

IN THE HIGH COURT OF ORISSA AT CUTTACK

**W.P.(C) No.6998 Of 2022
(Through hybrid mode)**

***M/s. Salubrity Biotech Ltd. and
another***

.... Petitioners

Mr. G.M. Rath, Advocate

-versus-

***Bank of Baroda, Vadodara and
others***

.... Opposite Parties

Mr. K.M.H. Niamati, Advocate

CORAM: JUSTICE ARINDAM SINHA

**ORDER
12.04.2022**

**Order
No.**

3.

1. Mr. Rath, learned advocate appears on behalf of petitioners and submits, impugned is communication dated 7th February, 2022, by which opposite party-bank informed debit of prepayment charges for closure of credit facilities. He submits, the sanction letter did not contain any such term. It is an unfair practice as per guidelines issued by Reserve Bank of India (RBI).

2. He refers to circular dated 6th March, 2007 issued by the Reserve Bank of India laying out 'Guidelines on Fair Practices Code for Lenders'. He submits, clear guideline was for including comprehensive information on, inter alia, pre-payment option. The apex bank followed up by circulars dated 25th November, 2008 and

12th November, 2010. He refers to sanction letter dated 5th November, 2019 and submits, there is only reference to processing charges at Rs.350 per lac or part thereof and in addition, goods and services tax (GST).

3. Mr. Niamati, learned advocate appears on behalf of the bank. He submits, the sanction letter does contain reference to circular of his client under processing charges. In that circular has been provided pre-payment charges. Therefore, the petitioner borrower cannot say that the information was not available. He submits further, in terms of the last referred circular dated 12th November, 2010, the referred circular was uploaded to and available in his client's website.

4. Mr. Rath submits, the circular was not disclosed along with the sanction letter and by circular dated 12th November, 2010 RBI provided additional guideline of the information to 'also' be uploaded in the website of the bank. He reiterates, his client was not made known in the application form nor sanction letter and therefore Court should strike down the pre-payment charges imposed by the bank.

5. Nothing from the counter has been brought to notice of Court that there was any indication of pre-payment charges to be imposed, as information provided in the loan application to petitioner or in the sanction letter except the circular referred against entry of processing charges. Furthermore, there is also no evidence that the referred

circular was disclosed as attachment to the sanction letter.

6. In facts and circumstances above, Court is satisfied that the object of transparency in grant of credit facilities, required to be fulfilled by the guidelines issued by the Reserve Bank of India, were not fulfilled in this case. Imposition of pre-payment charges therefore cannot be sustained. Said charge is struck down. The bank is directed to forthwith return the security documents on obtaining the processing charges.

7. The writ petition is disposed of.

(Arindam Sinha)
Judge

Sks

