

IN THE SUPREME COURT OF INDIA

CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NOS.5429-5430 OF 2013
(Arising out of S.L.P.(C) Nos.18818-18819 of 2013)

STATE BANK OF INDIA

Appellant(s)

VERSUS

HIGH COURT OF JUDICATURE
AT ALLAHABAD AND OTHER

Respondent(s)

O R D E R

Delay condoned.

Leave granted.

These appeals are directed against the interim orders dated 15th June, 2011, and 15th July, 2011, passed by the Allahabad High Court in Writ Petition (C) No.34465 of 2011, taking suo moto cognizance of a report in the 'Times of India' dated 14th June, 2011, relating to large-scale suicides amongst farmers in the Bundelkhand region of Uttar Pradesh. While passing such orders, the High Court in its order of 15th June, 2011, directed the matter to appear on 15th July, 2011, and, in the meantime, in order to prevent any further incidents of suicides taking place in the region, the State Government, the Nationalized and Private banks, the Financial Institutions, the Co-operative Banks and the Khadi Gramodhyog Development Board, were further directed not to take any coercive steps to recover the outstanding agricultural loans from the farmers.

Aggrieved by such blanket order on recovery, the State Bank of India has filed the instant appeals.

The Bank is represented by the learned Attorney General for India, whereas the State of Uttar Pradesh is represented by the Additional Advocate General, and the High Court, in its administrative capacity, is represented by Mr. Ravi Prakash Mehrotra, learned Advocate. The respondent Nos.2, 3 and 4 have been duly served, but have not appeared to contest the matter.

From what we have been able to gather from the submissions made on behalf of the respective parties and the materials on record, the High Court was deeply troubled by the rise in the rate of suicides amongst farmers, purportedly on account of their inability to repay the loans, which they had obtained from the banks. Of course, it has been submitted by the learned Attorney General that by passing a blanket order of injunction, the banks

have also not been in a position to give further loans, which has compelled the farmers to approach money lenders, which has created further problems.

There can be little doubt that the loans which were extended to the farmers were intended to be recovered, and that the failure of crops or any other intervening circumstances, could only be considered for rescheduling the repayment of the loans. In extreme cases, the banks could also take recourse to the suggestions made by the Reserve Bank of India by taking recourse to grant of fresh loans, moratorium, restructuring of existing loans, and providing for other conversion facilities for the purpose of recovery of the loans. It would also be up to the bank to consider One Time Settlements or even settlements for waiver of a portion of the loans that may have accrued on account of interest.

We are, however, unable to appreciate the blanket stay, which has been imposed on recovery, since there could be farmers who had taken loans for buying equipment of farm-machinery or even tractors, which, in our view, could not be equated with loans taken by the farmers for purchasing seeds, fertilizers, protecting and rejuvenating standing crops, etc. A distinction has to be made in such cases and we are of the view that the matter would be best settled if it is sent back to the High Court to consider the matters, indicated herein-above.

The Reserve Bank of India guidelines suggest a limit of Rs.50,000/- as the amount in respect whereof recovery proceedings may be stayed, to prevent a repeat of the situation that had occurred in Bundelkhand in 2011.

In these circumstances, we modify the interim orders passed by the High Court and impugned in these appeals, by vacating the blanket order on recovery of loans by the appellant-Bank, but, at the same time, we direct that while considering the manner in which loans may be restructured, we also direct that in cases where loans have been taken up to a maximum of Rs.1 lac, no coercive steps should be taken to recover the same before any final decision is taken by the High Court in the pending matter. The banks will be free to recover dues from persons who have obtained loans above Rs.1 lac and to receive payment of the outstanding dues, from those who are willing to repay the same.

Since the matter is pending for some time and it is the case of the appellant-Bank that the matters are not being heard, we request the High Court to take up the matters and to dispose of the main matter also at an early date, but preferably within three months from the date of communication of this order. We further indicate that except for expressing our views as to the manner in which the dues may be recovered, we have not imposed any conditions, other than the question of recovery, on the High Court to decide the matter.

Since the Reserve Bank of India is an important player in proceedings of this nature, on the oral prayer made by the learned Attorney General, let the Reserve Bank of India be added as a party to these proceedings, with a direction to appear before the High Court when the main matter is taken up for consideration.

The appeals are disposed of accordingly.

In view of the above, no orders are required to be passed on the application for intervention, filed by the Allahabad UP Gramin Bank, and the same is, therefore, disposed of.

(ALTAMAS KABIR)

.....CJI.

.....J.
(M.Y. EQBAL)

.....J.
(VIKRAMAJIT SEN)

New Delhi;
July 11, 2013.

ITEM NO.5 COURT NO.1 SECTION XI

S U P R E M E C O U R T O F I N D I A
R E C O R D O F P R O C E E D I N G S

Petition(s) for Special Leave to Appeal (Civil) No(s).18818-18819/2013

(From the judgement and order dated 15/06/2011 in WPC No.34465/2011 dated 15/07/2011 in WPC No.34465/2011 of The HIGH COURT OF JUDICATURE AT ALLAHABAD)

STATE BANK OF INDIA Petitioner(s)

VERSUS

HIGH COURT OF JUDICATURE AT ALLAHAB.&ORS Respondent(s)
(With appln(s) for intervention and office report)

Date: 11/07/2013 These Petitions were called on for hearing today.

CORAM : HON'BLE THE CHIEF JUSTICE
HON'BLE MR. JUSTICE M.Y. EQBAL
HON'BLE MR. JUSTICE VIKRAMAJIT SEN

For Petitioner(s) Mr. Goolam E. Vahanvati, A.G.
Mr. Sanjay Kapur, AOR
Ms. Priyanka Das, Adv.
Mr. Anmol Chandan, Adv.
Ms. Lekha Vishwanath, Adv.

For Respondent(s) Mr. Ravi Prakash Mehrotra, AOR
No.1 Mr. Vibhu Tiwari, Adv.

For State of U.P. Mr. Gaurav Bhatia, Addl. A.G., U.P.
Mr. Adarsh Upadhyay, Adv.

UPON hearing counsel the Court made the following
O R D E R

Leave granted.
The appeals are disposed of accordingly.

|(Chetan Kumar)
|Court Master

| |(Juginder Kaur)
|Assistant Registrar

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(Signed order is placed on the file)