, 2007 wherein banks/Fls were advised that loan application forms in respect of all categories of bans irrespective of the amount of loan sought by the borrower should be comprehensive. It should include information about the fees/charges, if any, payable for processing, the amount of such fees refundable in the case of non acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, so that a meaningful comparison with that of other banks can be made and informed decision can be taken by the borrower.

2. It has come to our notice that some banks levy in addition to a processing fee, certain charges which are not initially disclosed to the borrower. It may be mentioned that levying such charges subsequently without disclosing the same to the borrower is an unfair practice.

3. Banks/Fls are therefore advised to ensure that all information relating to charges /fees for processing are invariably disclosed in the loan application forms. Further, the banks must inform 'all-in-cost' to the customer to enable him to compare the rates charged with other sources of finance.

Circular dated 12.11.2010:

"All Scheduled Commercial Banks / All India Financial Institutions (Excluding RRBs)
Dear Sir,

Guidelines on Fair Practices Code for Lenders- Disclosing all information relating to processing fees/charges

Please refer to our Circular DBOD. No. Leg. BC. 86/09.07.005/2008-09 dated November 25. 2008 containing guidelines on the captioned subject wherein banks were advised to ensure that all information relating to charges/fees for processing are invariably disclosed in the loan application forms and that banks must inform 'all-in-cost to the customers to enable them to compare the rates charged with other sources of finance.

2. With a view to bringing in fairness and transparency, banks are advised that they must transparently disclose to the borrower all information about fees charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned / disbursed, pre-payment options and charges, if any, penalty for delayed repayments if any, conversion charges for switching loan from fixed to floating rates or vice versa, existence of any interest reset clause and any other matter which affects the interest of the borrower. Such information should also be displayed in the website of the banks for all categories of loan products.

3. In other words, banks must disclose 'all in cost' inclusive of all such charges involved in processing/sanction of loan application in a transparent manner to enable the customer to compare the rates / charges with other sources of finance. It should also be ensured that such charges/fees are non-discriminatory"

10. A perusal of the above circulars makes it clear that the 4th respondent is supposed to have disclosed all the information, terms and conditions, including pre-payment options and fore-closure charges, in the sanction letter issued to the petitioner.

11. Even in the circular dated 12.11.2010, at paragraph No.2, it has been mentioned that "*With a view to bringing in fairness and transparency, banks are advised that they must transparently disclose to the borrower all information about fees charges payable for processing the loan application, the amount of fees refundable if loan amount is not sanctioned / disbursed, pre-payment options and charges, if any, penalty for delayed repayments..."*

12. In view of the above, it is clear that the aforesaid circulars were issued by the RBI with an intention to achieve transparency between the banks and customers on all aspects. However, in this case, except the word "as applicable" in the pre-payment column, nothing has been mentioned with regard to the terms and conditions for fore-closure in the sanction letters dated 26.03.2021 & 19.03.2022. Hence, it is clear that the RBI's circulars were not at all complied with by the 4th respondent and the sanction letters were issued in contrary to the said circulars. When such being the case, the 4th respondent is not entitled to collect any pre-payment charges.

13. Therefore, this Court is of the considered view that the petitioner is certainly entitled for refund of pre-payment charges, which was already paid along with interest. Hence, the 4th respondent is directed to return the said amount, along with interest at the rate of 7% per annum, to the petitioner within a period of 4 weeks from the date of receipt of a copy of this order.

14. With the above directions, this writ petition is disposed of. No cost.

16-03-2026

nsa
Index:Yes/No
Speaking/Non-speaking order
Internet:Yes
Neutral Citation:Yes/No

To

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2.The General Manager,
Canara Bank, Chennai Circle,
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604.

4.The Branch Manager,
Canara Bank, Mangalapatti Branch,
Vellakovil Road, Muthur, Vellakovil
638 105, Tiruppur District.

KRISHNAN RAMASAMY J.

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